

The Issue	
Type of Issue	Issue size Rs. Mn
Fresh Issue	1,730
Offer for Sale	2,506
Total	4,236
Post issue mkt cap (Rs. bn)*	14.5
Lot size	50

*At Upper Price Band

Issue Break-Up	
Reservation for	% of Issue
QIB	75%
NIB	15%
Retail	10%
Total	100%

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	04th-Mar-2024
Bid/Offer Closing Date	06th-Mar-2024
Finalization of the Basis of Allotment	07th-Mar-2024
Initiation of refunds	11th-Mar-2024
Credit of shares	11th-Mar-2024
Listing Date	12th-Mar-2024

Use of Proceeds	
- WC requirements	- Rs 540 mn
- Capex for setting up DVCP Studio	- Rs 110 mn
- Investment in IT infra development	- Rs 333 mn
- Setting up customer service center and computer aided telephonic centers & General corp purposes	- Rs 217 mn

Manager: SBI Caps ,IIFL Securities ,Motilal Oswal

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Leading integrated marketing company with strong clientele

- ⇒ Founded in 1973, R K swamy Ltd 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.
- ⇒ Company offers a comprehensive range of services in the following interrelated and complementary business segments, Integrated Marketing Communications, Customer Data Analytics and MarTech, Full-Service Market Research.
- ⇒ **Integrated Marketing Communications segment (44% of sales) includes:** (a) creative and digital content; (b) media (including digital); (c) events and activation planning, buying and executing; and (d) others including public relations, social media management, pharmaceutical communication.
- ⇒ **Customer Data Analytics and MarTech segment (32% of sales) includes:** (a) customer data analytics; (b) delivery and management of customer experience; (c) online reputation management; (d) campaign management, campaign tracking; (e) customer relationship management tools; (f) customer insights, dashboards; (g) sentiment analysis; and (h) loyalty program management.
- ⇒ **Full-Service Market Research segment (25% of sales) includes:** (a) customer/ audience segmentation; (b) consumer surveys; (c) customer experience measurement; (d) brand equity and customer satisfaction indices and (e) consumer intelligence.
- ⇒ Integrated Marketing Communications business uses the ‘R K Swamy’ as well as the ‘Hansa’ brands. Customer Data Analytics and MarTech and Full-Service Market Research disciplines are offered under the ‘Hansa’ brand.
- ⇒ Company serves marquee clients like Aditya Birla Sun Life AMC Ltd, Cera Sanitaryware Ltd, Dr. Reddy’s Laboratories Ltd, E.I.D.— Parry (India) Ltd, Fujitsu General (India) Private Ltd, HPCL, ICICI Prudential Life Insurance Company Ltd, IFB Industries Ltd, M&M Ltd, ONGC, Royal Enfield, Shriram Finance Ltd, Tata Play Ltd, Ultratech Cement Ltd, and Union Bank of India.
- ⇒ For the FY23 and H1FY24, company has released over 818 and 438 creative campaigns, respectively on behalf of their clients across various media outlets, handled over 98 and 140 TB of data and have conducted over 2.37 million and 1.44 million consumer interviews across quantitative, qualitative and telephonic surveys.

Valuation and Outlook:

At the upper price band of Rs 288, the IPO is priced at a P/E of 46.5x on FY23 EPS, which is a ~33% discount to peers avg. Overall, R K Swamy Ltd is an leading marketing service company specializing in integrated marketing communication, customer data analytics, and market research. Over the period of FY21-FY23 the company’s Revenue/EBITDA/PAT has grown at a CAGR of 30%/70%/219% respectively. Going forward, the marketing services industry is expected to grow at a CAGR of 12.5-14.5% over FY23-FY28E period on back of higher emphasis on analytics, rise in digital and social media marketing, increasing prominence on experimental marketing etc. Overall robust financial track record and positive industry outlook make this IPO an attractive proposition. **We thus issue a SUBSCRIBE rating on the issue.**

