



R K SWAMY

Sector: Computers - Software - Medium / Small

Issue Opens - March 4, 2024 to March 6, 2024

Price Band
₹270 to ₹288

Face Value
₹5

Lot Size
50 Shares

Issue Size
₹423.56 Cr

Issue Type
Book Built

research@ganeshstock.com

Important Events



Issue Size

14,706,944 shares / ₹423.56 Cr

Fresh Issue

6,006,944 shares / ₹173.00 Cr

Offer for Sale

8,700,000 shares of ₹5 / ₹250.56 Cr

Basis of Allotment

Thursday, March 7, 2024

Initiation of Refunds

Monday, March 11, 2024

Credit of Shares to Demat

Monday, March 11, 2024

R K SWAMY Listing Date

Tuesday, March 12, 2024

Promoters

- **Srinivasan K Swamy (Chairman and Managing Director)**
- **Narasimhan Krishnaswamy (Promoter, Executive Director)**

Promoters collectively hold 83.03% (Pre Issue) of the Equity Share.

About The Company.



R K Swamy, the advertising powerhouse of India, specializes in weaving creative, data-driven marketing solutions for a variety of industries. With over five decades of experience, they have emerged as the largest Indian-owned integrated marketing giant, providing comprehensive services including branding, media, analytics, and research, all under one roof. Their skilled teams excel in crafting award-winning campaigns, utilizing big data for targeted strategies, and uncovering valuable consumer insights through market research. Whether it's traditional advertising or generating social media buzz, R K Swamy ensures that brands stay ahead of the curve, fostering meaningful connections between clients and their audiences. With offices spread across India and a relentless dedication to client success, R K Swamy stands as India's unrivaled marketing expert.

