

IPO Details	
Opening Date	Nov 30, 2023
Closing Date	Dec 05, 2023
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price	₹ 111 per share
Issue Size	Aggregating up to 53.41 Cr.
Fresh Issue	Aggregating up to 53.41 Cr.
Offer For Sale	-
Application Amount	₹ 1,33,200

IPO Objective	
1.	Repayment of certain borrowings.
2.	To meet the Working Capital requirements.
3.	General Corporate Expenses.
4.	Issue Expenses.

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,34,63,100	99.99%
Public	1,400	0.01%

Promoter of the Company	
1.	Mukesh Kumar Gupta
2.	Alok Mukesh Gupta
3.	Padma Mukesh Gupta

Competitive Strengths	
1.	Experience of Promoters and senior management team.
2.	Meeting expectation of clients and maintaining Long Term Relationship with clients.
3.	Media and advertising.
4.	Accreditation with various awards.
5.	Repeat Customers.

Company Background	
○	Graphisads Limited was originally incorporated in the year 1987 and has its registered office in New-Delhi.
○	Graphisads Limited is integrated marketing, advertising and communications agency, providing 360-degree solutions to its wide array of clients.
○	Company provides advertising services on the work orders received by Government sector, Private sector and public sector entities.
○	The Company is in the same industry for the past 35 years and is continuously expanding its business horizons with the moving trends across the world, reflecting its growing expertise in the marketing and advertising industry.
○	As of 31 <sup>st</sup> August 2023, the Company had 92 employees on its payroll.

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹75	₹120

Financial Summary (In Lacs.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	June-23
Total Assets	9,408.04	10,126.2	11,037.07	11,626.82
Net Assets	3,360.95	3,914.20	4,286.31	4,492.76
Total Borrowings	3,641.42	3,399.72	2,952.11	3,141.61
Total Revenue	4,755.63	8,972.49	9,904.81	2,602.48
Profit After Tax	55.82	558.19	556.62	206.45

Tentative Timeline	
Opening Date	Nov 30, 2023
Closing Date	Dec 05, 2023
Basis of Allotment	Dec 08, 2023
Initiation of Refunds	Dec 11, 2023
Credit of Shares to Demat	Dec 12, 2023
Listing Date	Dec 13, 2023

## Company Background and Analysis

Graphisads Limited was originally incorporated on September 25, 1987. Graphisads Limited is integrated marketing, advertising and communications agency, providing 360-degree solutions to its wide array of clients. The Company is in the same industry for the past 35 years and is continuously expanding its business horizons with the moving trends across the world, reflecting its growing expertise in the marketing and advertising industry.

Company provides advertising services on the work orders received by Government sector, Private sector and, Public sector entities. The Company neither outsource/sub-contracts the services provided to its clients, nor does it have any contract with third party in this respect.

Sector wise distribution of revenue during the last 3FYs and period ended June-23 are as under –

(Amount in Lakhs)

Particulars	Jun-23		Mar-23		Mar-22		Mar-21	
	Amt	(%)	Amt	(%)	Amt	(%)	Amt	(%)
Government sector	693.05	26.72	1,530.21	15.55	2,491.55	27.94	1,319.62	28.89
Private sector	1,276.86	49.22	5,869.31	59.63	4,355.92	48.85	2,374.36	51.98
Public sector entities	624.24	24.06	2,443.88	24.83	2,069.60	23.21	873.61	19.13
<b>Total</b>	<b>2,594.15</b>	<b>100.00</b>	<b>9,843.40</b>	<b>100.00</b>	<b>8,917.07</b>	<b>100.00</b>	<b>4,567.59</b>	<b>100.00</b>

By integrated company means it offers creative, marketing strategy, on ground & virtual activation capabilities, and design solutions that help its clients in brand building. Company also provides high-end ecosystem and end-to-end ad-tech communication solutions platform for advertising media services consisting of Brand Strategy, Communication Strategy, Creative Services, Media Planning, Media Buying & Media Release services which covers advertisement modes such as Newspapers, Magazines, Radio and TV, Events & Exhibitions, Digital Media, Brochures Printing, and display of Outdoor Hoardings, Digital screens and street furniture In all such mediums of advertising “Creative” exists i.e.

