

Rating: Subscribe for Listing Gains

Issue Offer

OFS of 9,428,178 shares (aggregating up to INR 4,157.8 Mn) and Fresh Issue of 1,700,680 shares (aggregating up to INR 750 Mn).

Issue Summary

Price Band (INR)	418-441
Face Value (INR)	10
Implied Market Cap (INR Bn)	4.65 – 4.90
Market Lot	34
Issue Opens on	August,30,2023
Issue Close on	September, 1, 2023
No. of share pre-issue	36,260,678
No. of share post issue	37,961,358
Listing	NSE / BSE

Issue Break-up (%)

QIB Portion	≤ 50
NIB Portion	≥ 15
Retail Portion	≥ 35

Book Running Lead Managers

DAM Capital Advisors Limited
Mirae Asset Capital Markets (India)
Motilal Oswal Investment Advisors Limited

Registrar

KFin Technologies Pvt Ltd

Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	80.67%	70.68%
Public & Others	19.33%	29.32%

Objects of the issue

- Financing the cost towards the expansion of Nashik Manufacturing Facility
- General corporate purposes.

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

Jill Gosrani

Overview

Rishabh is a prominent technology-focused engineering enterprise that operates on a global scale, specializing in the production of electrical and electronic goods, as well as high-pressure aluminum die castings, which cater to a wide range of industries. The company holds a distinguished position as a worldwide leader in the manufacturing and distribution of analog panel meters, and it ranks among the top global companies in the production and supply of low-voltage current transformers. Lumel, a key player in non-ferrous pressure casting within Europe, is also a part of the company's portfolio. With a diverse range of 145 product lines and a global customer base exceeding 3000, Rishabh Instruments has firmly established itself as a dominant presence in its industry.

Investment Rationale

Market Demand: The global demand for electrical and electronic products continues to rise, driven by technological advancements, industrial automation, and renewable energy initiatives. Rishabh Instruments, with its diverse product portfolio, is well-positioned to capitalize on these trends.

Global Expansion: The company's global presence and extensive customer base offer opportunities for expansion into new geographic regions. As emerging markets embrace industrialization and infrastructure development, Rishabh can tap into these growth areas.

International Presence: The acquisition of Lumel, a significant player in non-ferrous pressure casting, enhances Rishabh's capabilities and market reach. The synergies between the two entities create cross-selling opportunities and open doors to new customer segments.

Technology and Innovation: Rishabh's commitment to technological advancements and innovation ensures that it remains competitive in a rapidly evolving industry. The ability to adapt to emerging trends positions the company for sustained growth.

Global Expansion Opportunities: With a robust foundation, Rishabh is well-positioned for international expansion, tapping into global markets' growing demand for electrical and electronic products.

EMI-EMC Testing Capability: Rishabh's advanced EMI-EMC testing facility ensures compliance with international standards. This capability aligns with the rising importance of electromagnetic compatibility in modern electronic devices. This also opens up the opportunity to capitalize on the testing for other companies' products hence generating another source of income.

Valuation and View: At the higher end of the price band, the company offering at PE of 33x its FY23 Earnings. Given a wide range of product segments such as electrical automation, metering control, portable testing, solar inventors, and aluminum die-casting, there are no direct listed peers. Automation companies ABB, Siemens, and Schneider Electric trade at 66-83x their historical earnings, while Endurance Technologies which has an 8% market share in India's aluminum die-casting business trades at 49x. Rishabh Instruments' IPO presents an opportunity to invest in a well-established company with a history of growth and innovation. We are recommending "Subscribe for listing gains" for this issue.

Key Strength And Differentiator

❑ Strategic Manufacturing Insights:

- ❖ Rishabh Instruments boasts **vertically integrated** state-of-the-art manufacturing facilities that are underpinned by **robust manufacturing capabilities**.
- ❖ Presently, the company operates five manufacturing facilities, with two located in Nasik, India, two in Poland, and one in China.
- ❖ These facilities are fully vertically integrated, encompassing the **entire product development process**, from initial concept design to large-scale manufacturing.
- ❖ Additionally, Rishabh Instruments maintains **dedicated research and development units** to support its operations.
- ❖ In addition, it has 2 modification centers – one each in the UK and USA.

