

R K Swamy Limited

Technology | India

IPO | 02 March 2024

Integrated Market Research Data Analytics nurturing scalable brands

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About the Company

RK Swamy Limited (RKSL) 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. RKSL offers a comprehensive range of services in the following interrelated and complementary business segments: (i) Integrated Marketing Communications, (ii) Customer Data Analytics and Marketing Technology ("Customer Data Analytics and MarTech"); and (iii) FullService Market Research (including customer experience measurement) and Syndicated Studies ("Full-Service Market Research") for a marquee set of leading companies as their clients spread pan India enabling efficient delivery of services.

Multiple Segments to drive collaborative growth

RKSL is well positioned to leverage its core competitive strengths built over five decades and focus on delivering an attractive combination of service offerings. The total addressable market is expected to grow in double digits for Integrated Marketing Communications (13-15% CAGR till FY28) with higher growth in digital share, Customer Data Analytics and MarTech (13-15% CAGR till FY28) and Full-Service Market Research (9-10% CAGR till FY28). RKSL adopts various technologies to improve the operational efficiencies of 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 with specific servicing offerings allocating their resources.

Strong infrastructure deploying new relationships

RKSL has an established infrastructure spanned across 12 cities with an active customer base of 380 clients for FY23 using tech enabled tools, robust ground network to increase client engagement, focusing on key sectors for client retention, focus on creation of digital content at scale enhancing the service and product portfolio in various domestic and international markets. RKSL has invested in new segments to cater to its innovative requirements as a single window for total brand solutions as one shop and multiple services enhancing the efficiency delivery of services.

Financials in Brief

RKSL clients are primarily engaged in the following industries i.e. (i) BFSI, (ii) Automotive, and (iii) FMCG with relationships with an average age of 13 years for top 10 clients and age of 10 years for top 50 clients and have received various awards over the last many years for their creative services. Revenues grew at CAGR of 30% with improvement in margins and profitability over the past few years.

Our View

RKSL longstanding customer relationships with government companies and agencies to create awareness about its policies, promote various new initiatives, health and education schemes, state wise marketing services are the key positives. Its strong management helps to tap domestic and global customers in various segments of industries as private companies spend around 3% of their revenues for product endorsement which will drive sustained growth for the coming years. We believe with improvement in margins, newer cities and innovative campaigns in digital medium improving the overall customer experience helps to build brands leveraging the success for clients. **Hence, we recommend to "SUBSCRIBE" the issue for long term.**

IPO Details

Price Band (Rs)	270-288
Face Value (Rs)	5
Issue Open/Closing Date	04-Mar-24/06-Mar-24
Fresh Issues (Cr)	173.0
OFS (Cr)	250.6
Total Issue (Cr)	423.6
Minimum Bid Qty. (Nos)	50
QIB / HNI / Retail	75%/15%/10%
Implied Market Cap (Rs Cr)*	1,453

*At higher band

Object of the Issue

- ▶ Funding working capital and investment in IT infrastructure.
- ▶ Setting up a new customer experience centre.
- ▶ General Corporate purpose.

Strengths

- ▶ Integrated marketing services provider serving clients for 50 years.
- ▶ Well diversified customer base with long standing relationships.
- ▶ Established internal infrastructure for efficient delivery of services.
- ▶ Strong track record in the data analytics and marketing technology segment.

Key Risk

- ▶ Decrease in demand for marketing services and slow down in economy.
- ▶ Competitive pricing models denting margins.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	83.0	66.1
Others	17.0	33.9

Key Financials

(Rs Cr)	FY22(12)	FY23(12)	HIFY24(6)
Top 10 Clients Revenues %	42	42	50
Top 50 Clients Revenues %	73	72	75
Revenue	244.9	299.9	142.6
EBITDA	44.4	62.9	21.0
EBITDA Margin (%)	18.1	21.0	14.7
PAT	19.3	31.3	7.9
PAT Margin (%)	7.9	10.4	5.6
EPS (Rs)	3.8	6.2	1.5*
RocE (%)	20.1	29.0	6.3*
RoE (%)	17.2	22.2	5.4*
Net Worth	111.9	140.8	146.7
Gross Debt	28.7	4.5	51.1

