



Rishabh Instruments Limited

IPO Note



IPO Details

Opening Date	Aug 30, 2023
Closing Date	Sep 01, 2023
Stock Exchange	NSE, BSE
Lot Size	34 Shares
Issue Price	₹441 per share
Issue Size	Aggregating up to ₹490.78Cr
Fresh Issue	₹75.00Cr
Offer for sale	₹415.78Cr
Application Amount	Min. Inv. - ₹ 14,994 (34shares) Max. Inv. - ₹1,94,922(442shares)

IPO Objective

Financing the cost towards the expansion of Nashik Manufacturing Facility I.

General corporate purposes.

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	2,92,50,000	80.67%
Public	70,10,678	19.33%

Promoter of the Company

1 Narendra Joharimal Goliya

Competitive Strengths

- 1 Ability to drive technology and innovation through advanced research and development capabilities.
- 2 Global engineering solution provider operating in large addressable markets and well positioned to benefit from mega industrialisation trends.
- 3 Vertically integrated operations, backed by strong manufacturing capabilities.
- 4 Diversified product portfolio.
- 5 Wide customer base.
- 6 Track record of successful integration of acquired businesses or entities across geographies.

Company Background

- Company was incorporated in the year 1982 and has its registered office in Maharashtra.
- Company is a global energy efficiency solution company focused on electrical automation, metering and measurement, precision engineered products.
- R&D centres in India are accredited nationally and internationally. R&D centres in India, Poland and China are staffed with a team of 95 engineers as of May 31, 2023.
- Company manufactures all products in-house from five manufacturing facilities – two in India, two in Poland and one in China.
- As on March-23, Company has 516 employees on its payroll.

Market Capitalization

Pre-Issue	Post-Issue	(In Cr.)
₹ 1,290	₹ 1,365	

Financial Summary

For the Period Ended	(In Lacs)		
	Feb-23	Mar-22	Mar-21
Total Assets	64,892.80	56,389.20	51,197.00
Net Assets	40,874.80	34,609.80	30,212.50
Total Borrowings	10,285.40	9,656.90	9,195.20
Total Revenue	57,978.10	47,991.50	40,249.20
Profit After Tax	4,968.70	4,965.20	3,594.00

Tentative Timeline

Opening Date	Aug 30, 2023
Closing Date	Sep 01, 2023
Basis of Allotment	Sep 06, 2023
Initiation of Refunds	Sep 07, 2023
Credit of Shares to Demat	Sep 08, 2023
Listing Date	Sep 11, 2023



Company Background and Analysis

Company is a global energy efficiency solution company focused on electrical automation, metering and measurement, precision engineered products and diverse applications across industries including power, automotive and industrial sectors. Company supplies a wide range of electrical measurement and process optimization equipment, and are engaged in designing, developing and manufacturing, and sale of devices significantly under company's brand across several sectors. Company provides comprehensive solutions to customers looking for cost-effective ways to measure, control, record, analyse and optimise energy and processes through array of products. Company also provides complete aluminium high pressure die casting solutions for customers requiring close tolerance fabrication (such as automotive compressor manufacturers and automation high precision flow meters manufacturers), machining and finishing of precision components. Company is a vertically integrated player involved in designing, developing, manufacturing and supplying (a) electrical automation devices; (b) metering, control and protection devices; (c) portable test and measuring instruments; and (d) solar string inverters. In addition, manufacture and supply aluminium high pressure die casting through Subsidiary, Lumel Alucast. For six years (Fiscals 2005, 2006, 2008, 2009, 2011 and 2012), the Engineering Export Promotion Council, India, recognised the company as a 'Star Performer' in the product group of miscellaneous instruments and appliances (large enterprise). Company also provides certain manufacturing services which includes mould design and manufacturing, EMI/EMC testing services, Electronic Manufacturing Services, and software solutions (e.g., MARC).

Company is a technology and R&D focussed enterprise concentrating on innovation of products, processes and applications to add value to customers as well as the industry. R&D centres in India are accredited nationally and internationally. R&D centres in India, Poland and China are staffed with a team of 95 engineers as of May 31, 2023. Company has been granted two patents for clamp meters with rotary jaw mechanism and clamp meter safe trigger mechanism in India and inter alia the United States (since 2011 and 2012 respectively), Poland and United Kingdom and three design registrations in relation to multimeter, current and voltage transducer and power transducer in India. Company manufactures all products in-house from five manufacturing facilities – two in India, two in Poland and one in China.