❑ Advanced Testing Facilities:

- ❖ Rishabh Instruments operates a comprehensive product test facility accredited by the NABL. This facility is equipped to perform **various critical tests**, including EMI-EMC testing, environmental testing, safety testing, life cycle testing, and electro-technical calibration.
- ❖ The EMI-EMC test facility is particularly advanced, featuring a **Radiated 3m Shielded Semi An-echoic Chamber**. This state-of-the-art facility boasts cutting-edge infrastructure and the latest-generation instruments necessary for **precise EMI/EMC compliance testing**, adhering to **international standards**. Test processes are **automated and software-controlled for accuracy and efficiency**.
- ❖ The EMI/ EMC laboratory provides below mentioned test facilities
 - Radiated Immunity / Susceptibility Test
 - Radiated Emission (Re) Test
 - Electrostatic Discharge (Esd) Test
 - Voltage Dips and Interruption Test
 - Electrical Fast Transient/Burst Immunity Test
 - Electrical Fast Transient/Burst Immunity Test
 - Surge Immunity Test
 - Radio Frequency Conducted Susceptibility
 - Power Frequency Magnetic Field Test

❑ Customer-Centric Approach & Synergistic Growth Strategies:

- ❖ **Diverse Product Portfolio and Customer-Centric Approach:**
 - Offers a broad range of products: Electrical Automation, Metering, Control, Protection Devices, Portable Test and measurement, Solar String Inverters, and High-Pressure Aluminum Die Casting.
- ❖ **Synergy from Die-Casting Business:**
 - Acquisition of Lumel's high-pressure aluminum die-casting business.
 - Serves automotive, automation, and industrial sectors, fostering cross-selling.
- ❖ **Customer Retention and Cross-Selling:**
 - Diverse product range retains customers.
 - Enables effective cross-selling, fueling growth.

❑ Global Customer Diversity & Revenue Distribution:

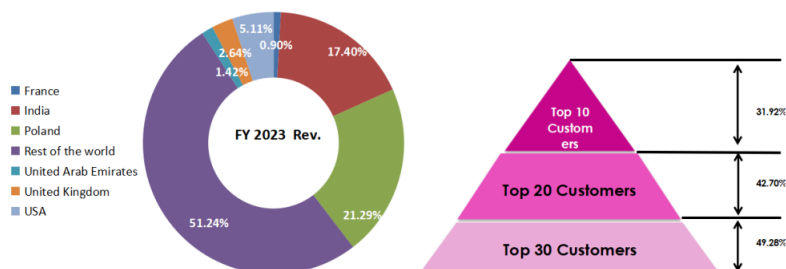
❖ Diverse Global Customer Base:







- Serves 3000+ customers worldwide, reducing dependency on a few.
- Products have broad applications, reducing the risk of product line discontinuation if one customer is lost.

❖ Revenue Distribution Across Customers:

- In the electrical segment, the top 5 domestic customers contribute to **14.67%** of sales, while the top 5 overseas customers contribute **6.30%**.
- In the high-pressure aluminum die casting segment, Lumel's top 5 customers in Poland contribute **14.83%** of sales, while the top 5 international customers contribute **49.61%**.