Company’s business services broadly include:



To conclude, Company provides services to various sectors, such as government, private and public, which will help company grow its business further. Whereas the services provided by the company are not unique and it faces competition from various players.

## **Business Strategies**

### **1. Increase the number of Client Relationships –**

The company's main goals are to have more customer relationships and more relationship managers to take care of such relationships. Company's goal is to develop more customer connections, which company will subsequently use to its advantage to introduce a full line of media goods.

### **2. Enter new geographies –**

The company believes in long-term connections with its clients; therefore, it concentrates on growing the number of client relationships and hiring more relationship managers to serve these ties. Company wants to do this by providing added value to clients using cutting-edge technology, quality assurances, and prompt delivery of results. Company base is spread majorly across Delhi. Company aims to enter new geographies and increase its presence.

### **3. Competitive Pricing –**

The company believes in providing its clients with competitive costs to stay aggressive and attract new business. This enables it to maintain the competition and assert superiority in the market.

### **4. Brand Image –**

The company would continue to work with reputable, business-oriented clients and deliver services that fully satisfied them. Company is very sensitive of the way its brand is perceived, and company wants to grow its brand by offering them high-quality services.

## Competitive Scenario and Peer Mapping

### Competition

The domestic segment which the company caters to is fragmented and competitive. Company competes primarily on the basis of quality of services, customer satisfaction and marketing. Thus, some of its competitors may have certain other advantages over the company, including established track record, superior service offerings, larger portfolio of services, technology and greater market penetration, which may allow its competitors to better respond to market trends. Relatively there are very less barrier to entry in this industry.

### Peer Analysis

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below-

Particulars	Graphisads Limited	Crayons Advertising Limited	Bright Outdoor Media Limited	Daps Advertising Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	1%	0.1%	4%	1%
EBITDA Margin	4%	2%	20%	4%
Return on Capital Employed	2%	2%	8%	2%
Return on Equity	2%	0.4%	3%	1%
EPS (INR)	29.03	0.07	2.09	0.29

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below -

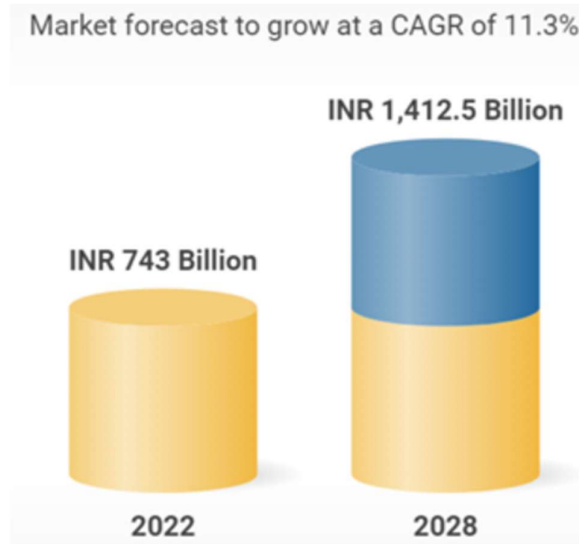
Particulars	Graphisads Limited	Crayons Advertising Limited	Bright Outdoor Media Limited	Daps Advertising Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	6%	1%	5%	6%
EBITDA Margin	11%	2%	13%	10%
Return on Capital Employed	15%	7%	12%	13%
Return on Equity	14%	4%	7%	13%
EPS (INR)	4.15	0.90	2.56	3.14

The comparison of the key performance indicators of the listed peers as on Mar-23 is given below -

Particulars	Graphisads Limited	Crayons Advertising Limited	Bright Outdoor Media Limited	Daps Advertising Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	6%	6%	8%	7%
EBITDA Margin	11%	7%	13%	12%
Return on Capital Employed	16%	32%	12%	23%
Return on Equity	13%	31%	7%	13%
EPS (INR)	4.13	9.22	5.10	3.83