Source: RHP, Note: * HT Not annualised

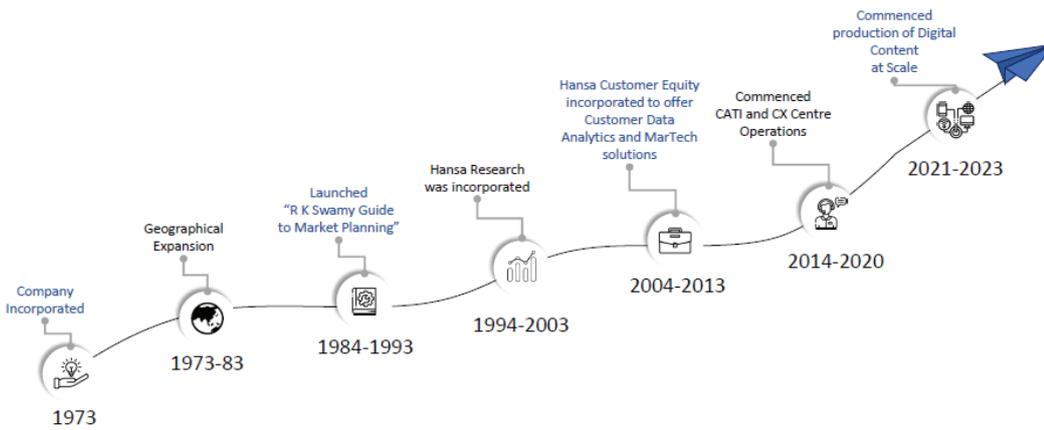
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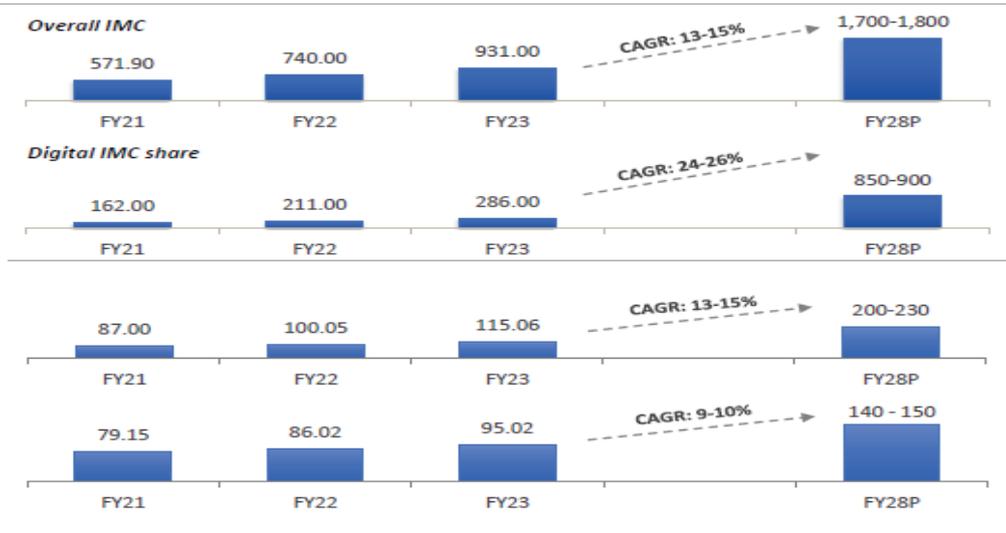
Exhibit 1: Timeline history of RKSL



Business has grown organically in response to market trends and client requirements

Source: RHP, CRISIL Report

Exhibit 2: Total Addressable Market in India (Rs bn)