Revenue Distribution



Sr. No.	Products	Product Applications
1	Digital Multimeter	 <ul style="list-style-type: none"> • Component testing (resistor, capacitor, diode etc.) • Battery testing • Repair and maintenance in service industries • Testing in panels • Solar inverter testing • Student use • Axle counter testing at railway tracks • Variable frequency drive testing • Voltage and current testing in panels • Used in accreditation laboratories • Educational institutions
2	Digital Clamp Meter (Two Patents)	 <ul style="list-style-type: none"> • Cable testing • Busbar testing • Motor testing • Processing industries • Battery Testing • Repair and maintenance in service industries • Voltage and current testing in panels • Solar segment industries • Educational institutions • Phase-Phase and Phase-Neutral Voltage measurement in Single and Three Phase testing
3	Digital Insulation Tester	 <ul style="list-style-type: none"> • Substation (state utilities, power grid), railway substations, cement and steel substations) • Transformer testing • Motor testing • Cable testing • CT-PT testing • Panel testing • LA testing • Other electrical devices testing
4	Digital Earth Tester	 <ul style="list-style-type: none"> • Earth pit testing industrial and commercial applications • Earth pit testing of power generation grid • Earth pit testing of power transmission grid • Earth pit testing of power distribution grid
5	Environmental Products (ultrasonic level/thickness meter, digital luxmeter, non contact tachometer portable, DB meter, phase detector)	 <ul style="list-style-type: none"> • Liquid level in bottles (ultrasonic level meter) • Automated process (ultrasonic level meter) • Robotics sensing (ultrasonic level meter) • Proximity sensors (ultrasonic level meter) • For measurement of amount of light on work surface (digital luxmeter) • For measurement of revolution, speed and rotation using laser infrared or light source (tacho meter) • For measurement of the environmental noise • Motor control (DB meter) • Radar and telecommunication system (DB meter) • Servo mechanisms (phase detector)
6	Tinsley precision instruments submarine cable fault locator (model 5903)	 <ul style="list-style-type: none"> • Cable fault finding • Cable survey and tracking system

Source: Company Reports, Arianth Capital Research

Financial Statements

Income Statement Summary

Y/e 31 Mar (INR Mn)	FY21	FY22	FY23
Revenue	3,899.56	4,702.50	5,695.40
Net Raw Materials	(1,562.39)	(1,971.94)	(2,563.24)
Gross Profit	2,337.17	2,730.56	3,132.16
Gross Profit Margin (%)	60%	58%	55%
Employee Cost	(1,149.20)	(1,257.48)	(1,451.24)
Employee Cost %	29%	27%	25%
Other Expenses	(613.12)	(743.41)	(920.17)
EBITDA	574.85	729.67	760.75
EBITDA Margin (%)	15%	16%	13%
Depreciation	(210.87)	(199.80)	(204.60)
Interest expense	(31.71)	(34.31)	(51.50)
Other income	125.36	96.65	102.41
Share of profit of an associate	0.33	0.20	0.09
Profit before tax	457.96	592.41	607.15
Taxes	(98.56)	(95.89)	(110.28)
PAT	359.40	496.52	496.87
PAT Margin (%)	9%	11%	9%
Other Comprehensive income	22.59	(34.73)	72.57
Total Comprehensive Income	381.99	461.79	569.44
EPS (INR)	9.32	12.91	12.84

Source: Company Reports, Arihant Capital Research

Cash Flow Statement Summary

Y/e 31 Mar (INR Mn)	FY21	FY22	FY23
Profit Before Tax	457.96	592.41	607.15
Depreciation	210.87	199.8	204.61
Other Adjustments	-14.44	-32.98	80.8
Working Capital Δ	-54.24	-515.34	-484.61
Tax	-70.81	-111.07	-132.87
Operating Cash Flow	529.34	132.82	275.08
Investing Cash Flow	-208.39	-107.6	-27.16
Financing Cash Flow	-230.2	-70.68	-45
Net Δ in cash	90.75	-45.46	202.92
Opening Cash Flow	428.44	543.25	462.41
Closing Cash Flow	543.25	462.41	665.65