PRODUCT PORTFOLIO OF THE COMPANY:

1. Electrical automation
2. Metering, control and protection devices
3. Portable test and measuring instruments
4. Solar string inverters
5. Aluminium high pressure die castings

MANUFACTURING FACILITIES:

1. Nashik Manufacturing Facility I
2. Nashik Manufacturing Facility II
3. Poland Manufacturing Facility I
4. Poland Manufacturing Facility II
5. China Manufacturing Facility.



Business Strategies

1. Enhance product innovation, engineering and design competence while focussing on higher value addition

In terms of product innovation in existing segments, company is seeking to focus on developing products with advanced technology such as IIoT, bluetooth capabilities and advanced technical specifications along with miniaturization of the product size and adding more features to provide value adding benefits to customers.

2. Expanding geographical footprint

Internationally, Company is planning to expand sales office and distribution network to other geographies, such as Brazil, South Africa, Peru, France, Spain, the Kingdom of Saudi Arabia etc. Company also proposes to sell products from different manufacturing locations to bring more synergy and establish product customization centres for local customers.

3. Continue to pursue strategy for inorganic growth

Anchored against presence in India, Company steadily extended global reach by way of strategic acquisitions in Europe, the United Kingdom and China. Starting with the acquisition of Lubuskie Zakłady Aparatów Elektrycznych “Lumel” Spółka akcyjna in Poland during Fiscal 2012, which (together with Lumel) has a 69-year operating history, Company gained a platform for further penetration particularly in Central and Eastern European markets.

4. Promote product localization

The company entered into a five-year bilateral license agreement dated March 31, 2022, for product localization with Lumel SA (the “Product Localization Contract”) under which company have established a framework to roll out localized Lumel products in the Indian market. This will allow company to manufacture Lumel products at Nashik Manufacturing Facilities which will be sold as Lumel branded products in India, thereby increasing the brand presence of Lumel here in India.

Competitive Scenario and Peer Mapping

Competition

Company has competition from both listed and unlisted players, Competitors for aluminium high pressure die casting offerings include Endurance Technologies Limited and Sunbeam Lightweighting Solutions Private Limited in India. Competitors for electronics manufacturing services (EMS) offerings include Syrma SGS Technology Limited, Amber Enterprises India Limited and Dixon Technologies (India) Limited in India. The bargaining power of the company is low and the threat of new entrant is high.

Peer Analysis

There are no comparable listed companies in India or globally that engage in a business similar to that of Company.

Industry Overview

Exhibit 1: Electrical automation market size and growth estimates (USD Billion), Global, 2018-2027F