R K Swamy Ltd

key financial summary

Financial summary (Rs. mn)	FY21	FY22	FY23	H1FY24
Revenue	1,735	2,344	2,926	1,411
Ebitda	192	339	556	195
Ebitda margin	11%	14%	19%	14%
PAT	31	193	313	79
ROCE*	8.6%	20.1%	29.0%	6.3%

* As stated in RHP

Pre-issue and post-issue holding structure

	Pre-issue	Post-issue*
Shareholding pattern	Holding (%)	Holding (%)
Promoter & Promoter Group	83.0%	66.1%
Public	17.0%	33.9%
Total	100.0%	100.0%

* At upper price band

Key Risks:

Client concentration: Company's business is concentrated around key clients, which account for a significant amount of their revenue. Top 10 clients of the company contributed 49.7% of the total revenue in H1FY24. Further, the company is 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.

Dependence on few sectors: Company's revenues are highly dependent on certain key industries which include BFSI, Automotive and FMCG/Consumer Durables/Retail/Ecommerce. For period of H1FY24 BSFI contributed 25.1%, followed by 18.1% in automotive and 16.6% in FMCG/Consumer Durables/Retail/Ecommerce. In periods of economic downturn, these sectors may experience reduced advertising expenditure, which in turn could lead to a decrease in the demand for their services

Seasonality: Company business is seasonal in nature, 35-40% of its revenue from operations are recognized in the half year ending in September, however, the company records an increase in revenue from operations in their third and fourth quarters (September to March), as most of their clients initiate research projects and schedule their advertising spends for this period of the year.

Strengths

Integrated marketing services provider serving clients for 50 years

- ⇒ Company 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 have grown its businesses organically based on the response to market trends and client requirements progressively over the 50 years.
- ⇒ Company has been focused on supporting the marketing activities of large corporates, state-owned enterprises, leading institutions and marketers, emerging Indian entrepreneurs and businesses.
- ⇒ As company's clients increase their demands for marketing effectiveness and efficiency, they are likely to consolidate their marketing services requirements within one integrated service provider which will eventually help R K Swamy. Company's engagement with a client typically starts with one or more of sub-segments, company then strives to broaden their offerings, to cover additional business sub-segments over a period of time.

Well diversified customer base with long standing relationships

- ⇒ Company has catered to over 4,000 client organizations over the years and have served over 380 clients in the H1FY24
- ⇒ Company has a well-diversified client base covering leading brands across multiple industry verticals. Company is focused on the BFSI, automotive, FMCG/consumer durables/retail/ecommerce sectors and possess 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.
- ⇒ Additionally, company works regularly with central ministries and public sector enterprises and provide a variety of services.

Particulars	FY22	FY23	H1FY24
Revenue from operations	2344	2926	1411
Revenue from repeat customers	1970	2450	1322
% revenue share from repeat customers	84%	84%	94%

15 year track record in the Data Analytics and Marketing Technology segment

Company commenced a standalone customer data analytics business in 2008 through its subsidiary Hansa Customer Equity. Company have serviced over 200 clients since 2008. Company have built this business organically and offer a comprehensive suite of services under this segment. This includes Marketing Automation Platforms, Media Planning Tools, Customer Relationship Management (“CRM”) Systems, Data Analytics Tools, AI and machine learning tools. In the business of Full Service Market Research, company essentially provide insights into consumer behaviour to their clients, and an objective outside-in view of the clients' businesses and initiatives. Company have also created the digital infrastructure to gather primary data through structured questionnaires, and analyse and process the same to offer valuable insights.

Strategies

Deepen existing client relationships, expand client base, while focusing on key sectors.

Company believes that there is substantial opportunity to expand their client base across business segments, functions and geographies. In the H1FY24, business from new clients contributed to 6.28% of revenue from operations and in the FY23, business from new clients contributed to 16.27% of revenue from operations. Company's core strategy is to continue building long-term relationships with their clients. Companies integrated marketing communications strategy coupled with efforts to increase client engagement helps them in client retention.

