



Rulka Electricals Limited

IPO Note

Recco – APPLY



IPO Details

Opening Date	May 16, 2024
Closing Date	May 21, 2024
Stock Exchange	NSE SME
Lot Size	600 Shares
Issue Price	₹223 to ₹235 per share
Issue Size	Aggregating up to 26.40 Cr.
Fresh Issue	Aggregating up to 19.80 Cr.
Offer for Sale	Aggregating up to 6.60 Cr.
Application Amount	₹1,41,000

IPO Objective

1. To meet the offer expenses
2. To meet working capital requirements
3. General Corporate Purpose

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	29,47,520	86.29%
Public	4,68,480	13.71%

Promoter of the Company

1. Mr. Rupesh Laxman Kasavkar
2. Mr. Nitin Indrakumar Aher

Competitive Strengths

1. Quality Assurance and Standards
2. Existing Client relationship
3. Diversified Client Base
4. Scalable Business Model
5. Experienced Management Team

Company Background

- Founded in May 2013, Rulka Electricals Limited is an electrical and Fire-Fighting solutions company. The Company's registered office is situated in Mumbai.
- The company's integrated operations encompass designing, supplying, installing, testing, and commissioning the project.
- The company generates 100% of its revenue through Turnkey Projects, which include both material and labor along with engineering, design, and consulting services to warehouse clients, retail clients, Industrial clients and Hotel/Hospital clients.
- The company is ISO 9001:2015 certified for its quality management systems.
- As of February 29th, 2024, the company had 92 employees on its payroll.

Market Capitalization (In Cr.)

Pre-Issue	Post-Issue
₹ 80	₹100

Financial Summary (In Lacs.)

For the Period Ended	Mar-21	Mar-22	Mar-23	Feb-24
Total Assets	982.41	1,919.5	2,826.96	4,082.10
Net Assets	164.74	276.82	557.33	1,290.15
Total Borrowing	230.98	281.82	527.08	1,104.89
Total Revenue	1,960.11	3,627.4	4,689.78	6,527.76
Profit After Tax	53.70	112.10	280.10	565.76

Tentative Timeline

Opening Date	May 16, 2024
Closing Date	May 21, 2024
Basis of Allotment	May 22, 2024
Initiation of Refunds	May 23, 2024
Credit of Shares to Demat	May 23, 2024
Listing Date	May 24, 2024



Company Background and Analysis

Incorporated in 2013, Rulka Electricals Limited is an electrical and Fire-Fighting solutions company. The company is in the business of turn-key projects contractor engaged in offering solutions for all types of Electrical & Fire Fighting Turnkey Projects. They offer electrical contracting services for all types of industrial plants. The company's registered office as well as the Corporate Office is in Mumbai. The company is ISO 9001:2015 certified for its quality management systems.

The Company provides Operations & Maintenance services, specifically tailored for electrical and fire-fighting systems. They also provide Annual Maintenance which is customized to meet the specific requirements of systems and operations.

The projects are executed by a professional and well-managed team with extensive knowledge and experience in the field of turnkey projects.

The Company derives 100% revenue from Turnkey Projects – Turnkey Project includes material and Labour together with Engineering, design and Consultancy Services. The O&M and AMC services contribute 1.21%, 2.33%, and 5.64% to the total revenue for the year ended March 31, 2023, March 31, 2022, and March 31, 2021.

The Company has integrated operations which involve the Designing, Supplying, Installation, Testing & Commissioning of the project. They maintain the projects as per the Requirements and the Company has completed warehouse projects, Retail Stores projects, theatres projects across the country & many more Hospitals & Hospitality. The company offers various services, including electrical solutions, electrical panels, solar EPC contracts, turn-key electrical warehousing projects, electric commercial industrial services, maintenance services, electrical contracting, and data and voice cabling installation. These services cater to various sectors such as industrial, commercial, retail, and theatre.

The company's services can be divided into the following categories-

- Electrical Services
- Fire Fighting Systems
- Security Systems
- Public Address Systems
- Access Control Systems
- Audio-Video Systems Services
- CCTV Systems Service
- IT & Networking Services
- Solar Systems

The company operates majorly in Maharashtra, Haryana, Andhra Pradesh, and Gujarat markets, deriving 52.88%, 9.30%, 4.23%, and 5.68% amount of total revenue for the period ended Feb 2024.