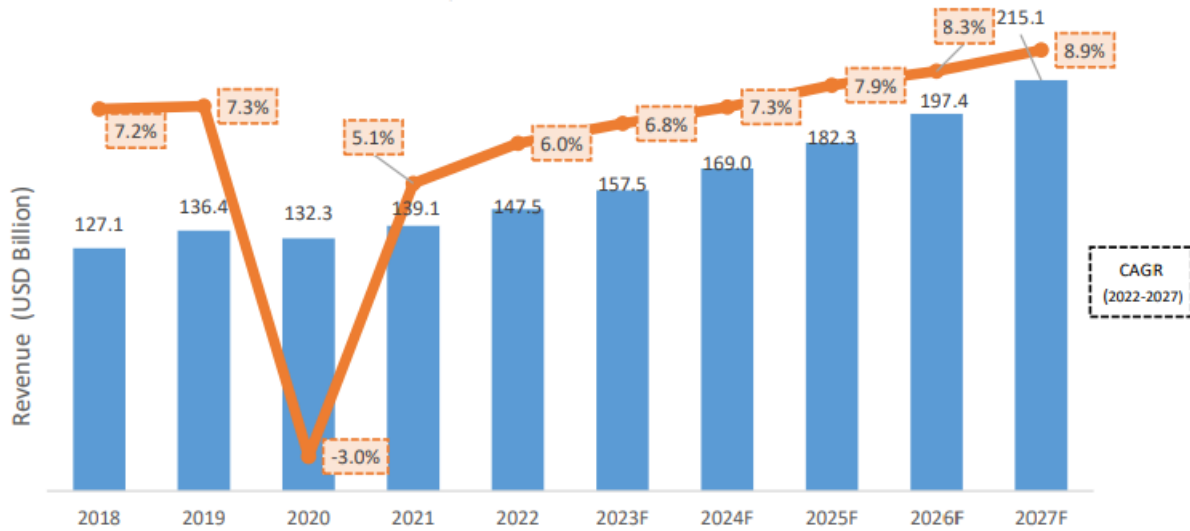
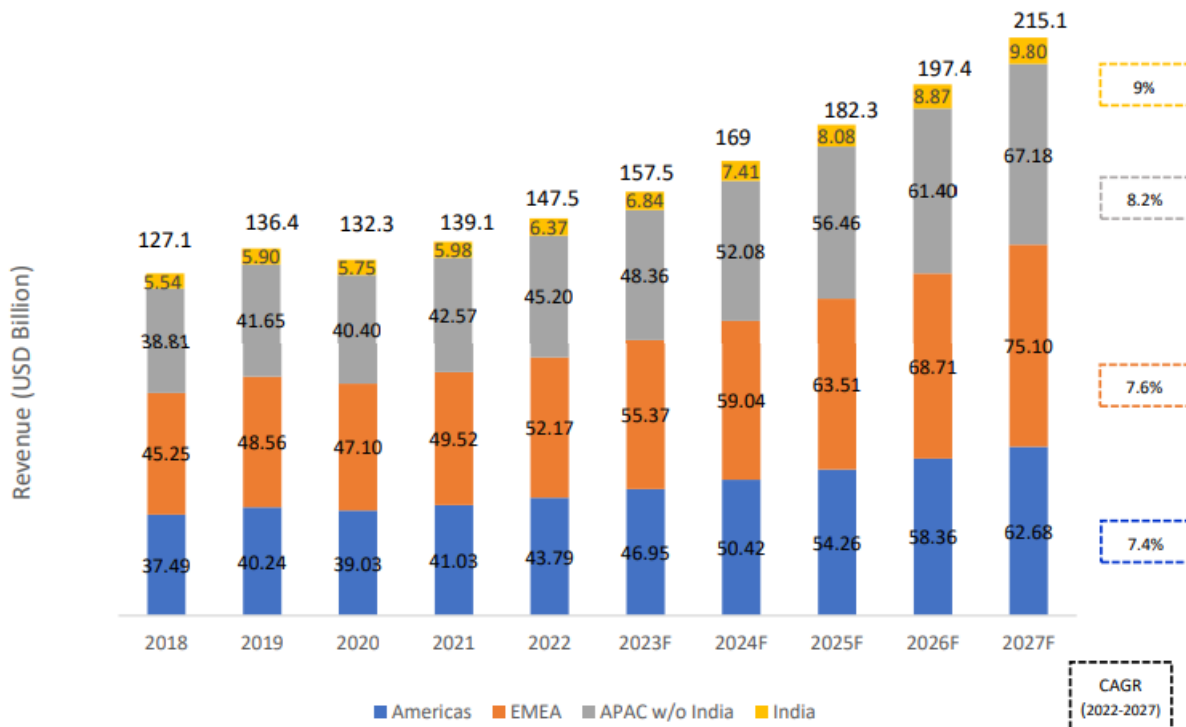


Exhibit 2: Electrical Automation market size and growth estimates by region, (USD Billion), 2018-2027F



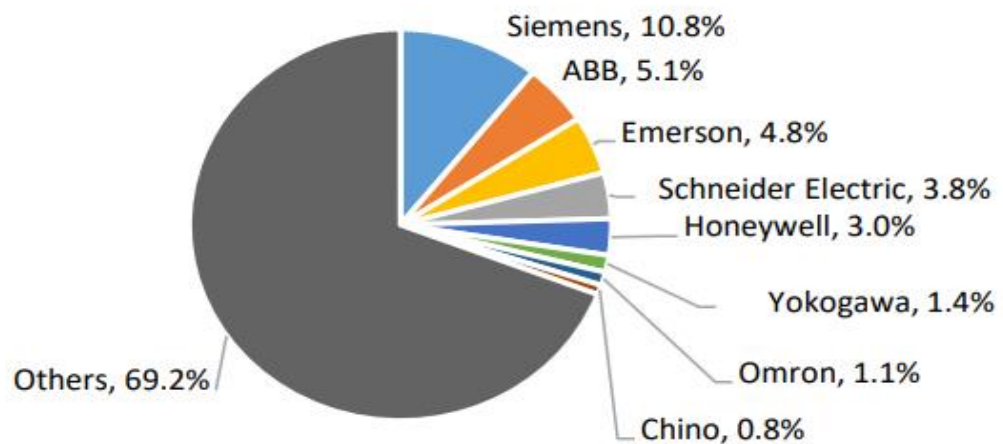
(Source: Prospectus)