Source: Company Reports, Arihant Capital Research

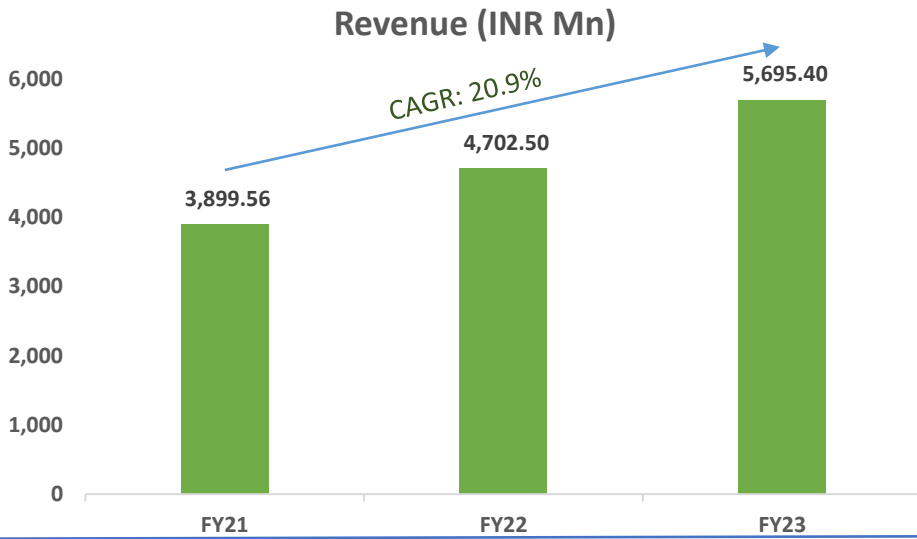
Financial Statements

Balance Sheet

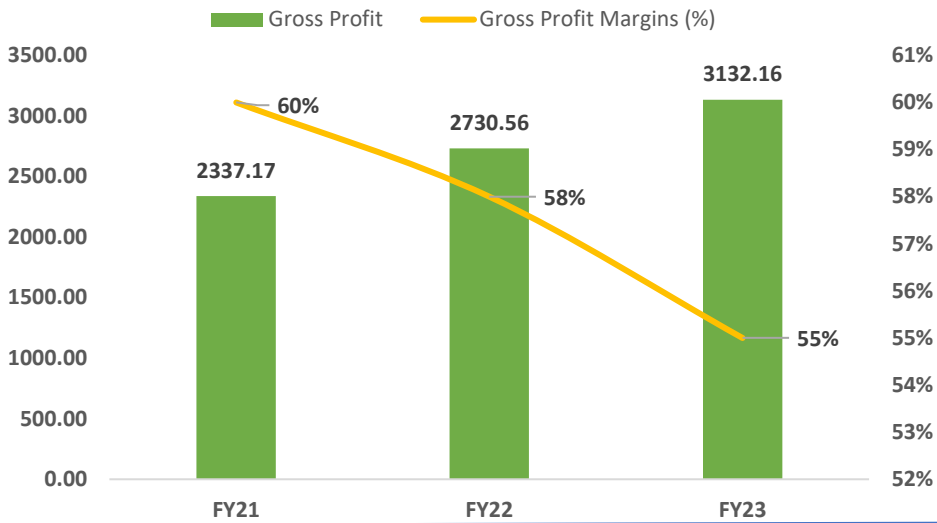
Y/e 31 Mar (INR Mn)	FY21	FY22	FY23
ASSETS			
Non-current assets			
Property, Plant and Equipment	1,980.76	1,943.54	1,925.97
Capital work-in-progress	20.69	51.34	76.15
Goodwill	211.62	210.57	213.42
Other intangible assets	51.19	42.02	52.71
Financial assets			
Investments	1.88	2.08	2.15
Other financial assets	23.08	34.62	6.79
Deferred Tax Asset	15.45	17.32	21.19
Other non-current assets	16.26	12.11	93.2
Total non-current assets	2,320.93	2,313.60	2,391.58
Current assets			
Inventories	794.14	1,284.17	1,535.06
Financial assets			
Trade receivables	683.15	799.79	1,209.04
Cash and cash equivalents	543.25	462.41	665.65
Bank balances other than cash and cash equivalents	635.96	588.88	394.87
Other financial assets	24.99	24.11	21.47
Current tax assets (net)	1.28	4.95	8.7
Other current assets	116	161.01	262.91
Total current assets	2,798.77	3,325.32	4,097.70
Total assets	5,119.70	5,638.92	6,489.28
EQUITY AND LIABILITIES			
Equity			
Equity share capital	146.25	146.25	292.5
Instruments entirely equity in nature	108.18	108.18	108.18
Other equity	2,738.17	3,150.45	3,609.63
Equity attributable to equity holders of parent	2,992.60	3,404.88	4,010.31
Non-Controlling Interest	28.65	56.1	77.17
Total equity	3,021.25	3,460.98	4,087.48
Liabilities			
Non-current liabilities			
Financial liabilities			
Borrowings	454.8	336.18	258.35
Lease Liabilities	68.48	0.59	6.17
Deferred tax liabilities (net)	53.62	61.76	49.71
Provisions	71.75	70.79	81.84
Total non-current liabilities	648.65	469.32	396.07
Current liabilities			
Financial liabilities			
Borrowings	464.72	629.51	770.19
Lease Liabilities	71.31	66.92	23.96
Trade payables			
i)total outstanding dues of micro enterprises and small enterprises	10.16	39.09	53.9
ii)total outstanding dues of creditors other than micro enterprise and small enterprise	611.3	639.18	774.62
Other financial liabilities	112.99	143.58	105.58
Other current liabilities	110.82	144.88	216.92
Provisions	49.41	44.33	60.56
Current tax liabilities (net)	19.09	1.13	-
Total current liabilities	1,449.80	1,708.62	2,005.73
Total liabilities	2,098.45	2,177.94	2,401.80
Total equity and liabilities	5,119.70	5,638.92	6,489.28