To conclude, since the company was founded in 2013, it has very good experience in the field. The company currently has no international geographical presence. The company is raising total proceeds of Rs. 19.80 Cr out of which Rs. 14 Cr is going to be used to meet working capital requirements which can drive good growth for the company in the future. A total of Rs. 47.34 Cr is going to be generated from the ongoing projects contracts, which are yet to be executed as of a specific date, ensuring the sustainability and growth of the company out of which the top 3 projects are of Rs.2.81 Cr, Rs. 3.30 Cr, and Rs. 2.40 Cr.



Business Strategies

1. Optimal Utilization of Resources -

The company has invested resources and intends to further invest in activities to develop customized systems and processes to ensure effective management control. The Company has maintained good relations with the Original Equipment's Manufactures which enables them to facilitate the prompt delivery of required specifications anywhere in the country directly from the Manufacturer. Their In-House Safety team is always available at site to conduct safety audits, Trainings, Monitoring and to assist / handle to attend any kind of emergency.

2. Improving operational efficiencies -

The company's aims are to continue to improve ongoing operational effectiveness and efficiencies to achieve cost reductions including overheads. The Company had deployed Operation Managers for different departments to manage all projects within the specified time limit with the good quality works as per the tender Specifications.

3. Leveraging Market skills and Relationships -

The company is planning to make their services available in more countries by expanding their network. Their marketing research team is capable of identifying various new business opportunities as well as identifying risks associated with the same at the very early stage. The company is proactively engaged in industry events, conferences, and forums and often take feedback after project completion.

4. To Build-Up a Professional Organization-

The company has experience as well as sufficient staff for taking care of their day-to-day operations. Regular training, mentorship programs, and growth opportunities are provided in the company to enhance the capabilities of the workforce and enables to build professional organization.



Competitive Scenario and Peer Mapping

Competition

The big companies have a considerable presence in the market and offer a broad range of services across multiple domains. They have a well-established brand image, large teams, and extensive resources, which enable them to offer services at competitive rates. The market also has several other small and mid-sized service providers. While they may not pose significant competition to the company, they are still a threat as they offer competitive pricing and can cater to niche requirements. Additionally, new startups are emerging in the market, which are agile, innovative, and are rapidly growing. The industry has less barriers to entry in the market. The bargaining powers of suppliers and customers are not heavy as they have had their top ten suppliers provide less than 50% of supplies and top ten customers percentage is reducing year on year basis leading to not more than 52% for the period Feb 24.

Peer Analysis

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

Particulars	Rulka Electricals Limited	HEC Infra Projects Ltd.
	31st Mar 2023	31st Mar 2023
Net Profit Margin	5.99%	1.49%
EBITDA Margin	8.63%	8.76%
Return on Capital Employed	55.25%	8.58%
Return on Equity	50.33%	2.62%
EPS (INR)	8.5	0.78
P/E	27.65	37.24

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

Particulars	Rulka Electricals Limited	HEC Infra Projects Ltd.
	31st Mar 2022	31st Mar 2022
Net Profit Margin	3.09%	1.10%
EBITDA Margin	6.41%	7.60%
Return on Capital Employed	57.83%	6.06%
Return on Equity	40.50%	1.67%
EPS (INR)	3.40	0.16
P/E	69.12	208.44

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

Particulars	Rulka Electricals Limited	HEC Infra Projects Ltd.
	31st Mar 2021	31st Mar 2021
Net Profit Margin	2.74%	0.81%
EBITDA Margin	5.70%	7.87%
Return on Capital Employed	32.56%	5.88%
Return on Equity	32.60%	1.07%
EPS (INR)	1.63	0.06
P/E	144.17	-



Industry Overview

Power Industry in India-

Power is crucial for economic growth and welfare. India's diverse sector includes coal, natural gas, hydro, and renewables like wind and solar. With 416.59 GW installed capacity, including 41.4% renewables, India aims for universal, sustainable access. Meeting rising demand requires substantial capacity expansion, aligning with ambitious climate goals.

Market Size

- India: 3rd largest producer and consumer of electricity globally.
- Installed power capacity: 416.59 GW (April 2023).
- Renewable energy capacity: 172.54 GW (41.4% of total), including solar (67.07 GW) and wind (42.86 GW).
- Power consumption: 130.57 BU (April 2023).
- Peak power demand: 226.87 GW (April 2023).
- Thermal power plant load expected to improve by 63% in FY24.

