



SMC Ranking
★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	Marketing Services
Offer for sale (Shares)	8,700,000
Fresh Issue (Shares)	6,006,944
Net Offer to the Public	14,706,944
Issue Size (Rs. Cr.)	397-424
Price Band (Rs.)	270-288
Employee Discount	Rs. 27 Per share
Offer Date	4-Mar-24
Close Date	6-Mar-24
Face Value	5
Lot Size	50

Issue Composition

	In shares
Total Issue for Sale	14,706,944
QIB	11,030,208
NIB	2,206,042
Retail	1,470,694

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	83.04%	66.07%
QIB	16.96%	26.65%
NIB	0.00%	4.37%
Retail	0.00%	2.91%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The net proceeds of the Fresh Issue, i.e., gross proceeds of the Fresh Issue less the Company's share of the Offer related expenses ("Net Proceeds") are proposed to be utilized in the following manner:

1. Funding working capital requirements of its company;
2. Funding capital expenditure to be incurred by the Company for setting up a digital video content production studio ("DVCP Studio");
3. Funding investment in IT infrastructure development of the company, and the Material Subsidiaries, Hansa Research and Hansa Customer Equity;
4. Funding setting up of new customer experience centres ("CEC") and computer aided telephonic interview centres ("CATI") of the company; and
5. General corporate purposes.

Book Running Lead Manager

- SBI Capital Markets Limited
- IIFL Securities Limited
- Motilal Oswal Investment Advisors Limited

Name of the registrar

- KFin Technologies Limited

About the company

Founded in 1973, R K Swamy Limited is engaged in the business of integrated marketing communications, customer data analysis, full-service market research and syndicated studies. R K Swamy is a data-driven, integrated marketing services provider that leverages digital initiatives extensively across all areas of its business. In FY2023, the company published more than 818 creative campaigns on behalf of its clients across various media. It also processed more than 97.69 terabytes of data and conducted over 2.37 million consumer interviews in the form of quantitative, qualitative and telephone surveys. The company's numerous clients include Aditya Birla Sun Life AMC Limited, Cera Sanitaryware Limited, Dr. Reddy's Laboratories Limited, E.I.D. - Parry (India) Limited, Fujitsu General (India) Private Limited, Gemini Edibles and Fats India Limited, Havells India Limited, Hawkins Cookers Limited, Himalaya Wellness Company, Hindustan Petroleum Corporation Limited, ICICI Prudential Life Insurance Company Limited, IFB Industries Limited, Mahindra and Mahindra Limited, Oil and Natural Gas Corporation Limited, Royal Enfield (a unit of Eicher Motors), Shriram Finance Limited, Tata Play Limited, Ultratech Cement Limited, and Union Bank of India.

Strength

Integrated marketing services provider serving clients for 50 years: R K Swamy is one of the leading integrated marketing service groups in India, offering a single-window solution for creative, media, data analytics and market research services and has grown its businesses organically based on its response to market trends and client requirements progressively over the last five decades. Depending on its clients' needs, R K Swamy leverages interrelated and complementary business segments to provide support to its clients, in one or multiple aspects of the media and marketing value chain. R K Swamy has built and nurtured its relationships with media partners over five decades. R K Swamy has been able to leverage this relationship consistently for the benefit of its clients, in terms of turnaround time, better pricing, and value additions such as better placement, improved sponsorship benefits, and enhanced media engagement.

15 year track record in the Data Analytics and Marketing Technology segment, with a proven ability of producing digital content at scale, a leader in the business of market research: R K Swamy commenced a standalone customer data analytics business in 2008 through its subsidiary Hansa Customer Equity. R K Swamy has serviced over 200 clients since 2008. R K Swamy has built this business organically and offers a comprehensive suite of services under its Customer Data Analytics and MarTech segment. R K Swamy deploys various technologies to improve the operational efficiencies of its business such as AI-driven insights to identify clients' problems through machine learning, in-house algorithms and multiple analytical techniques, and help them achieve better business results. R K Swamy offers an array of solutions, including Marketing Automation Platforms, Media Planning Tools, Customer Relationship Management ("CRM") Systems, Data Analytics Tools, AI and machine learning tools. Its revenue from digital operations for the six-months ended September 30, 2023 and the fiscal years ended March 31, 2023, March 31, 2022 and March 31, 2021 was Rs. 113.20 crore, Rs. 228.61 crore, Rs. 176.50 crore and Rs. 121.15 crore, respectively, which contributed to 80.22%, 78.13%, 75.30% and 69.81% respectively, of its revenue from operations.