ELECTRICAL AUTOMATION

A complex electrical network requires complete integration of various signals to build an intelligent system and to automate the overall operation. This work is done by various system integrators whose main function is to collect the various types of signals from the multiple devices like Transmitters, Temperature Controllers, Electrical Transducers, integrate them, and automate the whole system. Rishabh Instruments supplies the products that are used in automating processes. The market for electrical automation components is very mature globally. Electrical automation components are used to continuously monitor, analyze, and take control of real-time field equipment such as motors, pumps, and other manufacturing equipment. Digitization and Industry 4.0 initiatives are pushing every industry to transform their operations to become more efficient and flexible, thus positively affecting the electrical automation components market. The global electrical automation industry has experienced steady growth over the last 4 years. The global electrical automation market was valued at USD 147.5 billion in 2022 and is expected to grow at CAGR of 7.8% to reach USD 215.1 billion by 2027. India is forecasted to grow the fastest, driven by industrial end users. The Indian market for industrial panel devices and electrical automation consists of end users from large, established automotive and food and beverage manufacturers and process industries such as oil and gas and steel mills. The rise of automation has been steady in the Indian market. Hence the demand for electrical automation components such as sensors, transmitters, field instruments, and Human-machine interfaces has been steadily growing as manufacturers embrace automation to deliver products of global quality. The concept of the Industrial Internet of Things is widespread in India and manufacturers are aware of the gains of digitization, accelerating growth for the Indian electrical automation market. Rishabh, with its products such as I/O converters, IoT enable Transmitters, Dataloggers, FTP & HTTP inbuilt webserver-based Chart Recorders, is well positioned to capitalise on this growth trend.

Electrical automation, Market share *assessment*, 2022, Global



(Source: Prospectus)



Key Managerial Personnel

Narendra Joharimal Goliya is the Chairman and Managing Director of Company. He is the founder and Promoter of Company. He has been associated with Company since its incorporation and accordingly has over four decades of experience in the manufacturing and electrical industry. He holds a bachelor's degree in technology (electrical engineering) from the Indian Institute of Technology, Bombay and a master's degree in science from the Leland Stanford Junior University. He is also on the board of Nashik Engineering Cluster, Nashik Exhibition and Business Council and Nashik Manav Sewa Foundation.

Parappath Kottekode Ramakrishnan is a Non-Executive Director of Company. He holds a bachelor's degree in science (mechanical engineering) from the University of Kerala. He was previously associated with VIP Industries Limited and Madras Rubber Factory Limited.

Alipt Sharma is a Non-Executive Nominee Director of Company. He holds a bachelor's degree in arts (economics) from the University of Delhi, has completed a post-graduate programme in management from the Indian School of Business, Hyderabad and is an associate member of the Institute of Chartered Accountants of India. He was previously associated with Ambit Private Limited.

Krishnan Ganesan is a Non-Executive Nominee Director of Company. He holds a bachelor's degree in commerce from University of Madras and a postgraduate diploma in management from the Indian Institute of Management, Kozhikode. He is a member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He was previously associated with Florintree Advisors, WIP (India) Private Limited, ICICI Venture Funds Management Company Limited, Stern Stewart India Private Limited and PricewaterhouseCoopers. He is currently associated with South Asia Advisors, a sub-advisor to GEF Capital Partners.

Rathin Kumar Banerjee is an Independent Director of Company. He holds a bachelor's degree in technology (chemical engineering) from the Indian Institute of Technology, Bombay and a postgraduate diploma in business management from Xavier Labour Relations Institute, Jamshedpur. He was previously associated with Asian Paints (India) Limited, Blow Plast Limited, Indian Shaving Products Limited, Zicom Electronic Security Systems Limited and Institute of Advanced Security Training and Management Private Limited.