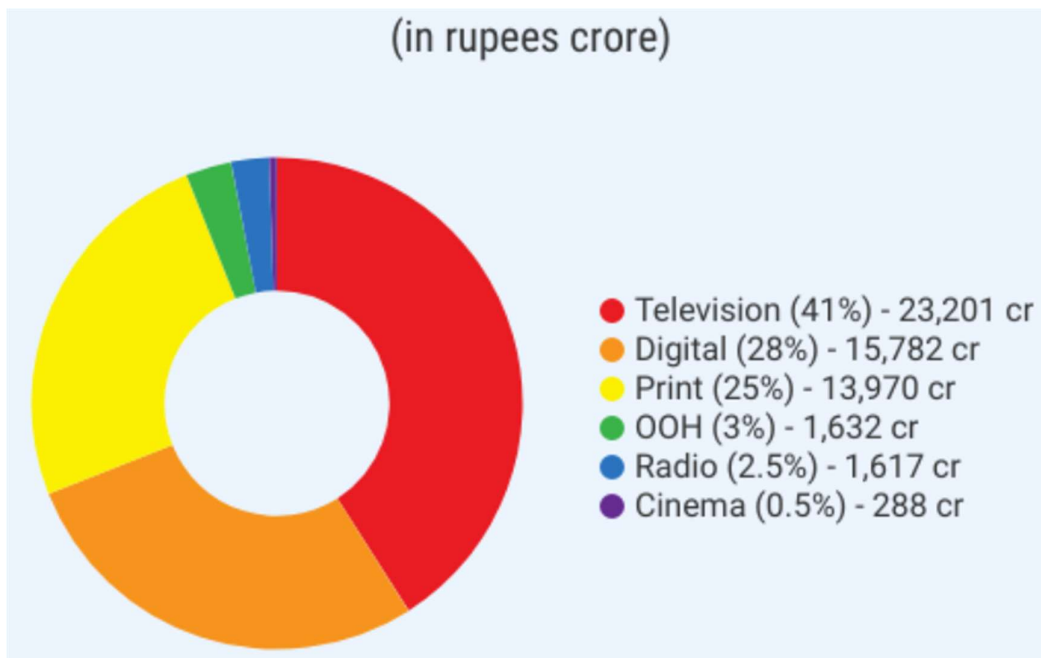
**Industry Overview**

Exhibit 1: Indian advertising market.



(Source: researchandmarkets.com)

Exhibit 2: Ad Spends on Different Media.



(Source: smefutures.com)

## **Global Advertising market overview**

The advertisement agency is one of the most important segments of Marketing and communication sector. Effective advertising depends on creative ideas and processes that allow teams to develop ads that target their intended market. Successfully implementing ads involves placing them in media strategically and evaluating their performance to ensure they reach an audience that is likely to purchase the product or service the ad promotes. By using IMC theories and strategies, marketing specialists, public relations directors, brand managers, digital media associates, social media marketers, and other media professionals can create, execute, and track multichannel advertising and communication messages that target and influence specific audiences. Market and Communication influence can be seen throughout modern society, in website display advertisements, enterprise blogs, search engine optimization, newspaper editorials, outdoor billboards, magazine advertisements, and more.

The global advertising market size reached US\$ 615.2 Billion in 2022. Looking forward, IMARC Group expects the market to reach US\$ 834.9 Billion by 2028, exhibiting a growth rate (CAGR) of 5.35% during 2023-2028.

## **Indian Advertising Market overview**

The Indian advertising market size reached INR 743.0 billion in 2022. Looking forward, expects the market to reach INR 1,412.5 billion by 2028, exhibiting a growth rate (CAGR) of 11.2% during 2023-2028. The growing adoption of advertising to enhance brand awareness, increasing number of media and entertainment models, and rising demand for digital advertising solutions represent some of the key factors driving the market.

- a) In 2022, when India's nominal GDP grew 15%, advertising recovered 19%.
- b) Advertising is usually around 2x to 2.5x of real GDP growth, which is expected to be 7% for FY20231.
- c) However, when GDP is impacted, the discretionary nature of the M&E sector results in a disproportionately higher contraction, as was seen in 2020.

## **Indian Advertising Market Trends:**

At present, the rising adoption of advertising by various companies to increase customer retention and attract new buyers represents one of the key factors supporting the growth of the market in India. Besides this, the growing adoption of advertising to enhance brand awareness and loyalty of a business is offering a positive market outlook in the country. Additionally, there is a rise in the need for convenient and cost-effective advertising solutions among the masses. This, coupled with the increasing demand for digital advertising due to the rapid adoption of smartphones and smart devices with the ease of internet facilities, is propelling the growth of the market in the country. Apart from this, the rising trend of advertising through various sports events is offering lucrative growth opportunities to industry investors in India. Moreover, the increasing consumer preference towards online shopping, along with the burgeoning e-commerce industry, is positively influencing the market. In addition, various advertising agencies are rapidly investing in digital advertising in the country, which is contributing to the growth of the market. Furthermore, the rising number of media and entertainment models is strengthening the market growth in India.