Investments/Developments

- Total FDI inflows: US\$16.57 billion (April 2000-December 2022).
- Potential to attract over US\$20 billion in renewables in 2023.
- Major players like NTPC, Tata Power, and Adani Group investing heavily.
- Recent projects include solar, hydro, and hydrogen energy ventures.
- Investment in renewable energy sector grew over 125% YoY in FY22.

Government Initiatives-

- Allocated US\$885 million for the solar power sector in the Union Budget 2022-23.
- Introduced sovereign green bonds and conferred infrastructure status to energy storage systems.
- Green Energy Corridor projects to facilitate renewable power evacuation.
- National Portal for rooftop solar applications.
- Production Linked Incentive Scheme (Tranche II) for solar PV modules.
- Distribution of energy-efficient appliances under various schemes.
- Replacement of coal with renewable energy in thermal units.
- Support for rural electrification through DDUGJY, UDAY, and IPDS schemes.
- Plans for 75 textile hubs and a mega handloom cluster in Manipur.

Road Ahead-

The Indian power sector is poised for significant growth and transformation in the coming years. With the government's ambitious target of 500 GW renewable energy capacity by 2030 and ongoing investments in transmission and distribution networks, opportunities abound for both public and private players. As the country experiences continued economic development and urbanization, demand for electricity is expected to rise further, positioning the power sector as a key driver of India's growth story. Additionally, the

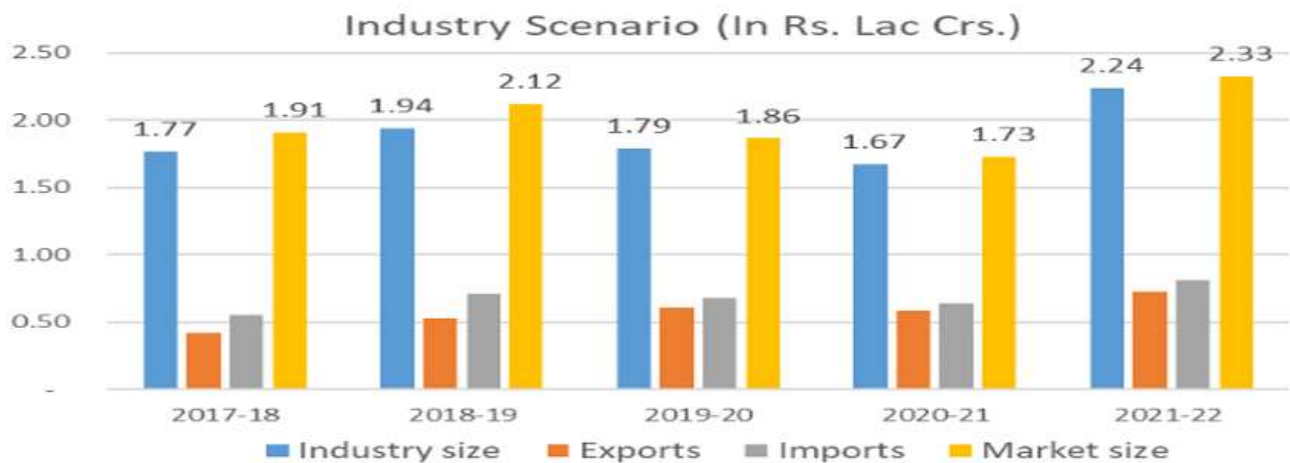


government's focus on universal access, clean energy transition, and reduced reliance on fossil fuels suggests a bright future for the sector.

Indian Electrical Industry-

The Indian electrical industry boasts a diverse and mature manufacturing base, with a capacity utilization of around 60-70%. In 2021-22, production reached USD 30 billion, with exports totaling USD 10 billion and imports at USD 11 billion. The capital goods sector holds over 50% share, with significant participation from foreign players and strong SME presence. The industry provides 5 lakh direct and 10 lakh indirect employments, featuring manufacturing capabilities up to 1200 KV AC UHV equipment. It emphasizes green manufacturing technology, experiencing a growth of 17% in FY21-22, a 9% increase compared to pre-COVID FY19-20.

Exhibit 1: Indian Electrical Industry scenario (In Rs. Lacs Cr.):



(Source: prospectus)

(Source: prospectus)



Key Managerial Personnel

Mr. Rupesh Laxman Kasavkar, aged 43 years is one of the Promoters, Chairman cum Managing Director of the Company. He holds Diploma in Electrical Engineering. He is having experience of 20 years in this sector. His experience and exposure help the Board to take appropriate strategic decision in the current competitive business era. He is responsible for the sustained growth of the Company and managing the overall business affairs of the Company.