Well established brands across segments with experienced Promoters and a professional Senior Management: The R K Swamy brand was established by its founder, R K Swamy in 1973. Through the efforts, reputation, guidance and experience of Promoters, R K Swamy has established the brands, "R K Swamy" and "Hansa", in the field of marketing services in India. The long-standing experience of its Promoters has contributed significantly to its market position. Its Promoters have held leadership positions on various industry forums.

Well diversified customer base with long standing relationships: Its business model was built and continues to evolve around its clients and its specific marketing and advertising requirements and is the central focus of how R K Swamy structures its service offerings and allocates its resources. R K Swamy has catered to over 4,000 client organisations over the years and has served over 380 clients in the six months ended September 30, 2023. R K Swamy has a R K Swamy II-diversified client base covering leading brands across multiple industry verticals. R K Swamy is focused on the BFSI, automotive, FMCG/consumer durables/retail/e-commerce sectors and possesses deep domain expertise across various kinds of client organization structures, which include private sector business groups, other private companies, multinational companies, public sector enterprises, central government ministries and NGOs. Several of its clients are repeat clients and engage with across its business segments.

Established internal infrastructure for efficient delivery of services: R K Swamy offers its clients with an established infrastructure to support all their marketing and advertising needs. Its marketing and client services network in India spans across 12 Indian cities, 12 offices and 12 field locations in India, as of September 30, 2023. R K Swamy has also recently set up foreign subsidiaries in Dubai and Bangladesh to serve clients in Middle East, North Africa and South Asia and have started to offer Full-Service Market Research services. In India, R K Swamy has a 'national data-collection field infrastructure', spread over 17 cities, which as of September 30, 2023 comprised 1,350 individuals (of which 47 individuals are field executives, 1 is on third party payroll and 1,302 are engaged as freelancers). Its team based in India will provide support infrastructure to its foreign office locations. Its in-house analysis teams are trained in data tabulation, classification and scrutiny, and have been equipped with the latest technology such as, Sawtooth Choice-Based Conjoint (CBC), Isotab, SurveyToGo, Isoquick, Latent Gold, and Qualtrics. R K Swamy has established CATI and customer experience centres with over 1,700 seats across 10 locations as of September 30, 2023, equipped with the state of art equipment. The extensive in-house physical, digital and human support infrastructure enables it to respond quickly to varying requirements of its clients. This helps in deepening relationships, differentiating it and increasing relevance for its clients

Strategy

Deepen existing client relationships; expand its client base, while focusing on key sectors: Its clients use Integrated Marketing Communications, Customer Data Analytics and MarTech, and Full-Service Market Research offerings as strategic tools to pursue their growth agenda. R K Swamy believes that there is substantial opportunity to expand its client base across its business segments, functions and geographies. In the six months added September 30, 2023, business from new clients contributed to 6.28% of revenue from operations and in the Fiscal 2023, business from new clients contributed to 16.27% of revenue from operations. R K Swamy routinely tracks business development with a view to ensure a robust pipeline for future growth. R K Swamy continues to stay focused on key sectors such as BFSI, FMCG/consumer durables/ retail/e-commerce, and automotive. Its domain expertise in these sectors and knowledge of emerging marketing trends prepares it to serve its clients' needs.

Focus on creation of digital content at scale: R K Swamy is focused on leveraging the reach and relevance of digital content to support clients' marketing initiatives in both the online and offline worlds through (i) short videos product videos and animations for the purpose of marketing and targeted distribution on various digital platforms, (ii) Specialized, engaging, longer-duration productions with the potential to go viral, and (iii) longer-duration informative and engaging videos for communicating concepts and providing explanations of complex programs.

Some of its recent digital content assignments include:

- (i) R K Swamy expanded its services to create digital content from material that is otherwise provided in static form, to create better engagement with the stakeholders of a leading regulator;
- (ii) R K Swamy undertook a special project to assist with the recruitment of agents for a leading life insurance company, through a comprehensive program, which included the creation of special digital content, digital media outreach, social media and response management.