(Source: Prospectus)

### Key Managerial Personnel

**Mukesh Kumar Gupta**, aged 61, is one of the Promoters, Chairman, and Managing Director of the company. He possesses degree of Commerce. He is with the Company for more than 26 years now, He looks after all the business affairs, business strategy & policy of the Company from the top. He has vast experience in advertising and Outdoor Business

**Alok Mukesh Gupta**, aged 37, is one of the Promoters, and Executive Director of the company. He holds a degree of Bachelor of Commerce (Honours). He possesses post graduate programme in business management. He is with the Company since more than 17 years. He looks after all the business projects planning and execution, business development, strategic planning and Finance at director level.

**Deepak Jagdish Bahuguna**, aged 37, is the Non - Executive Director of the company. He holds degree of bachelor's in commerce. He has an experience of more than 20 years in handling the accounting aspects. He is with the Company since 1997 and is currently looking after accounting function in the Company. He is handling daily budgeting and payment scheduling activities.

**Varun Narendra Kohli**, aged 52, is the Non - Executive Director of the company. He possesses post graduate diploma in management and Post Graduate Diploma in Marketing and Sales Management. He is enriched with experience of over 25 years in Sales, Marketing, Advertisement and Business Management.

**Sudha Sarthak Maheswari**, aged 52, is the Non - Executive Independent Director of the company. She holds a degree of Bachelor of Arts, Master of Science in Economics. Mrs. Sudha comes with 15 years of rich experience in business strategy, marketing and communications and has worked at MNCs including Citibank, Deloitte and Philip Morris International.

**Vaibhav Parmanand tapdia**, aged 47, is the Non - Executive Independent Director of the company. He holds a degree of Bachelor of Commerce. He possesses post-graduation degree of master's in business administration. He is a fellow member of Institute of Chartered Accountants of India. He has a rich experience of 20 years in accounts, finance, fund raising, Market research, Project Conceptualization and branding of real estate projects.

**Harish Bansi Dhar Sharma**, aged 52, is the Non - Executive Independent Director of the company. He is Journalist, PR Expert, Author and Film Director. He has an experience of 38 years in journalism, publicity industry and made his distinguished contributions to publications such as 'Aaj' and 'Dainik Jagran,' as well as working with India's largest news agency.

To conclude, the company has 3 promoters out of which 2 of them are in the management and they have vast knowledge and experience in the field in which the company operates. The remaining directors of the company also have good knowledge and experience in the field directly linked to the operation and in the fields which help in the growth of the company.

## Financial Snapshot

<b>Profit and Loss Statement</b>					<b>(In Lacs.)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jun-23</b>	
Revenue from Operations	4,567.59	8,917.07	9,843.40	2,594.15	
Other Income	188.04	55.42	61.41	8.33	
<b>Total Income</b>	<b>4,755.63</b>	<b>8,972.49</b>	<b>9,904.81</b>	<b>2,602.48</b>	
<b>Expenses</b>					
Cost of Advertisement	4023.29	5615.74	7,250.09	1862.29	
Changes in inventories	-315.40	550.32	-216.07	-0.53	
Employee benefits expense	302.47	405.7	531.98	165.43	
Finance costs	211.87	191.80	241.43	66.11	
Depreciation and Amortization expense	89.97	75.04	88.54	22.17	
Other expenses	363.29	1,332.27	1,164.26	208.73	
<b>Total Expenses</b>	<b>4,675.49</b>	<b>8,170.87</b>	<b>9,060.23</b>	<b>2,324.20</b>	
<b>Earnings Before Interest, Taxes, Depreciation &amp; Amortization</b>	<b>193.94</b>	<b>1,013.04</b>	<b>1,113.14</b>	<b>358.23</b>	
<b>EBITDA Margin</b>	<b>4%</b>	<b>11%</b>	<b>11%</b>	<b>14%</b>	
<b>Profit/(Loss) before exceptional items and tax</b>	<b>80.14</b>	<b>801.62</b>	<b>844.58</b>	<b>278.28</b>	
Prior Period	11.67	37.00	26.46	-	
<b>Profit/(Loss) before tax</b>	<b>68.47</b>	<b>764.62</b>	<b>818.12</b>	<b>278.28</b>	
<b>Tax Expense</b>					
Current Tax	14.84	208.87	253.88	69.83	
Deferred tax	-2.26	-1.12	0.27	2.00	
Mat Credit Entitlement	-0.19	0.19	-	-	
Tax Adjusted for Earlier Years	0.26	-1.51	7.35	-	
Total Tax Expense	12.65	206.43	261.50	71.83	
<b>Profit/(Loss) for the year</b>	<b>55.82</b>	<b>558.19</b>	<b>556.62</b>	<b>206.45</b>	
<b>Net Profit Margin</b>	<b>1.17%</b>	<b>6.22%</b>	<b>5.62%</b>	<b>7.93%</b>	

