

Rating: Avoid

Issue Offer

Fresh Issue of 60,06,944 equity shares up to INR 1,730 Mn and OFS of 87,00,000 equity shares up to INR 2,506 Mn, taking the total issue size at INR 4,236 Mn.

Issue Summary

Price Band (INR)	270-288
Face Value (INR)	5
Implied Market Cap (INR Mn)	14533.6
Market Lot	50
Issue Opens on	March 4, 2024
Issue Close on	March 6, 2024
No. of share pre-issue	4,44,57,140
No. of share post issue	5,04,64,084
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	≥75
NII (HNI) Portion	≤15
Retail Portion	≤10

Book Running Lead Managers

SBI Capital Markets Ltd.

IIFL Securities Ltd.

Motilal Oswal Investment Advisors Ltd.

Registrar

KFin Technologies Ltd.

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	83.03%	-
Public & Others	16.97%	-

Objects of the issue

- Funding working capital requirements,
- Funding capital expenditure for setting up a digital video content production studio,
- Funding investment in IT infrastructure for the company and the Material Subsidiaries
- Funding setting up of new customer experience centers and computer aided telephonic interview centers,
- General corporate purposes.

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R K Swamy Limited is engaged in the business of integrated marketing communications, customer data analysis and full-service market research. The company embraces a data-driven approach, extensively incorporating digital initiatives across its diverse business domains. In FY23, R K Swamy demonstrated its capabilities by leading over 818 creative campaigns, processing 97.69 terabytes of data and conducting 2.37 million consumer interviews through various survey formats. Established in 1973, the company clientele includes prominent names like Aditya Birla Sun Life AMC, Havells India, Mahindra and Mahindra and others. The company has 2,391 employees spread across 12 offices and 12 field locations in 12 cities and across three business segments.

Investment Rationale

Integrated marketing services provider: The company has expanded its services organically over the years. With a consumer durables client, it started with integrated marketing communications and later added digital media planning and research studies due to which the revenue grew by 22.95% from FY21 to FY23. Similarly, with an airline brand, it expanded from communication services to include frequent flyer programs and online reputation management, achieving a revenue growth of 79.97% from FY21 to FY23. These highlight the company's agility in meeting client needs and its leadership in the industry.

Strengthening client base across diverse geographies: Plans are underway to expand into additional geographical areas. The company's success in locations like Kochi, Kerala, and Hyderabad, Telangana, where it served over 10 clients each, demonstrates the potential for further client acquisition in these states. To capitalize on this momentum, the company plans to initiate operations in Ahmedabad (Gujarat), Lucknow (Uttar Pradesh), and Jaipur (Rajasthan) to target new and emerging clients in these regions.

Enhancing content creation capabilities for digital demands: The company aims to seize growth opportunities in key sectors and meet the rising demand for visual/video content in the digital landscape by investing in physical and operational infrastructure to increase its content creation capabilities. This investment is expected to enhance in-house production capabilities, cater to increasing client demands for digital content creation, reduce reliance on external productions, lower outsourcing costs, enrich the existing product portfolio, and enable the launch of a greater number of large and small videos.

Outlook and Valuation

The marketing services market in India has been steadily expanding, fueled by increased corporate spending and a thriving economy. There are significant opportunities for growth across their business segments, which include Integrated Marketing Communication, Customer Data Analytics and MarTech, and Full-Service Market Research. With the shift to digital advertising and rising demand for MarTech solutions, particularly in sectors such as FMCG, retail, and BFSI, RK Swamy is well-positioned to capitalize on these trends. We anticipate sustained growth for the company and strong market performance in the coming years by capitalizing on the growing importance of market intelligence and technological advancements. At the upper band of INR 288, the issue is valued at an EV/EBITDA of 22.9x based on FY23 EBITDA of INR 629.1 Mn and P/E of 46.5x based on FY23 EPS of INR 6.1. We are recommending "Avoid" for this issue.

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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