

R K Swamy Ltd

Empowering Brands, Transforming Data



Subscribe
Empowering Brands, Transforming Data

Established in 1973, R K Swamy Limited specializes in integrated marketing communications, customer data analysis, comprehensive market research, and syndicated studies.

R K Swamy operates as a data-centric, integrated marketing solutions provider, extensively utilizing digital strategies across its operations.

In the fiscal year 2023, the company delivered over 818 innovative campaigns for its clients across various media platforms. It also managed a substantial volume of data, processing more than 97.69 terabytes, and conducted over 2.37 million consumer interviews through quantitative, qualitative, and telephone surveys.

With a diverse clientele, R K Swamy's partners include prominent names such as 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 maintains a workforce of 2,391 individuals distributed across 12 offices and 12 field offices in 12 cities, operating within three distinct business segments.

R K Swamy recorded a revenue of about Rs 300 crore in FY23. Over 50% of the company's revenue comes from digital content. It services more than 400 clients every year and the top 50% of its clients contribute 70% of its topline. It claims that its top 50% of clients have been associated with the company for over a decade and the top 10% of clients have a longer relationship — 19 years on average — with the company.

At the IPO price of INR 288 (upper price band), R K Swamy Ltd is valued at PE multiple of 46.5 times.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj. EPS (Rs.)	Adj BVPS (Rs.)	RoE (%)	RoIC (%)	EV/EBIT DA (X)	P/BV (X)	P/E (X)
FY21	174	20	3	11.6	1.8	0.6	0.7	84.3	84.7	72.4	440.4	472.3
FY22	234	33	19	14.1	8.2	3.8	3.2	117.8	(4,343.1)	43.6	88.9	75.5
FY23	293	56	31	19.1	10.7	6.2	9.0	69.1	122.3	25.8	32.1	46.5

Industry Media

Issue Details

Listing	BSE & NSE
Open Date	4 th Mar 2024
Close Date	6 th Mar 2024
Price Band	INR 270-288
Face Value	INR 5
Market Lot	50 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue(%)	40.84
Offer for Sale(%)	59.15
Issue Size (INR cr)	INR 423.56
Issue Size (Shares)	1,47,06,944
QIB Share (%)	≥ 75%
Non-Inst Share (%)	≤ 15%
Retail Share (%)	≤ 10%
Pre issue sh (nos)	4,44,57,140
Post issue sh (nos)	5,04,64,084
Post issue MCap (INR cr)	1453.4

Shareholding (%)	Pre (%)	Post (%)
Promoter	100.0	73.15
Public	0.0	26.85
TOTAL	100	100

Key Growth Strategies

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

R K Swamy Limited leverages Integrated Marketing Communications, Customer Data Analytics, and Full-Service Market Research to drive growth for its clients. With a focus on expanding its client base across segments and geographies, the company saw new client revenue contributions rise to 6.28% in the first half of fiscal 2023 and 16.27% for the full year. With over 380 active clients, R K Swamy emphasizes long-term relationships, as evidenced by top clients averaging 13 years of partnership. Their strategy emphasizes client engagement and retention through integrated marketing communications.

Expanding its presence in domestic and international markets

The company focuses on utilizing digital content to enhance clients' marketing efforts across online and offline platforms. This includes creating short videos, product animations, and longer, specialized productions aimed at viral distribution. Additionally, they produce informative videos for complex program explanations. In Fiscal 2023, they generated 2,828 videos and 564 videos in the six months ending September 30, 2023, across multiple languages. Their revenue share from digital operations increased from 69.81% in Fiscal 2021 to 78.13% in Fiscal 2023 and 80.22% in the first half of 2023.

Expanding our presence in domestic and international markets

The company plans to maintain its focus on existing client profiles within India, currently operating in 12 cities with 12 offices and field locations as of September 30, 2023. There are intentions to expand into additional geographies. Notably, successful experiences in locations like Kochi, Kerala, Hyderabad, Telangana, where they serviced over 10 clients each, highlight the potential for further client base development in these states. To leverage this success, the company aims to begin operations in Ahmedabad (Gujarat), Lucknow (Uttar Pradesh), and Jaipur (Rajasthan), targeting new and emerging clients in these regions.