<b>Balance Sheet</b>					<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jun-23</b>	
<b>EQUITY AND LIABILITIES</b>					
<b>1. Shareholders' funds</b>					
(a) Share Capital	192.35	192.35	1,346.45	1,346.45	
(b) Reserves and surplus	3,168.60	3,721.85	2,939.86	3,146.31	
<b>Total Equity</b>	<b>3,360.95</b>	<b>3,914.20</b>	<b>4,286.31</b>	<b>4,492.76</b>	
<b>2. Non-current liabilities</b>					
(a) Long Term Borrowings	1,292.46	2,147.65	1,590.46	1,380.24	
(b) Long-Term Provisions	-	-	78.42	78.42	
(c) Deferred Tax Liabilities (Net)	52.78	51.66	51.93	53.93	
(d) Other Non-Current Liabilities	-	-	573.19	572.00	
<b>Total Non-current liabilities</b>	<b>1,345.24</b>	<b>2,199.31</b>	<b>2,294.00</b>	<b>2,084.59</b>	
<b>3. Current liabilities</b>					
(a) Short-term borrowings	2,348.96	1,252.07	1,361.65	1,761.37	
(b) Trade payables					
-Due to MSME	110.42	153.07	476.59	277.13	
-Due to Others	1,608.84	1,592.20	1,491.37	1,636.14	
(d) Other Current Liabilities	618.79	799.95	873.27	1,051.13	
(e) Short-term provisions	14.84	215.47	253.88	323.70	
<b>Total Current liabilities</b>	<b>4,701.85</b>	<b>4,012.76</b>	<b>4,456.76</b>	<b>5,049.47</b>	
<b>Total Liabilities</b>	<b>6,047.09</b>	<b>6,212.07</b>	<b>6,750.76</b>	<b>7,134.06</b>	