Mr. Nitin Indrakumar Aher, aged 43 years is one of the Promoters and Whole Time Director of the Company. He holds Diploma in Electrical Engineering and Diploma in Software Technology. He is having experience of 20 years in the field of Electrical & Associated work. He is instrumental in promoting the overall strategy and growth of the Company and has been responsible for strategizing the management and expansion of the business.

Mr. Milind Ramnath Dhumal, aged 45 years, is the Non-Executive and Independent Director of the Company. He holds degree in Bachelor of Engineering (Electrical). He is having of experience of 18 years in the field of Sales and Marketing.

Mr. Sandeep Janu Sawant, aged 44 years is Non-Executive and Independent Director of the Company. He has degree of Bachelor of Commerce having experience of 20 Years in the field of Accounts and Finance. As the Independent Director, he is responsible for providing his expertise & inputs in relation to finance and also ensuring that the board adheres to the required corporate governance requirements. He is responsible for providing his expertise & inputs in relation to finance and also ensuring that the board adheres to the required corporate governance requirements.

Ms. Nishi Jayantilal Shah, aged 30 years is Non –Executive and Independent Director of the Company. She is a company Secretary by qualification having experience of 7 Years in the field of Company compliances matters. She is responsible for providing her expertise in Management and compliance related matters of the Company and also provides inputs in corporate governance matters.

To conclude, the promoters have vast experience in the industry as well as in their respective fields. The Non-Executive Directors have very good experience and knowledge in their fields which can help the company derive good growth and sustainability in the market. They all bring their perspective and vast knowledge of different sectors to drive the growth of the company.



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Financial Snapshot

Profit and Loss Statement				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Feb-24
Revenue from Operations	1,959.09	3,626.51	4,683.74	6,518.64
Other Income	1.02	0.91	6.04	9.12
Total Income	1,960.11	3,627.42	4,689.78	6,527.76
Expenses				
cost of goods sold	1,708.95	3,201.30	4,012.03	5,359.69
Purchases of Stock in Trade	2.11	15.64	4.75	33.19
Employee benefits expense	81.76	100.68	131.94	155.79
Finance costs	31.38	32.98	34.08	62.35
Depreciation and Amortization expense	8.45	9.84	14.22	13.95
Other expenses	54.66	76.51	130.87	145.78
Total Expenses	1,887.31	3,436.95	4,327.89	5,770.75
Earnings Before Interest, Taxes, Depreciation & Amortization	111.61	232.38	404.15	824.19
EBITDA Margin	5.70%	6.41%	8.63%	12.64%
Profit/(Loss) before tax	72.80	190.47	361.89	757.01
Tax Expense				
Current Tax	17.69	52.34	104.43	192.45
Deferred Tax	1.41	26.03	-23.05	-1.20
Total Tax Expense	19.10	78.37	81.38	191.25
Profit/(Loss) for the year	53.70	112.10	280.51	565.76
Net Profit Margin	2.74%	3.09%	5.98%	8.67%

Balance Sheet				(In Lacs)
Particulars	FY 21	FY 22	FY 23	Feb-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	11.00	11.00	11.00	341.60
Reserves and surplus	153.74	265.82	546.33	948.55
Total Equity	164.74	276.82	557.33	1,290.15
2. Non-current liabilities				
Long Term Borrowings	135.91	64.73	115.01	245.02
Deferred tax liability/ (Assets) (Net)	2.36	28.38	5.33	4.13
Long term Provisions	13.81	14.87	28.10	39.56
Total Non-current liabilities	152.08	107.98	148.44	288.71
3. Current liabilities				
Short-term borrowings	95.07	216.73	412.07	859.87
Trade payables				
(i) MSME	370.11	864.10	1,345.86	922.89
(ii) Other than MSME	127.76	251.43	127.07	347.79
Other current liabilities	71.34	200.80	233.25	256.43
Short-term provisions	1.31	1.19	2.94	116.26
Total Current liabilities	665.59	1,534.25	2,121.19	2,503.24
Total Liabilities	817.67	1,642.23	2,269.63	2,791.95
Total Equity and Liabilities	982.41	1,919.05	2,826.96	4,082.10
ASSETS				
1. Non-current assets				
Tangible Assets				



