

Retail Research	IPO Note
Sector: Precision Electronic Measurement Instruments	Price Band (Rs): 418 - 441
29th August 2023	Recommendation: Subscribe for long term Horizon

Rishabh Instruments Limited

Company Overview:

Rishabh Instruments is a global energy efficiency solution company focused on electrical automation, metering, and measurement, precision engineered products, with diverse applications across power, automotive, and industrial sectors. The company supplies a wide range of electrical measurement and process optimization equipment and are engaged in designing, developing, manufacturing, and selling devices under its own brand across several sectors. It 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. The company is a global leader in manufacturing and supply of analog panel meters, and is among the leading global companies in terms of manufacturing and supply of low voltage current transformers.

Key Highlights:

Vertical Integrated player: The 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, It manufactures and supplies aluminum high-pressure die casting through the subsidiary, provides certain manufacturing services which include mould design and manufacturing, EMI/EMC testing services, Electronic Manufacturing Services, and software solutions (e.g. MARC).

Manufacturing Facility: The company has five in-house manufacturing sites, two in India, two in Poland, and one in China. In India, manufacturing facility is based in Nashik where Facility I handles full product development, and Facility II specializes in tool design. In Poland both the manufacturing facility is based in Zielona Góra where Facility I is for electrical/electronics, and Facility II offers aluminum die casting & more. Products manufactured at China manufacturing facility are tested and certified by testing laboratories for certifications including CE, ROHS, and UKCA. The subsidiary, ESL, focuses on developing software solutions such as MARC, and their capabilities allow to integrate software capabilities in the products.

Research and Development: The Company is a technology and R&D-focused enterprises concentrating on the innovation of the products, processes, and applications to add value to the customers as well as the industry. The company R&D centers in India are accredited nationally and internationally. The company R&D centers in India, Poland, and China are staffed with a team of 95 engineers as of May 31, 2023.

Valuation:

At upper price band, the company is valued at 33.7x FY23 PE multiple and 3.5x FY23 P/BV on post-issue capital. The company doesn't have any listed peers in India. Taking into consideration weak cash flows and low return ratios, the valuations are slightly stretched. However, being a unique business, the business may command a scarcity premium and long-term investors are recommended to subscribe to the issue. Listing gains are likely to remain tepid.

Issue Details	
Date of Opening	30 th August 23
Date of Closing	1 st September 23
Price Band (Rs)	418 – 441
Issue Size (Rs cr)	469 – 490
No. of shares	1,12,22,436 – 1,11,28,858
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	1,590 – 1,674
BRLMs	DAM Capital Advisors, Mirae Asset Capital Markets, Motilal Oswal Investment Advisors
Registrar	KFin Technologies Limited
Bid Lot	34 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB (HNI) shares	15%

Objects of Issue	
	(Rs Cr.)
Gross proceeds of the Fresh Issue	75.0
Less: Offer Expenses in relation to the Fresh Issue	-
Net Proceeds*	-

* To be finalized on determination of the Offer Price and updated in the Prospectus prior to filing with the ROC.

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	2,92,50,000	80.7
Public & Others	70,10,678	19.3
Total	3,62,60,678	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	2,68,32,500	70.5
Public & Others	1,12,22,436	29.5
Total	3,80,54,936	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	2,68,32,500	70.7
Public & Others	1,11,28,858	29.3
Total	3,79,61,358	100.0

Source: RHP, SSL Research

Risk factors

- Any slowdown or shutdown in the manufacturing operations could have an adverse effect on the business, financial condition, and results of operations.
- **The Company is** dependent on the Poland Manufacturing Facilities and any disruption, slowdown, or shutdown of the Poland Manufacturing Facilities may restrict the operations, and adversely affect the business and financial condition and results of operations.
- If the company fails to effectively implement the production schedules, the business and results of operations may be materially and adversely affected.
- Most of the customers do not commit to long-term contracts, and may cancel their orders, change production quantities, delay production or change their sourcing strategy.

Growth strategy

- Enhance product innovation, engineering, and design competence while focusing on higher value addition.
- Target new customers and expand existing customer accounts.
- Explore opportunities to tap emerging products and service segments.
- Continue to pursue a strategy for inorganic growth by developing synergies in the acquired business.
- Capitalize on the presence in India and simultaneously expand geographical footprint.

Revenue Break-up

(Rs cr)	FY23	FY22	FY21
Revenue from contracts with customers	565.8	467.8	387.5
- Sales of goods	549.6	453.3	381.4
- Sales of services	16.2	14.5	6.0
<i>Other Operating revenue</i>	3.8	2.4	2.5
Revenue from operations	569.5	470.3	390.0
Other Income	10.2	9.7	12.5
Total income	579.8	479.9	402.5

