



MSEARCH

INITIAL PUBLIC OFFER (IPO)

04-03-2024

R K SWAMY LIMITED

04-03-2024 TO 06-03-2024

Industry: Advertisement & Media

Recommendation: Subscribe for long term

Price Band: ₹270-288

Post Implied Market Cap: -₹1373-1453 Cr

Key Data

Issue Size (₹ Cr)	424
Fresh (₹)	173
OFS (₹)	251.00
No of shares offered	1,51,38,270-1,47,33,883
Face Value (₹ /share)	5
Bid Lot	50

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	7/3/2024
Refunds/Unblocking ASBA Fund	11/3/2024
Credit of equity shares to DP A/c	11/3/2024
Trading commences	12/3/2024

Shareholding (No. of shares)

Pre-Issue	44,457,140
Post Issue (Lower price band)	50,895,410
Post Issue (Higher price band)	50,491,023

Shareholding Pattern

Promoters	
Pre Issue	78.72%
Post Issue	62.26%

Promoters Group	
Pre Issue	4.32%
Post Issue	3.81%

Public-Other Selling S/h	
Pre Issue	15.56%
Post Issue	3.56%

Public - Others:	
Pre Issue	1.40%
Post Issue	30.38%

Issue Breakup

QIB	75%
NIB	15%
Retail	10%

Other Details

BRLMs: SBI Capital Markets, IIFL Securities, Motilal Oswal

Registrar: KFin Technologies Ltd.

Listing: BSE & NSE

Research Analyst

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About the Company

R K Swamy Ltd. (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. With over five decades of experience, RKSL ranks 8th in operating revenue among similar groups in India. R K RKSL is a data driven integrated marketing services provider and all segments of their business use digital initiatives extensively and has executed over 818 and 438 creative campaigns in Fiscal 2023 and the six months ending September 30, 2023, respectively. It handled substantial data volumes and conducted millions of consumer interviews across various survey types. With a workforce of 2,533 employees across 12 offices and field locations in twelve cities, RKSL meets client demands for effective marketing services through a diverse range of advertising and marketing offerings under unified management.

Investment Rationales

- Integrated marketing services provider serving clients for 50 years:** RKSL is a leading integrated marketing services provider in India, offering comprehensive solutions in creative, media, data analytics, and market research services. With over 5 decades of organic growth, it maintains a scalable, asset-light business model and a stable financial profile. Serving a diverse clientele including large corporates, state-owned enterprises, and emerging entrepreneurs, the company supports various aspects of the media and marketing value chain. Additionally, it offers analytics-focused solutions such as data architecture consulting and consumer insights studies to meet evolving client needs.
- 15-year track record 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:** RKSL ventured into customer data analytics in 2008 through its subsidiary Hansa Customer Equity, serving over 200 clients to date. It offers a comprehensive suite of services under the Customer Data Analytics and MarTech segment, including Marketing Automation Platforms, CRM Systems, and AI tools. In Full-Service Market Research, the company provides insights into consumer behavior and objective views of clients' businesses. In Fiscal 2023, it delivered 1,178 projects and analyzed data from 2,373,142 individuals across various sectors.
- Well diversified customer base with long standing relationships:** The company's evolving business model centres around meeting the specific marketing and advertising needs of clients. Having served over 4,000 organizations and 380 clients in the last six months, it maintains a diverse client base spanning BFSI, automotive, FMCG, retail, and government sectors. With deep domain expertise, it caters to various client structures including private companies, MNCs, and government entities. Additionally, the company operates CATI and customer experience centres across 10 locations, enhancing its multilingual capabilities and industry standing through regular collaboration with central ministries and public sector enterprises.
- Established internal infrastructure for efficient delivery of services:** The company has an extensive marketing and client services network across 12 cities in India, with offices and field locations strategically positioned. It has also expanded its reach internationally with subsidiaries in Dubai and Bangladesh, catering to clients in the Middle East, North Africa, and South Asia regions. Moreover, the company offers Full-Service Market Research services and maintains a national data-collection field infrastructure in 17 cities, employing 1,350 individuals, including field executives and freelancers, as of September 30, 2023.

Risk

- 1) Industry/Client concentration in revenue.
- 2) Any change in corporate spending would affect earnings.
- 3) High working capital requirement due to seasonality of business.

MView

We believe R K Swamy Ltd IPO gives investors an opportunity to invest in a prominent integrated marketing services provider in India, boasting a legacy of over five decades in the industry. With its comprehensive suite of services covering creative, media, data analytics, and market research, RKSL has established itself as a go-to solution provider for diverse clientele, ranging from large corporates to emerging entrepreneurs. We also believe the company's deep domain expertise across various sectors and government, positions it as a trusted partner for clients seeking tailored marketing and advertising solutions. We also think the company's ability in providing insights into consumer behaviour and objective views of client's businesses has been instrumental in delivering over 1,100 projects and analysing data from millions of individuals across various sectors. By looking at the financials the company has shown strong growth in revenue from operations with 35%/25% and a substantial growth in net profit with 525%/62% in FY 2022 & FY 2023. On valuation parse at the upper band of ₹288/-, the issue is asking for a Market Cap of ₹1453/- cr. Based on annualized FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking a PE of 37x, assuming seasonal impact and surge in the second half earnings in FY24. As per our readings and understanding the company's business follows a seasonal pattern, typically experiencing lower revenue recognition in the first half but anticipates a surge in the second half of FY24. So as per higher revenue recognition in the second half i.e around ~60%. Based on this assumption we believe the company asks valuations seem reasonably priced in the line of industry it serves. Given, RKSL as an intimidating player in India's marketing services landscape, offering a holistic approach to address client's marketing and advertising requirements. With its proven track record of success, diversified service portfolio and expansive network, we believe RKSL is a long term investor story. Hence, considering all the limitations, we recommend investors to "SUBSCRIBE" the IPO for Long term perspective only.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept' 30	As at March' 31		
	2023 (06)	2023	2022	2021
Equity Share Capital	22.23	4.45	4.08	4.08
Net worth	146.66	140.81	234.41	173.54
Revenue from Operations	141.1	292.61	234.41	173.55
Revenue Growth (%) as stated	-	24.83%	35.07%	-
EBITDA	20.97	62.91	44.42	28.83
EBITDA Margin % as stated	14.71%	20.97%	18.13%	15.73%
Profit before Tax	10.87	42.58	24.7	4.68
Net Profit for the period	7.93	31.26	19.26	3.08
Net Profit Margin (%)	5.56%	10.42%	7.86%	1.68%
EPS- Basic & Diluted	1.78	7.03	4.33	0.69
Net Asset Value (₹) as stated	32.99	31.67	25.18	22.09
ROCE (%)	6.29%	28.95%	20.08%	8.58%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Mcap (in Cr)	FV	Revenue from operation FY 2023 (in Cr)	EPS	NAV	P/B	P/E	RoNW
RK Swamy Ltd.	1453	5	299.91	3.14	64.91	4.44	91.63	22.2%
Affle (India) Ltd.	15,584	2	1,488.30	18.4	110	9.78	57.3	16.70%
Latent View Analytics Ltd	10,707	1	594.50	7.7	58.9	8.39	72.5	12.90%
Vertoz Advertising Ltd.	1,349	10	83.80	9.2	85.6	11	87.5	10.80%

Cate as on 31st March 2023, Cline Mcap, PE, PB calculated as on 04-03-2024
R K Swamy Ltd, EPS/PE, P/B. NAV calculated on annualised basis post money



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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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