Sectors	H1FY24	FY23	FY22	FY21
BFSI	25.1%	32.6%	37.1%	22.4%
Automotive	18.1%	17.8%	19.3%	22.1%
FMCG/Consumer Durables/Retail	16.6%	17.0%	15.4%	17.2%

Focus on creation of digital content at scale.

Company 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. Company will be using 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 presence in domestic and international markets

Company's strategy involves first prioritizing existing client relationships in India and subsequently expanding into new geographical markets. While maintaining a primary focus on India, the company has successfully established corporate and business footholds in international markets like Dubai and Bangladesh. Additionally the company has entered into a marketing service agreement with Hansa Marketing Services Pte. Ltd. in Singapore which enables them to cater to clients across the Asia-Pacific regions.

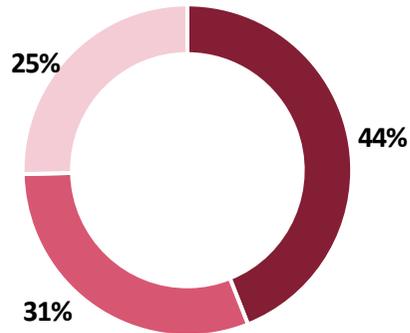
Focus on new initiatives aimed at enhancing product and service portfolio

In order to capitalize on growth opportunities in key sectors and to cater to the ever growing visual/video content of the digital ecosystem, company seek to invest in physical and operational infrastructure to increase thier content creation capabilities. In order to build revenue in company intends to develop Auto Marketing platform, Data mart of individual and household consumers, develop DVCP Studio and post-production facilities, setup think thank that is equipped to conduct largescale studies etc.

R K Swamy Ltd

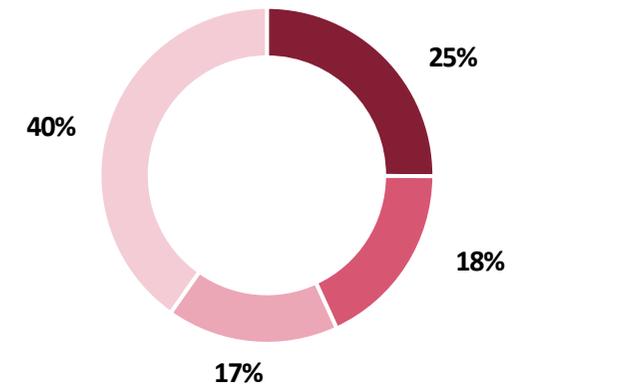
Key performance indicators

Segment Mix(H1FY24)



■ Integrated Marketing Communications
 ■ Customer Data Analytics and MarTech
 ■ Full-Service Market Research

Sector Mix(H1FY24)