Key Risks & Concerns

- The company's business model relies heavily on key clients, representing a substantial portion of its revenue. Failure to retain these clients, diversify the client base, or potential reductions in their marketing budgets pose significant risks to the business. Such scenarios could have adverse effects on revenue growth, operational results, cash flows, and overall financial condition.
- The company's revenue stream is heavily reliant on specific key industries. Any decline in demand for marketing services within these industry verticals could lead to a reduction in revenues, negatively impacting the business, financial health, and operational results.
- Digital marketing and Integrated Marketing Communications (IMC) constitute a significant portion of the company's revenue stream. Therefore, any shifts in trends, reductions in digital advertising or IMC spending by clients, or challenges in adapting offerings to market trends and technological advancements could significantly impact the business. Such scenarios could lead to adverse effects on revenue growth, operational results, and overall financial condition.

Issue Structure and Offer Details

The proposed issue of R K Swamy Ltd is a combination of fresh issue of 60,06,944 shares (aggregating to Rs 173.0 crores) and an offer for sale of 87,00,000 shares (aggregating to Rs 250.56 crores). The price band for the issue is in the range of INR 270-288 and the bid lot is 50 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not less than 75.00% of the Net Issue
NIB	Not more than 15.00% of the Net Issue
Retail	Not more than 10.00% of the Net Issue

Number of shares based on a higher price band of INR 288

Source: Company Reports

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Srinivasan K Swamy	Promoter Selling Shareholder	17,88,093
Narasimhan Krishnaswamy	Promoter Selling Shareholder	17,88,093
Evanston Pioneer Fund L.P	Investor Selling Shareholder	44,45,714
Prem Marketing Ventures LLP	Investor Selling Shareholder	6,78,100