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Balance Sheet					(In Lacs)
Net Block	184.74	263.20	265.65	259.32	
Long term Loans and Advances	5.85	0.05	0.35	0.30	
Other Non-Current Assets	51.95	39.68	72.72	275.86	
Total Non-Current assets	242.54	302.93	338.72	535.48	
2. Current assets					
Inventories	228.60	647.57	1,031.39	565.93	
Trade receivables	466.55	771.12	1,295.56	966.44	
Cash and cash equivalents	8.59	38.97	9.75	160.56	
Short-term loans and advances	36.14	158.45	151.53	355.90	
Other Current Assets	-	-	-	1,497.78	
Total Current assets	739.88	1,616.11	2,488.23	3,546.61	
Total Assets	982.42	1,919.04	2,826.95	4,082.09	

Cash Flow Statement					(In Lacs)
Particulars	FY 21	FY 22	FY 23	Feb-24	
Net Cash Flow from Operating Activities	16.93	69.93	-195.44	-335.82	
Net Cash Flow from Investing Activities	11.25	-69.34	-48.38	-208.76	
Net Cash Flow from Financing Activities	-41.01	29.79	214.61	695.40	

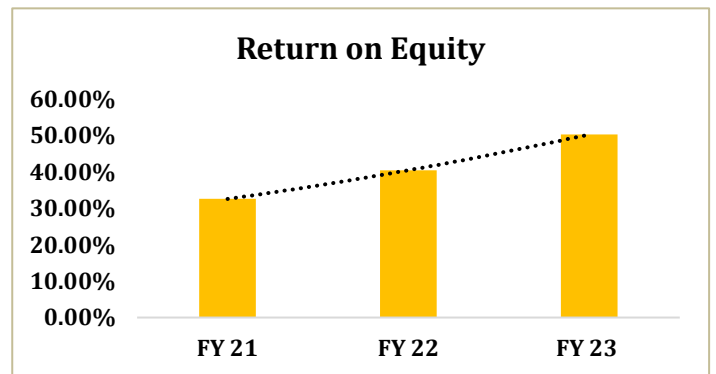
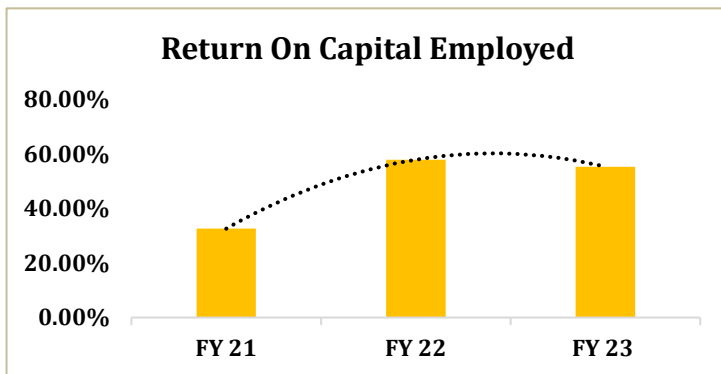
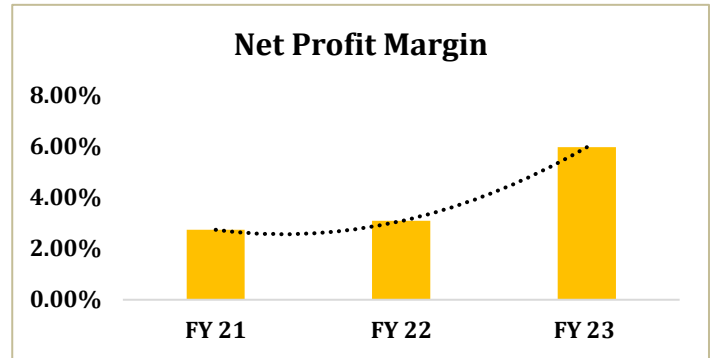
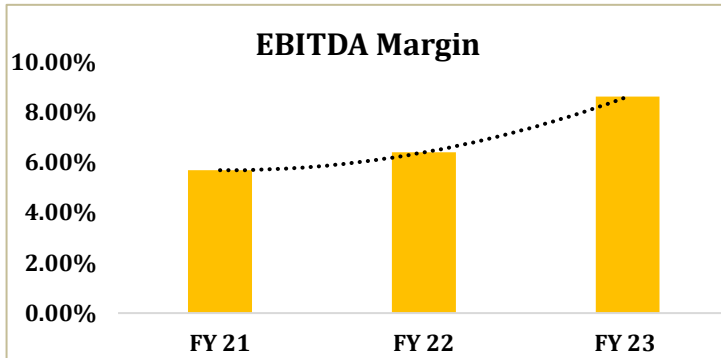
Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Feb-24*
Per Share Data				
Diluted EPS	1.63	3.4	8.5	14.58
BV per share	3.87	6.50	13.09	78.08
Operating Ratios				
EBITDA Margins	5.70%	6.41%	8.63%	12.64%
PAT Margins	2.74%	3.09%	5.98%	8.68%
Inventory days	42.59	65.18	80.38	29.00
Debtor days	86.92	77.61	100.96	49.52
Creditor days	141.04	135.42	144.38	110.12
Return Ratios				
RoCE	32.56%	57.83%	55.25%	26.70%
RoE	32.60%	40.50%	50.33%	18.67%
Valuation Ratios (x)*				
EV/EBITDA	3.47	2.23	2.66	4.77
Market Cap / Sales	5.11	2.76	2.14	1.40
P/E	144.17	69.12	27.65	16.12
Price to Book Value	60.75	36.15	17.96	3.01
Solvency Ratios				
Debt / Equity	1.40	1.02	0.95	0.86
Current Ratio	1.11	1.05	1.17	1.42
Quick Ratio	0.77	0.63	0.69	1.19
Asset Turnover	1.99	1.89	1.66	1.60
Interest Coverage Ratio	3.29	6.75	11.44	13.00