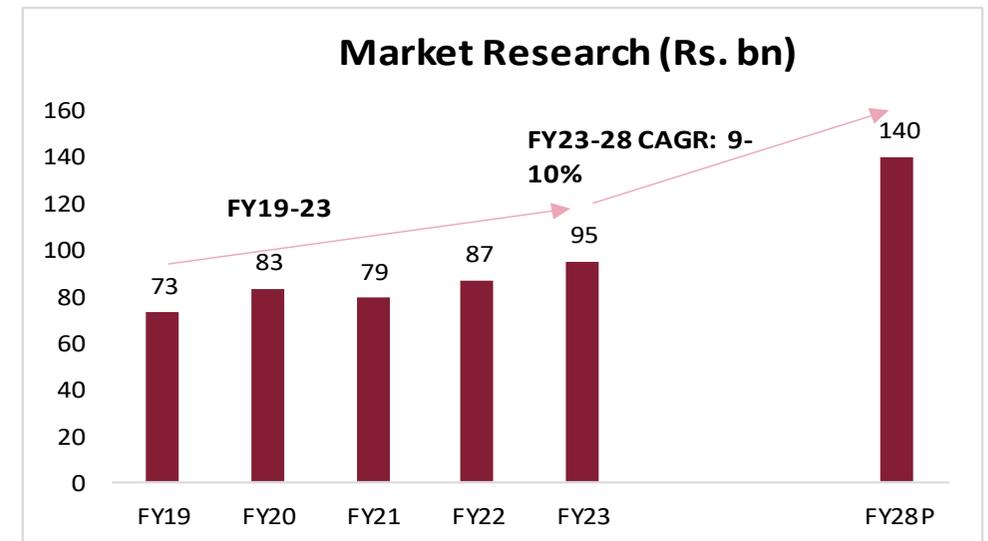
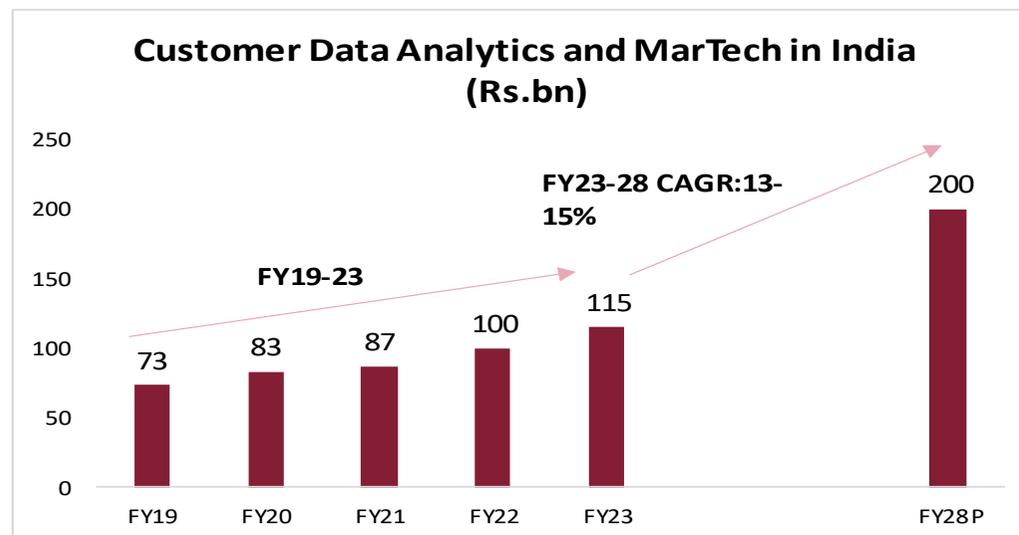
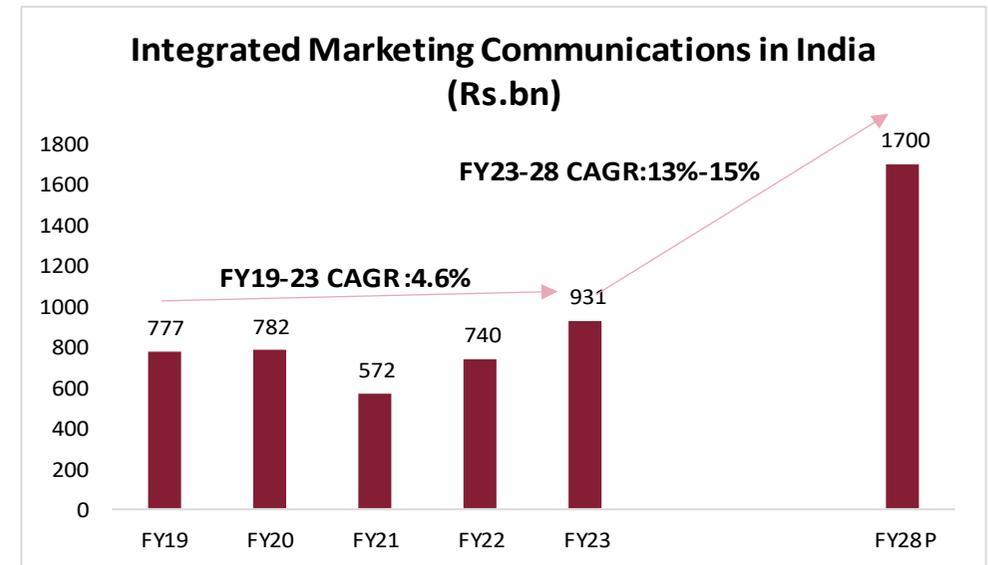
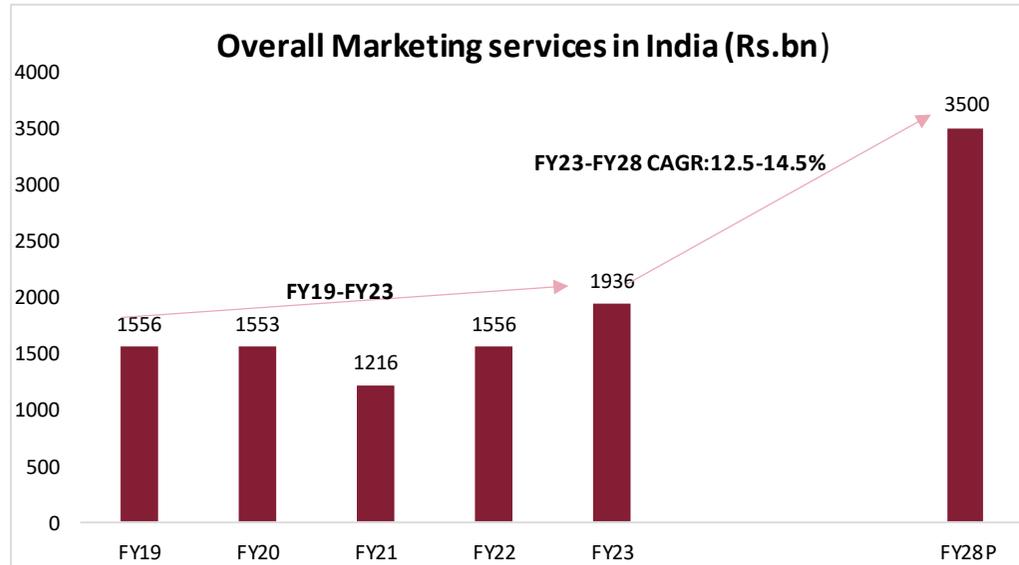
■ BFSI
 ■ Automotive
 ■ FMCG/Consumer Durables/Retail
 ■ Others