R K Swamy intends to utilise the proceeds from the Offer to create the necessary infrastructure through a fully equipped production studio with post-production facilities and focus on enabling high

quality production with quick turnaround time.

Expanding its presence in domestic and international markets: While R K Swamy intends to focus on existing client profiles in India and as on September 30, 2023 R K Swamy is present in 12 Indian cities, with 12 offices and 12 field locations, and R K Swamy further intends to expand its presence in additional geographies. Its experience in locations like Kochi, Kerala and Hyderabad, Telengana, where R K Swamy serviced over 10 clients each, showcases the potential of further building a base of clients based in these states. R K Swamy intends to further this experience by commencing operations in Ahmedabad (Gujarat), Lucknow (Uttar Pradesh) and Jaipur (Rajasthan) to target new and emerging clients from these states. While India continues to be its primary focus, R K Swamy has established corporate and business presence in international markets such as Dubai and Bangladesh pursuant to its board approvals dated April 27, 2022 and March 14, 2022, respectively. Further, R K Swamy has entered into a marketing service agreement with Hansa Marketing Services Pte. Ltd. in Singapore which enables it to cater to clients across the Asia-Pacific regions. Singapore is the regional hub for many companies and is the gateway for entering South-East Asian markets.

Focus on new initiatives aimed at enhancing product and service portfolio: In order to capitalize on growth opportunities in key sectors and to cater to the ever growing visual/video content of the digital ecosystem, R K Swamy seeks to invest in physical and operational infrastructure to increase its content creation capabilities. R K Swamy intends to utilise the proceeds from the Offer to create the necessary infrastructure through a fully-equipped production studio with post-production facilities and focus on enabling high quality production with a quick turnaround time. R K Swamy operates in the marketing services sector where R K Swamy constantly creates new and relevant offerings that have the potential for rapid growth. By leveraging its expertise and knowledge, R K Swamy intends to expand its relationships with existing large and strategic clients to drive incremental growth for its business. In order to build its revenue in these key sectors, R K Swamy intends to pursue the following initiatives

- Auto Marketing Platform
- Data Mart of individual and household consumers
- DVCP Studio and post-production facilities
- R K Swamy Center for Indian Markets
- R K Swamy Hansa's Prerna - Inspiration platform
- R K Swamy Brand and Marketing Consulting Group

Continue to focus and invest in talent retention, enhancement and expansion: R K Swamy operates in a professional services space and recognize that the quality of service is driven by talent. Such talent is retained primarily on account of the culture of the organization that has an open and accessible work environment, with a commitment to deliver a high level of quality of services to its clients. R K Swamy conducts training and engagement programs for its employees. The company conducted 43 engagements in the six months ended September 30, 2023 which included learning mission events, leadership development programs, wellness activities and team building exercises. Such interactions and engagements are conducted across various levels in the organization to encourage development of technical skill sets. In addition to helping employees unlock their full potential through mechanisms like continuous feedback and performance appraisals, R K Swamy has dedicated programs designed to develop effective leaders. R K Swamy is committed to the professional development of its employees and has accordingly instituted a market driven compensation structure combined with training and leadership programs/ opportunities to retain its current employees and attract new talent. In the Fiscal 2023, 134 employees received incentive pay for performance, over and above its base pay.

Risk factor

- The business is concentrated around key clients, which account for a significant amount of its revenue.
- Its revenues are highly dependent on certain key industries.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Affle (India) Limited	1692.41	272.18	19.41	57.45	6.67	167.06	2	1115.05	15634.01
Latent View Analytics Limited	610.11	147.62	7.17	71.05	8.2	62.13	1	509.45	10489.78
Vertoz Advertising Limited	161.13	17.17	10.82	74.82	8.39	96.48	10	809.5	1284.98
R K Swamy Limited**	282.19	15.86	3.14	91.63	6.26	45.97	5	288.00	1453.37

*Peer comparisons are based on TTM

**R K Swamy Limited are based on estimated annualised FY24.

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.288, the stock is priced at pre issue P/E of 80.72x on estimated annualised FY24 EPS of Rs.3.57. Post issue, the stock is priced at a P/E of 91.63x on its EPS of Rs. 3.14. Looking at the P/B ratio at Rs.288, pre issue, book value of Rs. 11.49 of P/Bvx 25.07x. Post issue, book value of Rs. 45.97 of P/Bvx 6.26x.