The amount is based on a higher price band of INR 288

Source: Company Reports

Financial summary

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	173.5	234.4	292.6	Adjusted EPS (INR)	0.6	3.8	6.2
<i>YoY Growth (%)</i>		<i>35.1</i>	<i>24.8</i>	Adjusted Cash EPS (INR)	3.6	6.6	9.1
Raw Material Cost	0.0	0.0	0.0	Adjusted BVPS (INR)	0.7	3.2	9.0
<i>RM Cost to Sales (%)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	Adjusted CFO per share (INR)	9.9	12.7	5.8
Employee Cost	79.4	90.0	107.1	CFO Yield (%)	3.4	4.4	2.0
<i>Employee Cost to Sales (%)</i>	<i>45.8</i>	<i>38.4</i>	<i>36.6</i>	Adjusted FCF per share (INR)	11.0	13.1	5.8
Other Expenses	74.0	111.5	129.7	FCF Yield (%)	3.8	4.6	2.0
<i>Other Exp to Sales (%)</i>	<i>42.7</i>	<i>47.6</i>	<i>44.3</i>	Solvency Ratio (X)			
EBITDA	20.1	33.0	55.9	Total Debt to Equity	13.8	1.8	0.1
<i>Margin (%)</i>	<i>11.6</i>	<i>14.1</i>	<i>19.1</i>	Net Debt to Equity	0.7	(1.0)	(0.3)
<i>YoY Growth (%)</i>		<i>63.8</i>	<i>69.5</i>	Net Debt to EBITDA	0.1	(0.5)	(0.2)
Depreciation & Amortization	15.0	13.9	14.7	Return Ratios (%)			
EBIT	5.1	19.1	41.2	Return on Equity	84.3	117.8	69.1
<i>Margin (%)</i>	<i>2.9</i>	<i>8.1</i>	<i>14.1</i>	Return on Capital Employed	6.8	33.0	60.8
<i>YoY Growth (%)</i>		<i>275.8</i>	<i>115.9</i>	Return on Invested Capital	84.7	(4,343.1)	122.3
Other Income	9.8	12.4	7.6	Working Capital Ratios			
Bill discounting & other charges	10.1	6.8	6.2	Payable Days (Nos)	419	352	246
Fin Charges Coverage (X)	0.5	2.8	6.7	Inventory Days (Nos)	0	0	0
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	372	295	255
PBT	4.7	24.7	42.6	Net Working Capital Days (Nos)	-47	-57	10
<i>Margin (%)</i>	<i>2.7</i>	<i>10.5</i>	<i>14.6</i>	Net Working Capital to Sales (%)	(12.8)	(15.7)	2.6
<i>YoY Growth (%)</i>		<i>428.2</i>	<i>72.4</i>	Valuation (X)			
Tax Expense	1.6	5.4	11.3	P/E	472.3	75.5	46.5
<i>Tax Rate (%)</i>	<i>34.2</i>	<i>22.0</i>	<i>26.6</i>	P/BV	440.4	88.9	32.1
PAT	3.1	19.3	31.3	EV/EBITDA	72.4	43.6	25.8
<i>Margin (%)</i>	<i>1.8</i>	<i>8.2</i>	<i>10.7</i>	EV/Sales	8.4	6.1	4.9
<i>YoY Growth (%)</i>		<i>525.8</i>	<i>62.3</i>	Cash Flow Statement			
Min Int/Sh of Assoc	(0.0)	0.0	(0.0)	PBT	4.7	24.7	42.6
Net Profit	3.1	19.3	31.3	Adjustments	34.3	30.0	42.4
<i>Margin (%)</i>	<i>1.8</i>	<i>8.2</i>	<i>10.7</i>	Change in Working Capital	12.5	14.8	(44.5)
<i>YoY Growth (%)</i>		<i>525.8</i>	<i>62.3</i>	Less: Tax Paid	(1.6)	(5.4)	(11.3)
Net Profit	3.1	19.3	31.3	Cash Flow from Operations	49.9	64.0	29.2
<i>Margin (%)</i>	<i>1.8</i>	<i>8.2</i>	<i>10.7</i>	Net Capital Expenditure	(1.0)	(3.0)	(4.5)
<i>YoY Growth (%)</i>		<i>525.8</i>	<i>62.3</i>	Change in Investments	(20.6)	(18.2)	(9.3)
Balance Sheet				Cash Flow from Investing	(21.6)	(21.2)	(13.8)
Share Capital	4.1	4.1	4.4	Change in Borrowings	(17.0)	(22.4)	(36.1)
Total Reserves	(0.8)	12.3	40.8	Less: Finance Cost	(10.1)	(6.8)	(6.2)
Shareholders Fund	3.3	16.3	45.2	Proceeds from Equity	0.0	0.0	0.0
Long Term Borrowings	1.1	0.7	0.2	Buyback of Shares	0.0	(2.7)	0.0
Deferred Tax Assets / Liabilities	(5.5)	(5.2)	(4.8)	Dividend Paid	(0.5)	(1.6)	(2.0)
Other Long Term Liabilities	115.9	15.3	19.4	Cash flow from Financing	(27.6)	(33.5)	(44.3)
Long Term Trade Payables	0.0	0.0	0.0	Net Cash Flow	0.7	9.3	(28.9)
Long Term Provisions	5.8	1.8	2.9	Forex Effect	0.0	0.0	0.0
Total Liabilities	120.6	29.0	62.9	Opening Balance of Cash	28.0	28.9	38.2
Net Block	37.5	31.8	40.7	Closing Balance of Cash	28.9	38.2	9.2
Capital Work in Progress	0.0	0.0	0.0				
Intangible assets under development	3.1	0.0	0.0				
Non Current Investments	0.3	0.3	0.3				
Long Term Loans & Advances	39.4	17.4	19.5				
Other Non Current Assets	0.0	0.1	3.5				
Net Current Assets	40.3	(20.6)	(1.1)				
Total Assets	120.6	29.0	62.9				

Source: Ventura Research

Disclosures and Disclaimer

Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is member of BSE, NSE and MCX-SX. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Commodities Limited, Ventura Guaranty Limited, Ventura Insurance Brokers Limited and Ventura Allied Services Private Limited are associates of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for product or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL, the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Securities Market.

Ventura Securities Limited - SEBI Registration No.: INH000001634

Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) - 400608