Integrated Marketing Communications	H1FY24	FY23	FY22	FY21
Release orders	2,888	7,284	4,132	5,662
Campaigns	438	818	865	984
Videos Produced	564	2,828	1,963	1,507

Customer Data Analytics and MarTech	H1FY24	FY23	FY22	FY21
Unique customer profiles (in mn)	163	195	153	120
Private cloud infrastructure (in TB)	140.05	97.69	89.80	82.52
One-to-one customer intelligence campaigns (in bn)	1.74	2.26	1.77	1.71
Voice calls (in mn)	14.48	26.13	20.17	11.51
Digital Queries	2,85,000	6,92,000	4,28,000	2,67,000

R K Swamy Ltd

Industry overview



R K Swamy Ltd

Peers

Peers *	Revenue	EBITDA	EBITDA Margins	ROCE	ROE	P/E
R K Swamy Limited	2,926	556	19%	29.0%	22.2%	46.5
Affle (India) Limited	14,340	2,881	20%	20.8%	16.7%	66.7
Latent View Analytics Limited	5,388	1,451	27%	15.9%	12.9%	63.7
Vertoz Advertising Limited	828	171	21%	28.0%	10.8%	78.1

*As stated in RHP

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

Note: Considering the current pandemic situation, the duration for the price target may vary depending on how the macro scenario plays out. Therefore, the duration which has been mentioned as a period of 12-18 months for upside/downside target may be higher for certain companies.

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