Considering the P/E valuation, on the lower end of the price band of Rs. 270, the stock is priced at pre issue P/E of 75.67x on estimated annualised FY24 EPS of Rs. 3.57. Post issue, the stock is priced at a P/E of 85.90x on its EPS of Rs. 3.14. Looking at the P/B ratio at Rs.270, pre issue, book value of Rs. 11.49 of P/Bvx 23.50x. Post issue, book value of Rs. 45.97 of P/Bvx 5.87x.

Industry Outlook

According to the CRISIL Report, the marketing services market in India grew at a CAGR of 5.6% between fiscals 2019 and 2023, reaching ₹ 1,936 billion in FY23. Corporate revenue of 748 listed entities grew at a CAGR of 8.9% during the same period, which resulted in companies spending more on marketing activities, where advertisements form the biggest chunk of the overall marketing services market. Digital advertisement spends and investments in Customer data analytics & MarTech are expected to drive growth of the overall industry, which is expected to reach ₹ 3,500-3,750 billion by the end of fiscal 2028.

Outlook

R K Swamy Limited is a top Indian integrated marketing services provider, ranked 8th in estimated operating revenue. The company boasts a prestigious client base with strong loyalty, demonstrated by long-standing relationships and repeat orders. Investors should be aware that revenue is concentrated among key clients, which presents a potential risk factor. Despite this concentration, R K Swamy's established market position and client relationships make it an attractive option for long-term investors.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	04-March-24
BID/ISSUE CLOSES ON	06-March-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	07-March-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	11-March-24
Credit of Equity Shares to Demat Accounts of Allottees	11-March-24
Commencement of trading of the Equity Shares on the Stock Exchanges	12-March-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	141.10	292.61	234.41
Total expenditure	121.58	237.01	200.55
Operating Profit	19.52	55.61	33.86
OPM%	13.83	19.00	14.45
Other Income	1.45	7.30	10.56
PBDIT	20.97	62.91	44.42
Depreciation	7.43	14.72	13.89
PBIT	13.54	48.19	30.53
Interest	2.67	5.61	5.83
Profit Before Tax	10.87	42.58	24.70
Tax	2.93	11.32	5.45
PAT	7.93	31.26	19.26

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	8.07	8.15	6.02
Right-of-use Assets	23.53	28.54	20.54
Intangible Assets	3.40	4.01	5.22
Financial Assets			
Investments	0.41	0.31	0.28
Other Financial Assets	11.88	12.55	3.74
Deferred Tax Assets (net)	4.30	4.82	5.23
Non-current Tax Assets (net)	20.24	10.44	13.75
Other Non-current Assets	0.00	0.00	0.00
Total non-current assets	71.82	68.83	54.77
Current assets			
Financial Assets			
Investments	2.32	2.41	2.29
Trade Receivables	117.14	204.71	189.43
Cash and Cash Equivalents	8.50	9.24	38.16
Bank Balances other than (iii) above	6.14	4.44	5.07
Loans	0.75	0.75	83.39
Other Financial Assets	11.80	4.66	9.48
Other Current Assets	33.75	18.62	23.62
Total current assets	180.41	244.83	351.44
Non-current Assets held for sale	0.00	0.00	0.23
Total Assets	252.23	313.65	406.44
Non-current liabilities			
Borrowings	0.06	0.17	0.67
Lease Liabilities	14.80	19.35	15.33
Other Financial Liabilities	0.00	0.00	0.00
Provisions	3.04	2.93	1.84
Total non-current liabilities	17.90	22.45	17.84
Current liabilities			
Financial Liabilities			
Borrowings	50.99	4.34	28.06
Lease Liabilities	10.54	10.63	6.52
Trades Payable - MSME	4.39	5.56	2.38
Trade Payables - other than MSME	104.38	191.54	223.95
Other Financial Liabilities	1.56	21.63	98.30
Other Current Liabilities	8.42	9.61	10.42
Provision	2.98	2.67	2.63
Total current liabilities	183.25	245.97	372.25
Total	201.15	268.42	390.09
Net worth represented by:			
Equity Share Capital	22.23	4.45	4.08
Other equity	28.85	40.79	12.27
Net Worth	51.07	45.23	16.35

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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