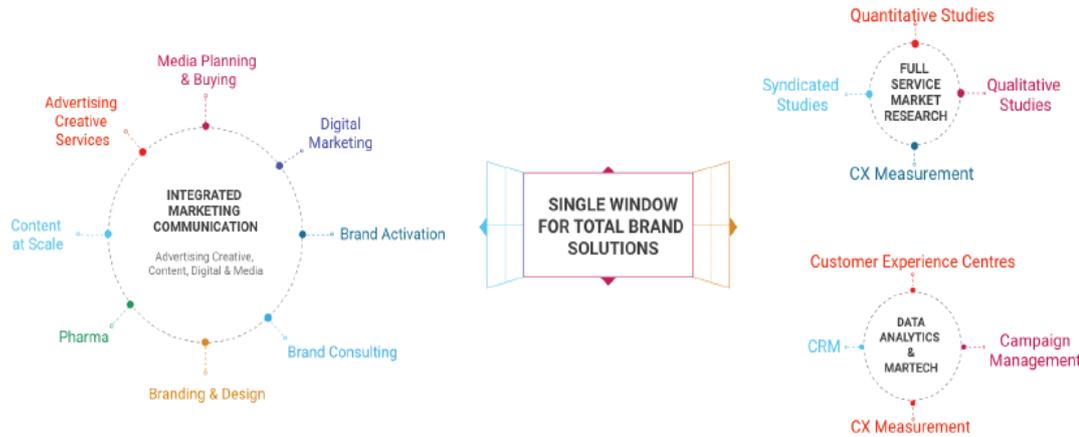
Source: RHP, CRISIL Report

Exhibit 3: Diversified Clients with long standing relationships



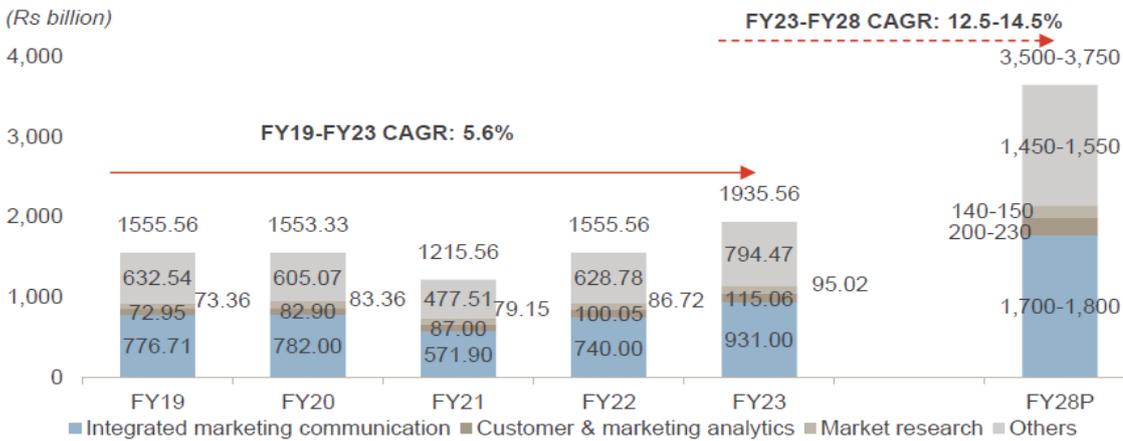
Source: RHP, CRISIL Report

Exhibit 4: One Shop, Multiple Services



Source: RHP

Exhibit 5: Overall marketing services in India (Rs billion)

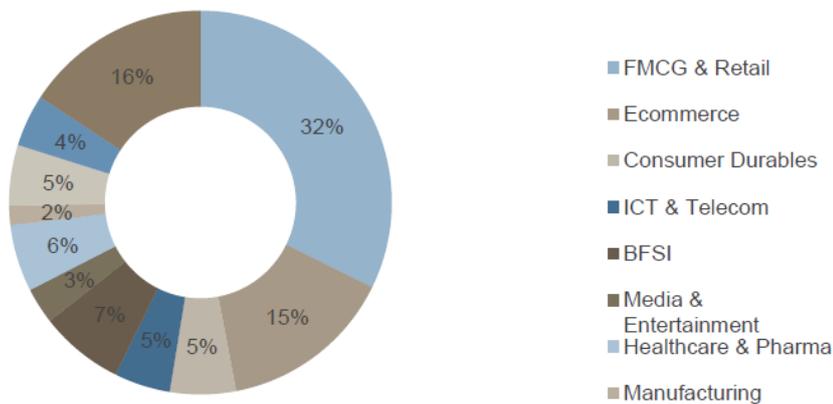


P-Projected, Marketing communication includes advertisement spends and live events. Marketing communication industry is sized up at a gross level as it includes all the spends done by companies on marketing communication and will also include revenues for media houses such as Star network, Sony, Zee etc.

Others includes application and website development and management, loyalty program spends, brand and marketing strategy development and management

Source: RHP, CRISIL MI&A

Exhibit 6: Marketing spends across sectors in India (FY23)



Only integrated marketing communication, customer data analytics & MarTech and Market research are considered in overall marketing services for the purpose of the above chart. Others include travel and tourism, real estate, utilities, agriculture, defense, government, social enterprises etc.

Source: RHP, CRISIL Report

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