



R K SWAMY Limited offers a comprehensive suite of services, including creative, media, data analytics, and market research services. It is one of the top 10 diversified integrated marketing communications services groups in India, providing a single window solution for three areas - Integrated Marketing Communications, Customer Data Analytics and Marketing Technology and Full-Service Market Research.

The company's top line increased at a CAGR of 19% form FY 21. For FY23, the EBITA and PAT margins are to be 20.97% and 10.68%, respectively. For FY23, ROE and ROCE are 22.20% and 28.95%, respectively. The company is raising funds for setting up studio with post production facilities, auto marketing platform and data repository platform. The company's P/E is valued at 40.96x for FY23. The annualized P/E for FY24 stands at 80x which appears expensive while H2FY2024 contributes 60-65% of company's earnings. We recommend to subscribe for listing gains.



About Company

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. The company employs 2,391 people across 12 offices and 12 field offices in 12 cities in three business segments.

Issue details

Price Band (in ₹ per share)	270-288
Issue size (in ₹ Crore)	407.90-423.56
Fresh Issue (in ₹ Crore)	173.00
OFS (in ₹ Crore)	234.90-250.56
Issue open date	04-03-2024
Issue close date	06-03-2024
Tentative date of Allotment	07-03-2024
Tentative date of Listing	12-03-2024
Total number of shares (lakhs)	147.34-151.38
No. of shares for QIBs (75%) (lakhs)	108.35-111.22
No. of shares for NII (15%) (lakhs)	22.24-21.67
No. of shares for S-HNI (1/3rd)	7.15-7.34
No. of shares for B-HNI (2/3rd)	14.52-14.90
No. of shares for retail investors (10%) (lakhs)	14.83-14.45
Minimum order quantity	50
Face value (in ₹)	5.00
Amount for retail investors (1 lot)	13500-14400
Maximum number of shares for Retail investors at lower Band	700(14 Lots)
Maximum number of shares for Retail investors at upper band	650 (13Lots)
Maximum amount for retail investors at lower Band- upper band	189000-187200
Minimum number of shares for sHNI (2 Lakhs) at upper band	650 (13 lots)
Maximum number of shares for sHNI (10 Lakhs) at upper band	3450 (69 lots)
Minimum number of shares for bHNI at upper band	3500 (70 lots)
Shareholder Reservation(in lakhs)	NIL
Exchanges to be listed on	BSE, NSE

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A route to making money online

Promoters

- Srinivasan K Swamy (Sundar Swamy)
- Narasimhan Krishnaswamy (Shekar Swamy).

Objective of the Offer

- Funding capital expenditure to be incurred by the Company for setting up a digital video content production studio ("DVCP Studio");
- Funding investment in IT infrastructure development of the company, and the Material Subsidiaries, Hansa Research and Hansa Customer Equity
- Investment in R&D and product development

**Brief Financials**

PARTICULARS (Rs. Cr)*	September 23	FY23	FY22	FY21
Share Capital	22.22	4.44	4.08	4.08
Net Worth	146.65	140.81	111.93	98.21
Revenue	141.09	292.61	234.41	173.54
Profit/(Loss) After Tax	7.93	31.25	19.25	3.07
EPS (in Rs)	3.56	7.03	4.33	0.69
Net Asset Value (Rs)	32.99	31.67	25.18	22.09
P/E	80.89	40.96	NA	NA
P/B	8.73	9.09	NA	NA

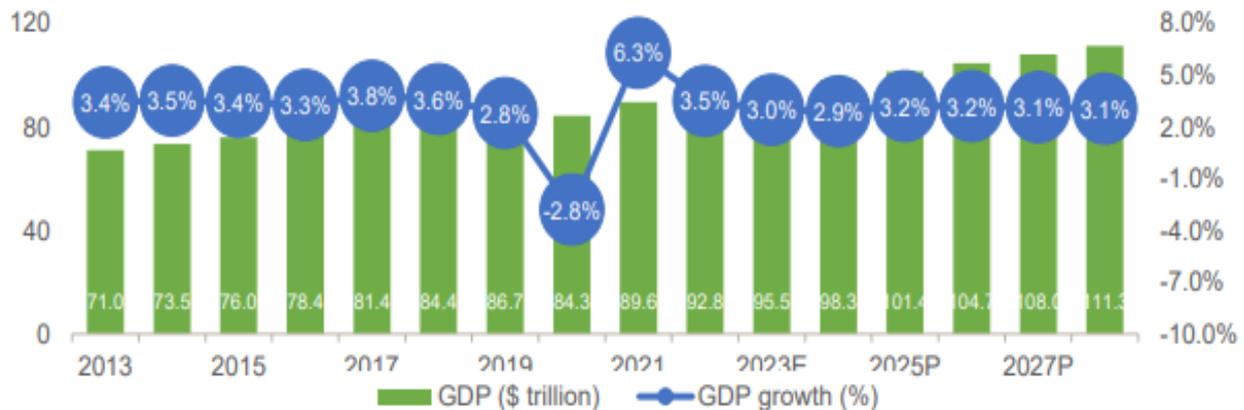
Source: #calculated at upper price band * Restated consolidated financials ^annualised EPS