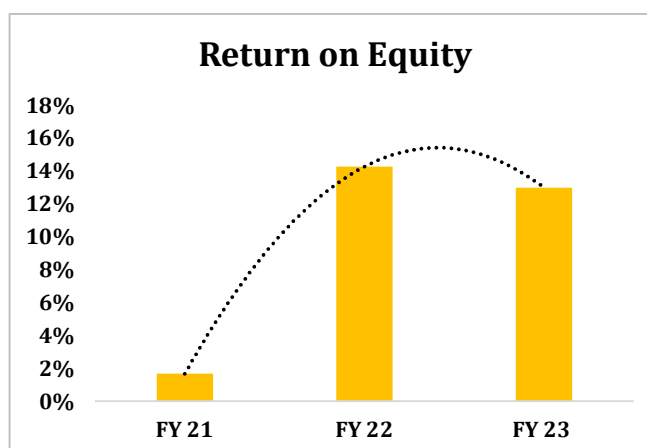
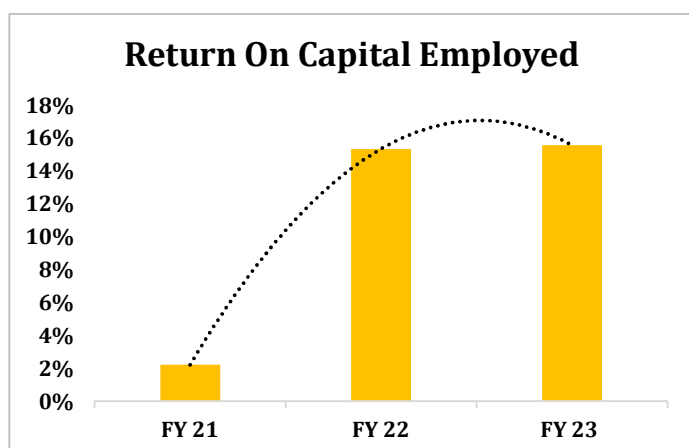
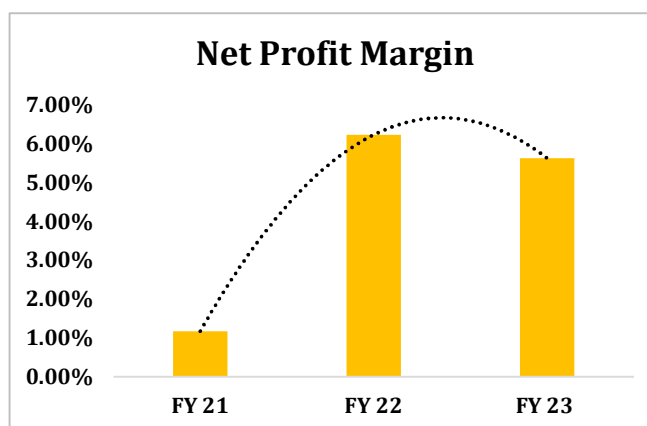
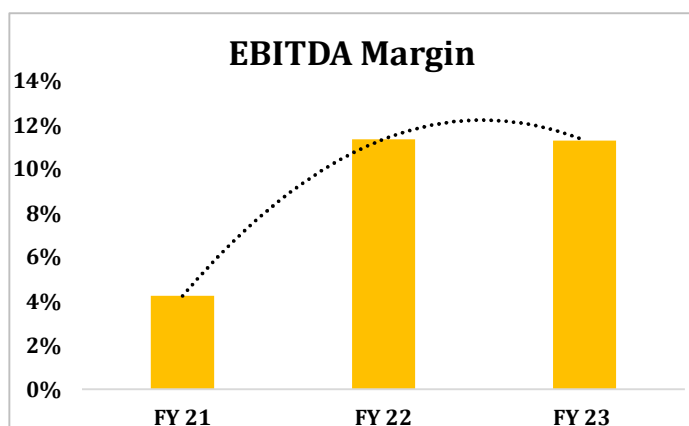
<b>Balance Sheet</b>					<b>(In Lacs)</b>
<b>Total Equity and Liabilities</b>	<b>9,408.04</b>	<b>10,126.27</b>	<b>11,037.07</b>	<b>11,626.82</b>	
<b>ASSETS</b>					
<b>1. Non-current assets</b>					
(a) Property, Plant and Equipment					
(i) Tangible Assets	1,582.51	1,514.29	1,480.41	1,457.42	
(ii) Intangible Assets	31.07	24.95	24.64	23.70	
(iii) Capital WIP	88.31	88.31	-	-	
(b) Other Non-Current Investments	-	-	22.88	22.88	
(c) Other Non-Current Assets	-	-	697.83	660.89	
(d) Long term Loans and advances	1,323.53	1,135.87	1,097.32	1,141.45	
<b>Total Non-Current assets</b>	<b>3,025.42</b>	<b>2,763.42</b>	<b>3,323.08</b>	<b>3,306.34</b>	
<b>2. Current assets</b>					
(a) Inventories	615.04	64.72	280.79	281.32	
(b) Trade receivables	4195.74	3,733.91	3,578.54	3,869.24	
(c) Short term Loans and Advances	1,110.50	3,064.13	3,427.43	3,722.80	
(d) Cash and Cash Equivalents	461.34	500.09	427.23	447.12	
<b>Total Current assets</b>	<b>6,382.62</b>	<b>7,362.85</b>	<b>7,713.99</b>	<b>8,320.48</b>	
<b>Total Assets</b>	<b>9,408.04</b>	<b>10,126.27</b>	<b>11,037.07</b>	<b>11,626.82</b>	