Source: Company Reports, Arianth Capital Research

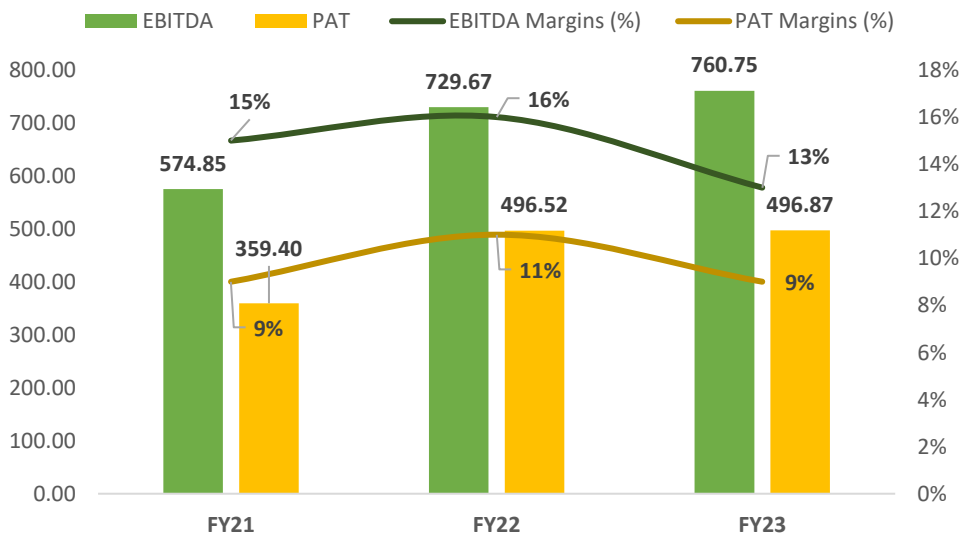
Charts



Source: Company reports, Arianth Capital Research



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Source: Company reports, Arianth Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office

#1011, Solitaire Corporate Park
Building No. 10, 1st Floor
Andheri Ghatkopar Link Road
Chakala, Andheri (E)
Mumbai – 400093
Tel: (91-22) 42254800
Fax: (91-22) 42254880

Registered Office

Arihant House
E-5 Ratlam Kothi
Indore - 452003, (M.P.)
Tel: (91-731) 3016100
Fax: (91-731) 3016199

Stock Rating Scale

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%

**Research Analyst
Registration No.****Contact****Website****Email Id**

INH000002764

SMS: 'Arihant' to 56677

www.arihantcapital.com

instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880