Industry Review**India - Macro Economic Overview****Macro-Economic Scenario - Global and India****Global macroeconomic assessment**

Global gross domestic product (GDP) growth is estimated to have moderated from 3.5% in 2022 to 3.0% in 2023, with the International Monetary Fund (IMF) projecting a further deceleration to 2.9% in 2024. The slowdown is because of sluggish and uneven recovery in trade owing to long-term fallout from the Covid-19 pandemic, geopolitical tensions (ongoing Russia-Ukraine and Israel-Palestine conflicts) and increasing geoeconomic fragmentation, along with cyclical factors, such as effects of monetary policy tightening to cool inflation, withdrawal of fiscal support across countries amid high debt levels and increasing number of extreme weather events. In fact, economic activity is falling short of the pre-pandemic trajectory in advanced economies, as well as some

emerging and developing economies. But countries such as India and Vietnam are seeing high growth potential.

Global GDP trend and outlook (2013-2028P, \$ trillion)



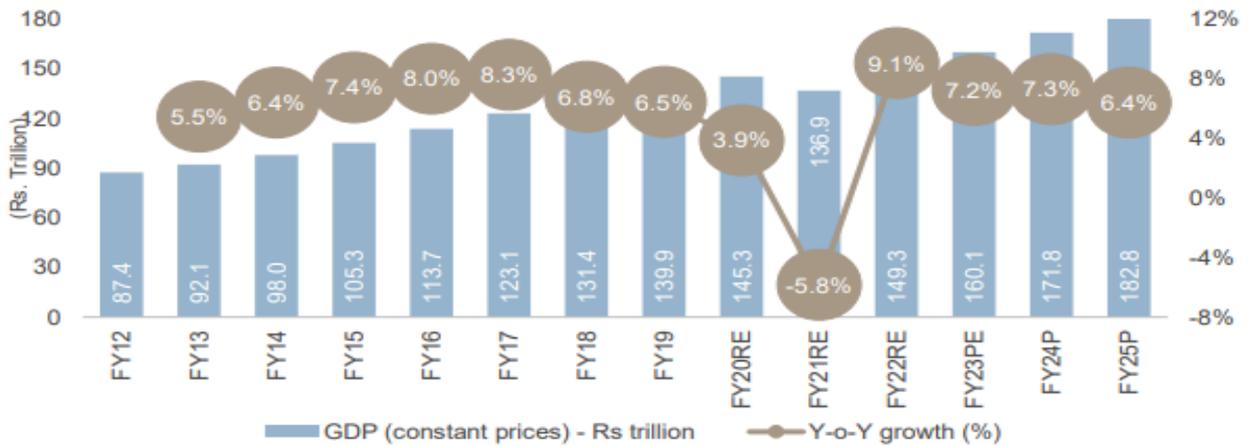
P: Projected

Source: IMF economic database (October 2023 World Economic Outlook), World Bank national accounts data, Organisation for Economic Co-operation and Development (OECD) national accounts data, CRISIL MI&A



Industry Review

Real GDP growth in India (new series) – constant prices



Note:

PE: provisional estimates, RE: revised estimates, P: projected

These values are reported by the government under various stages of estimates

Only actuals and estimates of GDP are provided in the bar graph

Source: Provisional estimates of national income 2022-2023 and quarterly estimates of GDP for the fourth quarter of FY23, Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), CRISIL MI&A

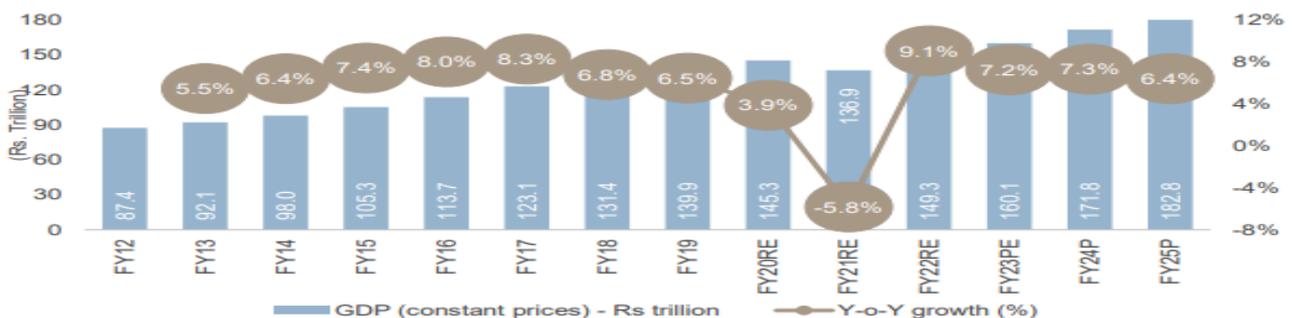
India among world’s fastest-growing large economies