*Annualized Figures

*Valuation Ratios are calculated using the current Issue Price.



Financial Charts



Key Risk Factors

1. There are outstanding legal proceedings involving the Company, Director amounting to Rs.50.55 Lacs. Any adverse decision in such proceedings may have a material adverse effect on business.
2. The company's revenues are highly concentrated in Maharashtra, contributing to 52.90%, 63.38%, 66.27% and 61.01% of the total revenue for the period ended February 29, 2024, and financial year ended on March 31, 2023, 2022 and 2021, respectively. Any adverse development affecting the operations in this region could have an adverse impact on the business, financial condition and results of operations.
3. The company has seen negative operating cash flows consecutively for the last year and for the period ended as on Feb 24. Any operating losses or negative cash flows in the future could adversely affect the results of operations and financial conditions.
4. The income from the top 10 customers contributed to 51.56%, 71.05%, 80.06% and 85.67% of revenue for the periods ended February 29, 2024, FY March 2023, FY March 2022 and FY March 2021 respectively. The loss of any one or more of these customers may significantly impact business operations and profitability.



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Track Record of Lead Manager

The lead manager to the issue is **Beeline Capital Advisors Pvt Ltd**. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Winsol Engineers Limited	23.36	75	May 14, 2024	383.25
2.	Emmforce Autotech Limited	53.90	98	Apr 30,2024	245.05
3.	Greenhitech Ventures Limited	6.30	50	Apr 22,2024	163.65
4.	TAC Infosec Limited	29.99	106	Apr 05,2024	619.10
5.	KP Green Engineering Limited	189.50	144	Mar 22,2024	619.20
6.	Pratham EPC Projects Limited	36.00	75	Mar 18,2024	327.30
7.	V R Infraspac Limited	20.40	85	Mar 12,2024	133.00
8.	Rudra Gas Enterprise Limited	14.16	63	Feb 15,2024	191.65
9.	Fonebox Retail Limited	20.37	70	Feb 02,2024	166.00
10.	Konstelec Engineers Limited	28.70	70	Jan 30, 2024	241.20

*CMP for the above-mentioned companies is taken as of 14th May 2024.

As per the offer document, from the above-mentioned mandates, all the mandates have opened at a premium on the listing date.

The company has had 36 mandates in the past three years including the current Year.



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Recommendation

The company has been in the industry since 2013 and has very good experience in the industry. The management overview of the company is also good.

The P/E on a post-IPO and annualised basis is around 16.12 times and Industry P/E is 39.4 times which makes it fairly priced in the industry. Although the Company's debt-to-equity Ratio is 0.86 times. Out of the total proceeds of Rs.19.80 Cr, Rs14 Cr will be used to meet working capital requirements only.

The company operates in a competitive environment and has a scalable business model. The company has shown a consistent increase in the revenue from operations and net profit since FY21 but has negative operating cash flows for the periods ended Feb 24 and FY23. A total of Rs.47.34 Cr is its current ongoing projects amount which ensures the sustainability and growth of the company.

Thus, we recommend **APPLY** to this IPO.



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