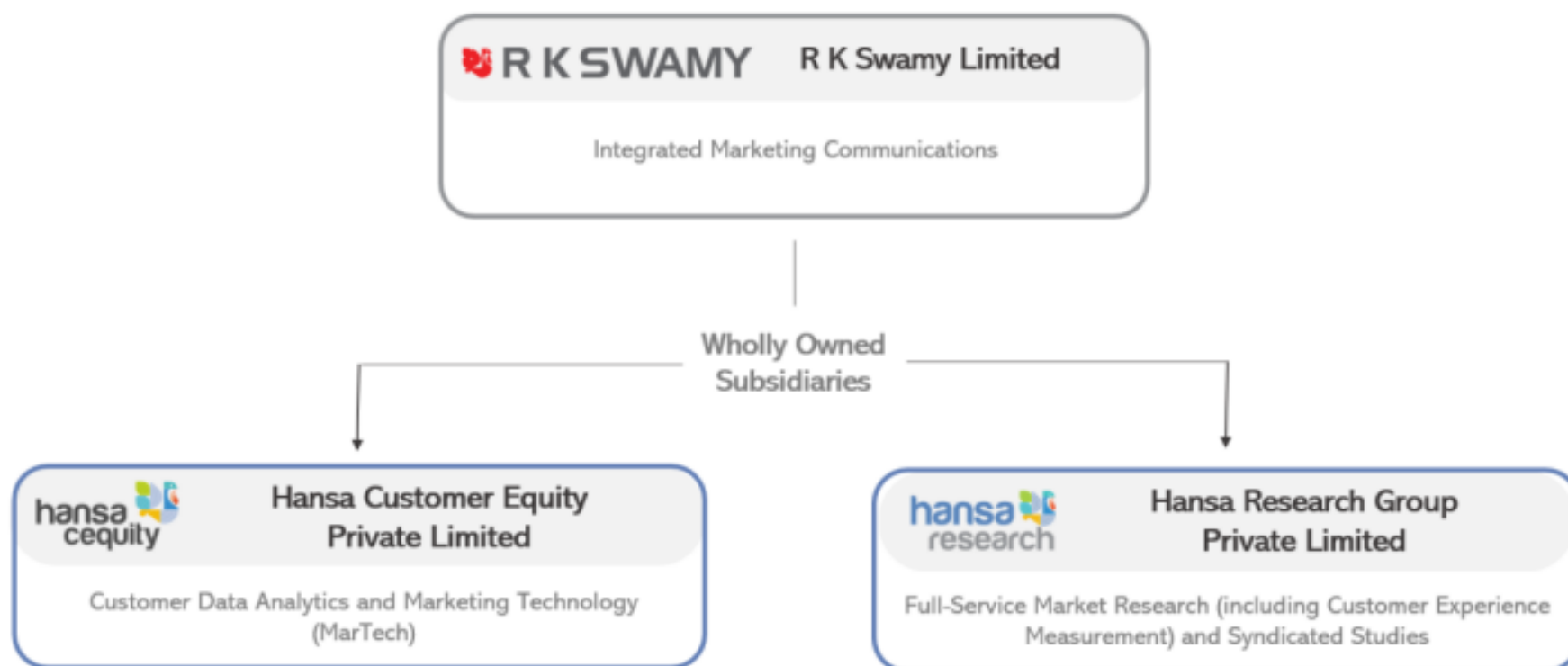
Description of Their Business

They stand as one of India's top integrated marketing service groups, offering a one-stop solution for creative, media, data analytics, and market research services. Their comprehensive offerings span across three interconnected business segments: (i) Integrated Marketing Communications, (ii) Customer Data Analytics and Marketing Technology (known as "Customer Data Analytics and MarTech"), and (iii) Full-Service Market Research, which includes customer experience measurement and Syndicated Studies.

Operating as a data-driven integrated marketing services provider, digital initiatives play a crucial role across all segments of their business. Under the Integrated Marketing Communications segment, they cover creative and digital content, media (including digital), event planning and execution, and other services such as public relations, social media management, and pharmaceutical communication.



In their Integrated Marketing Communications business, they operate under both the 'R K Swamy' and 'Hansa' brands. Their Customer Data Analytics and MarTech as well as Full-Service Market Research disciplines fall under the 'Hansa' brand. The chart below illustrates the range of services mapped across their corporate structure



Objects of The Offer

The company proposes to utilise the Net Proceeds towards funding the following objects:

1. Funding working capital requirements of our 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.

Track Record Of Financial Performance

Statement of Profit and Loss

(in ₹ lakhs, except percentages and ratios)

Particulars		For six months ended September 30, 2023	For the year ended March 31, 2023	For the year ended March 31, 2022	For the year ended March 31, 2021
Income					
1	Revenue from Operations	1,410.97	2,926.13	2,344.13	1,735.46
2	Other Income	14.54	73.00	105.58	96.74
3	Total Income (1+2)	1,425.51	2,999.13	2,449.71	1,832.20
Expenses					
	(a) Operational expense ⁽¹⁾	418.97	930.34	742.08	441.64
	(b) Employee benefits expense	582.41	1,070.83	899.85	793.99
	(c) Other expenses	214.44	368.90	363.56	308.31
	Total Expenses	1,215.82	2,370.07	2,005.49	1,543.94
4	Earnings before interest, tax, depreciation and amortisation (3-4)	209.69	629.06	444.22	288.26
	(d) Finance costs	26.71	56.10	58.32	91.10
	(e) Depreciation and amortisation expenses	74.33	147.16	138.90	150.40
5	Restated Profit Before Tax	108.65	425.80	247.00	46.76
6	Tax Expense				
	(a) Current tax				
	- Current period/ year	24.05	107.69	47.68	20.09
	- Prior years	(0.77)	0.29	2.02	0.77
	(b) Deferred Tax charge / (credit)	6.06	5.24	4.75	(4.87)
		29.34	113.22	54.45	15.99
7	Restated Profit After Tax (5-6)	79.31	312.58	192.55	30.77
Restated Other Comprehensive Income					
A (i) Items that will not be reclassified to profit or loss					
	(a) Remeasurement of the defined benefit plans	(3.31)	(4.46)	(7.99)	(7.20)
	(ii) Income tax related to items that will not be reclassified to profit or loss	0.86	1.12	2.12	1.94
B (i) Items that will be reclassified to profit or loss					
	(a) Exchange difference on translation of foreign operations	(0.65)	-	-	-
	(ii) Income tax related to items that will be reclassified to profit or loss	-	-	-	-
8	Total other comprehensive (loss) for the period/year [A(i-ii) + B(i-ii)]	(3.10)	(3.34)	(5.87)	(5.26)

In continuation...