Siddharth Nandkishore Bafna is an Independent Director of Company. He holds a bachelor's degree in commerce from Sydenham College of Commerce and Economics, University of Bombay and a master's degree in business administration from Fuqua School of Business, Duke University, Durham. He is an associate member of the Institute of Chartered Accountants of India. He is currently associated with Lodha & Co., Chartered Accountants.

To conclude, the company has only one promoter, Except Narendra Joharimal Goliya other directors doesn't have good experience in electric industry.



Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
Revenue from Operations	38,995.60	47,025.00	56,954.00	
Other Income	1,253.60	966.50	1,024.10	
Total Income	40,249.20	47,991.50	57,978.10	
Expenses				
Cost of Materials consumed	14,886.60	20,108.00	23,501.60	
Purchase of stock-in-trade	627.80	1,287.00	2,592.50	
Changes in inventories of Finished goods, work-in-Progress	109.50	-1,675.60	-461.70	
Employee benefits expense	11,492.00	12,574.80	14,512.40	
Finance costs	317.10	343.10	515.00	
Depreciation and Amortization expense	2,108.70	1,998.00	2,046.00	
Other expenses	6,131.20	7,434.10	9,201.70	
Total Expenses	35,672.90	42,069.40	51,907.50	
Earnings Before Interest, Taxes, Depreciation & Amortization	5,748.50	7,296.70	7,607.50	
EBITDA Margin	15%	16%	13%	
Profit for the year before share of profit of an associate and tax	4,576.30	5,922.10	6,070.60	
Share of profit of an associate	3.30	2.00	0.90	
Profit/(Loss) before tax	4,579.60	5,924.10	6,071.50	
Tax Expense				
Current Tax	-1,020.90	-1,176.40	-1,253.00	
Current Year	-	-	-	
Earlier Year	-	282.10	-	
Deferred tax	35.30	-64.60	150.20	
Total Tax Expense	(985.60)	(958.90)	(1,102.80)	
Profit/(Loss) for the year	3,594.00	4,965.20	4,968.70	
Net Profit Margin	8.93%	10.35%	8.57%	

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	19,807.60	19,435.40	19,259.70	
Goodwill	2,116.20	2,105.70	2,134.20	
Capital Work-in-progress	206.90	513.40	761.50	
Intangible assets	511.90	420.20	527.10	
Intangible Assets Under Development	-	-	-	
Financial Assets	-	-	-	
Long term loans and advances	-	-	-	
(i) Investments	18.80	20.80	21.50	
(ii) Other Financial Assets	230.80	346.20	67.90	



Balance Sheet				(In Lacs)
Deferred Tax Assets (net)	154.50	173.20	211.90	
Income-tax assets (net)	-	-	-	
Other Non-current Assets	162.60	121.10	932.00.00	
Total Non-Current assets	23,209.30	23,136.00	23,915.80	
Current Assets				
Inventories	7,941.40	12,841.70	15,350.60	
Financial Assets				
(i) Investments	-	-	-	
(ii) Trade Receivables	6,831.50	7,997.90	12,090.40	
(iii) Cash and cash equivalents	5,432.50	4,624.10	6,656.50	
(iv) Other Bank balances	6,359.60	5,888.80	3,948.70	
(v) Other Financial assets	249.90	241.10	214.70	
(vi) Current tax assets (net)	12.80	49.50	87.00	
Other Current assets	1160	1,610.1	2,629.1	
Total Current assets	27,987.70	33,253.20	40,977.00	
Total Assets	51,197.00	56,389.20	64,892.80	
EQUITY AND LIABILITIES				
Equity				
Equity Share Capital	1,462.50	1,462.50	2,925.00	
Instruments entirely equity in nature	1,081.80	1,081.80	1,081.80	
Other Equity	27,381.70	31,504.50	36,096.30	
Non-Controlling Interest	286.50	561.00	771.70	
Total Equity	30,212.50	34,609.80	40,874.80	
Liabilities				
Non-current liabilities				
Financial Liabilities				
(i) Borrowings	4,548.00	3,361.80	2,583.50	
(ii) Lease liabilities	684.80	5.90	61.70	
(iii) Deferred tax liabilities (net)	536.20	617.60	497.10	
Provisions	717.50	707.90	818.40	
Other Non-current Liabilities	-	-	-	
Total Non-current liabilities	6,486.50	4,693.20	3,960.70	
Current liabilities				
Borrowings	4,647.20	6,295.1	7,701.9	
Lease liabilities	713.10	669.20	239.60	
Trade payables				
i) Total outstanding dues of micro and small	101.60	390.90	539.00	
ii) Total outstanding dues of other creditors	6,113.00	6,391.80	7,746.20	
Other financial liabilities	1,129.90	1,435.80	1,055.80	
Other current liabilities	1,108.20	1,448.80	2,169.20	
Provisions	494.10	443.30	605.60	
Current tax liabilities (Net)	190.90	11.30	-	
Total Current liabilities	14,498.00	17,086.20	20,057.30	
Total Liabilities	20,984.50	21,779.40	24,018.00	
Total Equity and Liabilities	51,197.00	56,389.20	64,892.80	