<b>Cash Flow Statement</b>					<b>(In Lacs)</b>
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jun-23</b>	
Net Cash Flow from Operating Activities	-4,304.44	286.70	596.71	-82.08	
Net Cash Flow from Investing Activities	-78.30	162.52	-905.72	-43.97	
Net Cash Flow from Financing Activities	-110.16	-410.46	236.15	145.95	

<b>Ratio Sheet</b>				
<b>Particulars</b>	<b>FY 21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>Jun-23*</b>
<b>Per Share Data</b>				
Diluted EPS	29.03	4.15	4.13	1.53
BV per share	18.39	21.42	23.45	57.27
<b>Operating Ratios</b>				
EBITDA Margins	4.25%	11.36%	11.31%	13.81%
PAT Margins	1.17%	6.22%	5.62%	7.93%
Inventory days	49.15	2.65	10.41	9.87
Debtor days	335.29	152.84	132.69	135.73
Creditor days	137.39	71.44	72.97	67.12
<b>Return Ratios</b>				
RoCE	2%	15%	16%	10%
RoE	2%	14%	13%	8%
<b>Valuation Ratios (x)</b>				
EV/EBITDA	30.38	4.20	3.42	6.80
Market Cap / Sales	4.44	2.28	2.06	1.96
P/E	3.82	26.75	26.88	72.55
Price to Book Value	6.04	5.18	4.73	1.94
<b>Solvency Ratios</b>				
Debt / Equity	1.08	0.87	0.69	0.70
Current Ratio	1.36	1.83	1.73	1.65
Quick Ratio	1.23	1.82	1.67	1.59
Asset Turnover	0.49	0.88	0.89	0.89
Interest Coverage Ratio	0.49	4.89	4.24	20.33

\*Annualized Figures

## Financial Charts



## Key Risk Factors

1. There are certain outstanding legal proceedings involving the Promoter and Promoter Entities which may adversely affect the business, financial condition and results of operations.
2. The company has contingent liabilities amounting to Rs. 138.65 lakhs, and the financial condition could be adversely affected if any of these contingent liabilities materialize.
3. The Company had negative operating cash flow for the Period Ended June 30, 2023.

### Track Record of Lead Manager

The lead manager to the issue is First Overseas Capital Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

#### First Overseas Capital Limited

Sr. No	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP* (INR)
1.	Shanthala FMCG Products Limited	16.07	91.00	November 03, 2023	105.00
2.	On Door Concepts Limited	31.18	208.00	November 01, 2023	195.00
3.	Pyramid Technoplast Limited	153.05	166.00	August 29, 2023	205.00
4.	Synoptics Technologies Limited	54.03	237.00	July 13, 2023	124.00
5.	Cell Point (India) Limited	50.34	100.00	June 28, 2023	43.5
6.	Kore Digital Limited	18.00	180.00	June 14, 2023	395.00
7.	Nirman Agri Genetics Limited	20.30	99.00	March 28, 2023	228.00
8.	SVJ Enterprises Limited	6.12	36.00	March 09, 2023	66.0
9.	Amanaya Ventures Limited	2.76	23.00	March 09, 2023	14.5
10.	Ducol Organics and Colours Limited	31.51	78.00	January 19, 2023	128.00

\*CMP for the above-mentioned companies is taken as of 28<sup>th</sup> November 2023.

As per the offer document, First Overseas Capital Limited has had 18 mandates in the last three years (including the current year). For First Overseas Capital Limited, 1 opened at par, 1 opened at discount, and all the remaining mandates have opened at premiums on the listing date.

## Recommendation

The company has experienced good growth with respect to the various financial indicators as well as decent improvement in the balance sheet position in the last three Fiscals, i.e., company has seen an increase in its net worth. Whereas the company has had decrease in net profit and its margin in FY23 due to increase in cost of advertisement.

The management outlook of the company is good, and the proper bifurcation of the roles and responsibilities of its top management is given.

The P/E on Post IPO basis is around 36.45 times which seems to be highly priced looking at the performance and size of the company. Sector P/E of the company is 31.41 times.

The Company has shown good growth in its revenue, but it has had a decrease in net profit, and its margin in FY23. The business segment in which the company operates is not unique and it is highly fragmented and faces competition from both organized and unorganised players. Therefore, at the given P/E one can **Avoid** applying for this IPO.

## Disclaimer

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