9	Total comprehensive income for the period/year (7+8)	76.21	309.24	186.68	25.51
	Profit and loss attributable to equity shareholders	79.31	312.58	191.73	29.32
	Profit and loss attributable to non controlling interests	-	-	0.82	1.45
	Other comprehensive (loss) attributable to equity shareholders	(3.10)	(3.34)	(5.90)	(4.68)
	Other comprehensive income/(loss) attributable to non controlling interests	-	-	0.03	(0.58)
	Total comprehensive income attributable to equity shareholders	76.21	309.24	185.83	24.64
	Total comprehensive income attributable to non controlling interests	-	-	0.85	0.87
10	Earnings per equity share of ₹ 5 each (Face value)*				
	Basic (in Rs)	1.78	7.03	4.33	0.69
	Diluted (in Rs)	1.78	7.03	4.33	0.69

Key financial metrics

Metric	Unit	As at six months ended September 30, 2023	As at / For Fiscal 2023	As at / For Fiscal 2022	As at / For Fiscal 2021
Gross Revenue from Operations	(in ₹ million)	3,066.27	7,799.02	6,748.26	5,437.85
Revenue from Operations	(in ₹ million)	1,410.97	2,926.13	2,344.13	1,735.46
Revenue Growth	%		24.83	35.07	
Total Income	(in ₹ million)	1,425.51	2,999.13	2,449.71	1,832.20
Total Income Growth	%		22.43	33.70	
EBITDA	(in ₹ million)	209.69	629.06	444.22	288.26
EBITDA Margin on Total Income	%	14.71	20.97	18.13	15.73
Profit after tax	(in ₹ million)	79.31	312.58	192.55	30.77
Profit after tax margin on Total Income	%	5.56	10.42	7.86	1.68
RoCE¹⁵	%	6.29	28.95	20.08	8.58
RoNW¹⁶	%	5.41	22.20	17.20	3.13

Note: The figures for six months ended September 30, 2023 are not annualised

Key operational metrics

Metric	Unit	As at six months ended September 30, 2023	As at / For Fiscal 2023	As at / For Fiscal 2022	As at / For Fiscal 2021
Top 10 Clients					
Revenue from Operations	%	49.65	41.89	42.03	41.15
Average revenue per Client	(in ₹ million)	70.05	122.58	98.53	71.41
Top 50 Clients					
Revenue from Operations	%	75.15	71.69	72.92	74.19
Average revenue per Client	(in ₹ million)	21.21	41.95	34.18	25.75
Revenue from Operations per FTE ¹⁴	(in ₹ million)	0.86	1.83	1.16	0.81
Integrated Marketing Communications					
Release orders ¹	(Number)	2,888	7,284	4,132	5,662
Campaigns ²	(Number)	438	818	865	984
Videos Produced ³	(Number)	564	2,828	1,963	1,507
Customer Data Analytics and MarTech;					
Unique customer profiles ⁴	(Number)	163,000,000	195,000,000	153,000,000	120,000,000
Private cloud infrastructure ⁵	(Number)	140.05	97.69 terabytes	89.80 terabytes	82.52 terabytes
One-to-one customer intelligence campaigns ⁶	(Number)	1,743,000,000	2,264,000,000	1,774,000,000	1,706,000,000
Voice calls ⁷	(Number)	14,483,000	26,133,000	20,170,000	11,509,000
Digital Queries (Online Reputation Management ("ORM")/Chat/E- Mail) ⁸	(Number)	285,000	692,000	428,000	267,000
Full-Service Market Research					
Depth interviews ⁹	(Number)	2,134	4,016	3,533	3,024
Group Discussions ¹⁰	(Number)	1,490	3,594	3,936	4,286
Quant Interviews ¹¹	(Number)	243,390	5,41,498	3,35,196	2,99,558
Computer aided telephonic interviews ("CATI") ¹²	(Number)	1,165,862	1,692,306	1,468,624	1,130,393
Panel ¹³	(Number)	30,386	1,31,728	1,15,037	1,20,138