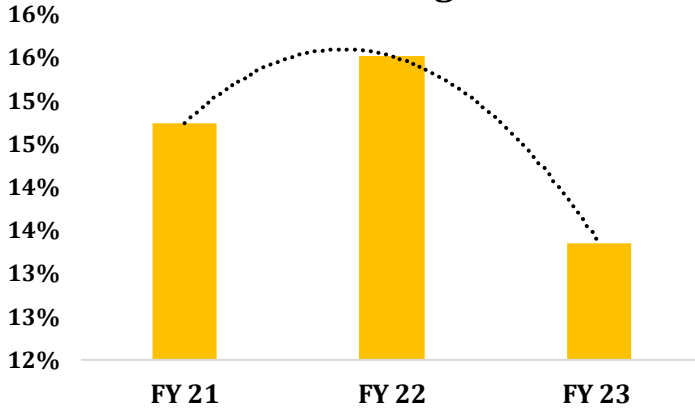


Cash Flow Statement				(In Lakhs)
Particulars	FY 21	FY 22	FY 23	
Net Cash Flow from operating activities	5,293.40	1,328.20	2,750.80	
Net Cash Flow from investing activities	-2,083.90	-1,076.00	-271.60	
Net Cash Flow from financing activities	-2,302.00	-706.80	-450.00	

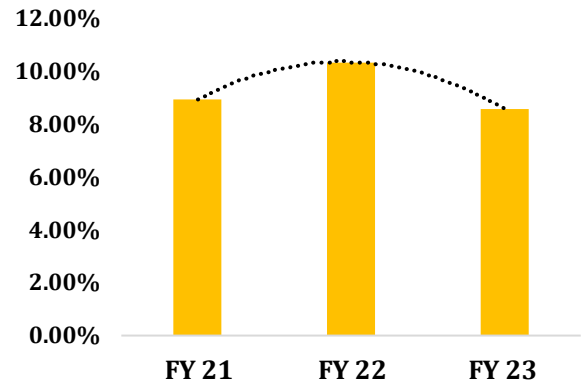
Ratio Sheet			
Particulars	FY 21	FY 22	FY 23
<u>Per Share Data</u>			
Diluted EPS	9.32	12.89	12.76
BV per share	97.61	111.82	132.06
<u>Operating Ratios (%)</u>			
EBITDA Margins	14.74%	15.52%	13.36%
PAT Margins	8.93%	10.35%	8.57%
Inventory days	74.33	99.68	98.38
Debtor days	63.94	62.08	77.48
Creditor days	143.23	105.94	117.78
<u>Return Ratios (%)</u>			
RoCE	10%	13%	12%
RoE	12%	14%	12%
<u>Valuation Ratios (x)</u>			
EV/EBITDA	4.80	4.63	5.33
Market Cap / Sales	3.50	2.90	2.40
P/E	47.32	34.21	34.56
Price to Book Value	4.52	3.94	3.34
<u>Solvency Ratios</u>			
Debt / Equity	0.30	0.28	0.25
Current Ratio	1.93	1.95	2.04
Quick Ratio	1.38	1.19	1.28
Asset Turnover	0.76	0.83	0.88
Interest Coverage Ratio	11.48	15.44	10.80