India was the fastest growing major economy in 2021, with a growth rate of 9.1%, followed by China, at 8.5%. In 2022, the country continued to register a healthy growth trajectory, with GDP expanding 7.2%. In fact, during the April to June quarter, it also overtook the UK as the fifth-largest economy in the world. In 2023 and 2024, India is expected to grow faster than China, with the GDP projected to rise 6.3% in both years1 . In contrast, advanced economies’ GDP growth is expected to moderate from 2.6% in 2022 to 1.5% in 2023, and further to 1.4% in 2024 amid stronger them momentum but weaker growth in the euro area. Emerging market and developing economies, though, are projected to post stable growth over 2022-2024, with a slight pick-up in 2025. Many emerging market economies have shown resilience, led by domestic-driven economies such as India and Indonesia. China is the notable exception — it is facing growing headwinds from a real estate crisis and weakening household confidence.

Macroeconomic assessment

CAGR of 5.7% between FY12-23 India overtook the United Kingdom (UK) in the April-June quarter of 2022 to become the fifth-largest economy in the world. The country’s gross domestic product (GDP) increased at a compound annual growth rate (CAGR) of 5.7% to Rs 160 trillion in FY23 from Rs 87 trillion in FY12. In FY22, the economy recovered from the pandemic-related stress as restrictions were eased and economic activity resumed, though inflation spiralled in the last quarter due to geopolitical pressures, with a GDP print of 9.1% vs -5.8% in FY21. In FY23, GDP rose 7.2% on strong growth momentum propelled by investments and private consumption. The share of investments in GDP rose to an 11-year high of 34% and that of private consumption to an 18-year high of 58.5%. In FY24, real GDP is expected growth to grow at 7.3%. Additionally, India is expected to grow faster than China as well as the global average in calendar years (“CY”) 2023 and 2024

Real GDP growth in India (new series) – constant prices



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Competitive Strengths

Integrated marketing services provider serving clients for 50 years

They are 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 have grown their businesses organically based on their response to market trends and client requirements progressively over the last five decades.

Strong track record of 15 year 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

They commenced a standalone customer data analytics business in 2008 through their subsidiary Hansa Customer Equity. They have serviced over 200 clients since 2008. They have built this business organically and offer a comprehensive suite of services under their Customer Data Analytics and martech segment, for further details,

Please see “-Customer Data Analytics and martech”. The Analytics India Magazine has recognised Hansa Customer Equity has as one of the ‘top 50 companies in India for data scientists to work for’ in 2022.

Well established brands across segments with experienced Promoters and a professional Senior Management

Their Promoters are supported by an experienced and stable management team. Their qualified and experienced Board of Directors and Senior Management comprise professionals with extensive experience in the advertising and marketing services industry. As of September 30, 2023, They have 1,645 full-time employees.

Well diversified customer base with long standing relationships

Their business model was built and continues to evolve around their clients and their specific marketing and advertising requirements and are the central focus of how They structure their service offerings and allocate their resources. They have catered to over 4,000 client organizations over the years and have served over 380 clients in the six months ended September 30, 2023.

Established internal infrastructure for efficient delivery of services

They offer their clients with an established infrastructure to support all their marketing and advertising needs. their 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. They have 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, They have 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). their team based in India will provide support infrastructure to their foreign office locations. their 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. They have 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 them to respond quickly to varying requirements of their clients. This helps them in deepening their relationships, differentiating ourselves and increasing relevance for their clients



Risk Factors

Clients' concentration risk

They served over 380 clients in the six months ended September 30, 2023, over 475 clients in Fiscal 2023, over 455 clients in Fiscal 2022 and over 410 clients in Fiscal 2021. Further, They are dependent on their relationships with their key clients, and the average number of years of relationships with their top 10 clients is approximately 19 years, and for their top 50 clients is approximately 11 years as of March 31, 2023.

Key Industry risk:

A substantial portion of their clients are concentrated in a few specific industry verticals: i) Banking, Financial Services and Insurance ("BFSI"), (ii) Automotive, and (iii) Fast-moving consumer goods/consumer durables/retail/e-commerce. their dependence on these sectors exposes us to the economic and business risks that these sectors may face, including economic slowdowns, market volatility, regulatory changes, technological disruption, and changing consumer preferences.



Peer Comparison

Name of the company	Total Revenue (in Rs Cr)	EPS (in Rs)	Return on Net Worth (%)	NAV(Per share Rs)	P/E	P/B
R K Swamy Limited	299.91	5	22.20	31.67	40.96	9.09
Affle (India)	1488.28	2	16.73	110.11	59.94	10.03
Latent View Analytics Limited	594.53	1	12.87	58.93	65.64	8.58

*P/E Ratio and P/B has been computed based on the closing market price of equity shares on the website of NSE as of February 28, 2024



Our View

R K SWAMY Limited is a premier integrated marketing services company in India, having been established in 1973. The organization offers a comprehensive suite of services, including creative, media, data analytics, and market research services. It is one of the top 10 diversified integrated marketing communications services groups in India, providing a single window solution for three areas - Integrated Marketing Communications, Customer Data Analytics and Marketing Technology and Full-Service Market Research.

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