Strengths



- For five decades, They've been a trusted provider of integrated marketing services, boasting a 15-year expertise in Data Analytics and Marketing Technology.
- Renowned for their capacity to generate digital content at scale, they lead the market research domain.
- Their firm stands out with a portfolio of well-established brands, guided by seasoned Promoters and a proficient Senior Management team.
- They've cultivated enduring relationships with a diverse clientele over the years.
- Their robust internal infrastructure ensures swift and efficient service delivery.

Threats

- **Client Concentration Risk:** Although the company has served over 380 clients in the last six months of FY24, its top 10 clients make up 42% of its revenue. Losing just one of these clients could greatly hurt its earnings.
- **Competition Risk:** To stay ahead, the company must keep improving its technology to understand the market better for its customers. If it doesn't upgrade its tech or provide enough data, it could lead to customer dissatisfaction and harm the business.
- **High Working Capital Requirements:** The company needs to reserve spaces for its clients with media houses and digital platforms. A rule from the Indian Newspaper Society requires marketing companies to pay within 60 days, adding to the financial demand.
- **Services Subject to Availability:** Some services offered by the company, like publishing ads in print, electronic, and outdoor media, depend on space availability. High demand for these spaces can drive up costs significantly.

Valuation and Outlook

The cost of the shares is expected to be between ₹270 to ₹288 per share. If we look at the valuation, R K SWAMY has a P/E ratio of 40.96x which is calculated using a price above ₹288 and an FY23 EPS of Rs 7.03 while the industry P/E is 69.5x.

Peers Analysis.

Name of Company	Face Value (₹ per share)	Market Capitalisation	Closing price on February 2, 2024	Total Income (in ₹ million)	EPS Financial Year ended March 31, 2023		NAV (₹ per share)	P/E	RoN W (%)	Market Capitalisation / Total Income
					Basic	Diluted				
R K Swamy Limited*	5	[●]	[●]	2,999.13	7.03	7.03	31.67	[●]	22.20 %	[●]
Peer Companies										
Affle (India) Limited	2	172,410.40	1,230.00	14,882.80	18.43	18.43	109.98	66.74	16.73 %	11.58
Latent View Analytics Limited	1	100,069.32	486.00	5,945.28	7.71	7.63	58.93	63.70	12.87 %	16.83
Vertoz Advertising Limited	10	11,426.68	719.85	837.62	9.22	9.22	85.59	78.07	10.77 %	13.64

*Financial information of the Company has been derived from the Restated Consolidated Financial Information as at and for the financials year ended March 31, 2023

R K SWAMY Limited is a major marketing company in India, starting in 1973. They offer many services like creative work, media services, data analytics, and market research. Ranked among the top 10 integrated marketing groups in India, they cover three main areas: Integrated Marketing Communications, Customer Data Analytics and Marketing Technology, and Full-Service Market Research.

They've had strong growth, with sales increasing by 19% annually since FY21. Expected margins for FY23 are good, with EBITA at 20.97% and PAT at 10.68%. For FY23, ROE and ROCE are forecasted at 22.20% and 28.95% respectively. To expand, they're raising funds for projects like setting up studios, auto marketing platforms, and data repositories. While their P/E ratio is high at 40.96x for FY23 and 80x for FY24, around 60-65% of their earnings are expected in the latter half of FY2024, making them attractive for investors. R K SWAMY Limited has strong relationships with government bodies, promoting initiatives in health and education. They excel in tailoring marketing services to different states, attracting customers from various industries.

With expected improvements in margins and expansion into new areas, they aim to keep growing by enhancing customer experience and building strong brands for their clients. We recommend to subscribe rating to this IPO.

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