Financial Charts

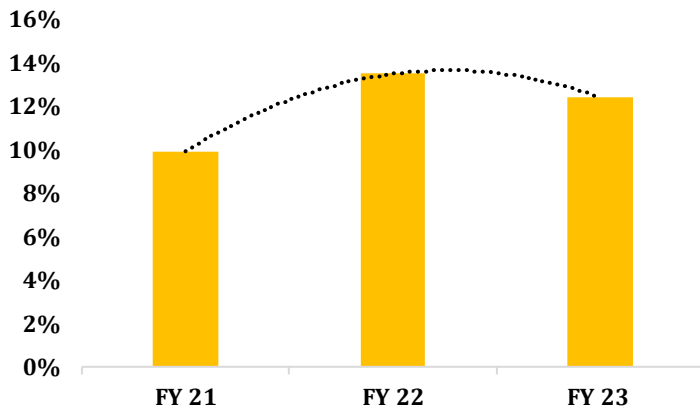
EBITDA Margin



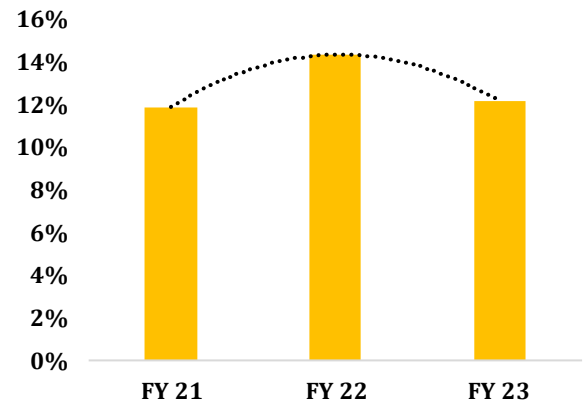
Net Profit Margin



Return On Capital Employed



Return on Equity



Key Risk Factors

1. Dependence on Subsidiaries exposes to significant operational and financial risks.
2. Shortages in the supply of semiconductors have had, and may continue to have, a material adverse effect on results of operations and financial condition.
3. Company has certain contingent liabilities of amount ₹143.76 million that have not been provided for in financial statements, which if they materialise, may adversely affect financial condition.
4. Company is subjected to and are required to comply with restrictive covenants under financing agreements, including draw down amounts of ₹ 962.94 million pursuant to such agreements.



Track Record of Lead Manager

The lead managers of the issue are Dam Capital Advisors Ltd, Motilal Oswal Investment Advisors Pvt Ltd, Mirae Asset Capital Markets (India) Private Limited. A table has been set below highlighting the details of the IPO of the last company handled by the Lead Managers in recent times –

Dam Capital Advisors Ltd

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Avalon Technologies Limited	865.00	436.00	Apr 18, 2023	481.10
2.	Uniparts India Limited	835.61	577.00	Dec 12, 2022	601.60
3.	Inox Green Energy Services Limited	740.00	65.00	Nov 23, 2022	70.65

Motilal Oswal Investment Advisors Pvt Ltd

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	IKIO Lighting Limited	606.50	285.00	Jun 16, 2023	375.95
2.	Radiant Cash Management Services Limited	256.64	94.00	Jan 04, 2023	95.70
3.	Tamilnad Mercantile Bank Limited	807.84	510.00	Sep 15, 2022	525.50

Mirae Asset Capital Markets (India) Private Limited

Mirae Asset Capital Markets (India) Private Limited doesn't have any listed IPOs.

*CMP for all the above-mentioned companies is taken as on 25th Aug 2023.

As per the offer document Dam Capital Advisors Ltd, Motilal Oswal Investment Advisors Pvt Ltd, Mirae Asset Capital Markets (India) Private Limited last 3 mandates is taken into consideration 2 opened at premium and 4 opened at low.



Recommendation

The company has been into this industry since 1982 and has decent track record of existence. The revenue of the company along with the profit margins is stable. The management outlook of the company, Narendra Joharimal Goliya has good knowledge and experience in the industry and remaining higher level management doesn't have much experience in the overall business in which the company operates in.

The PE on an annualised and Post IPO basis is around 30.6 times which seems to be fairly priced looking at the performance of industry average PE 59.00. Since the company is engaged in the business of manufacturing, design, and development of Test and Measuring Instruments and Industrial Control Products one can consider **APPLYING** this IPO.



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