Source: RHP, SSL Research

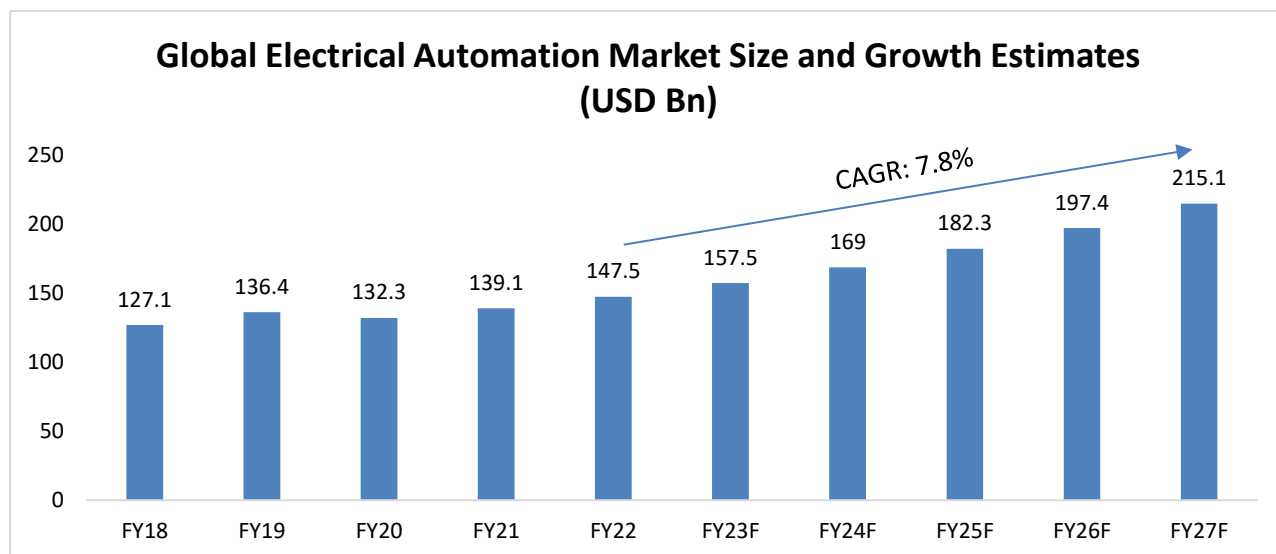
Product category	FY23		FY22		FY21	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
Electrical automation	56.5	9.9	63.8	13.6	52.22	13.4
Metering control and protection devices	242.7	42.6	208.6	44.4	164.63	42.2
Portable test and measuring instruments	40.9	7.2	15.6	3.3	11.46	2.9
Solar string inverters	3.8	0.7	5.1	1.1	3.43	0.9
Aluminium high pressure die castings	225.7	39.6	177.1	37.7	158.21	40.6

Source: RHP, SSL Research

Industry Overview

Global Electrical Automation Market Size and Growth Estimates

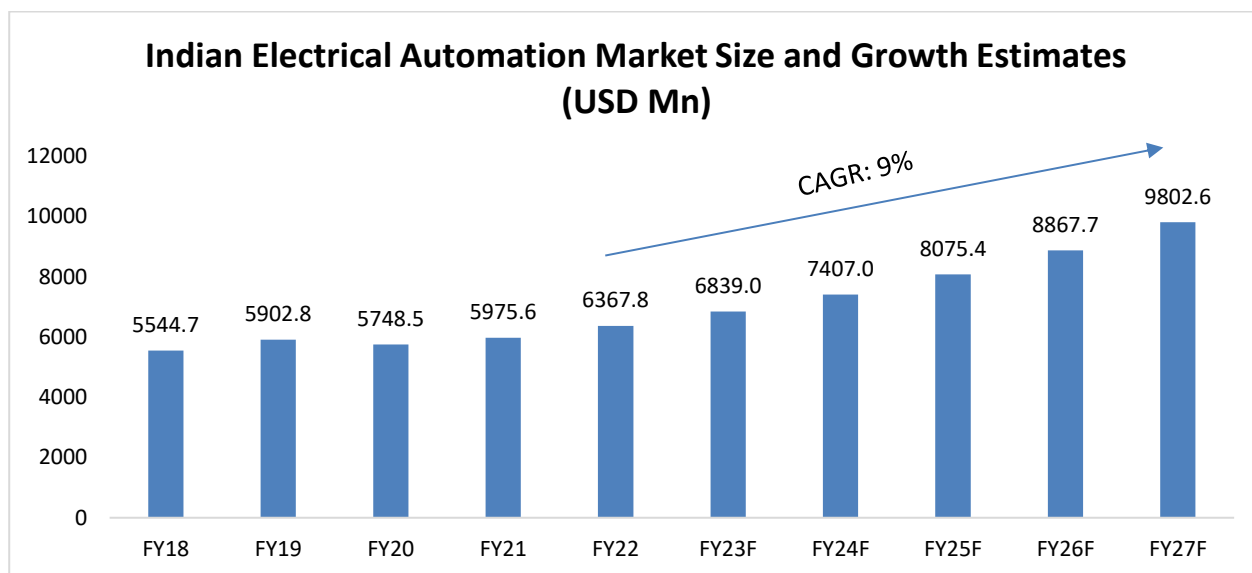
The global electrical automation market was valued at USD 147.5 bn in 2022 and is expected to grow at CAGR of 7.8% to reach USD 215.1 bn by 2027. Asia-Pacific is the fastest-growing region and is expected to become the largest by 2027. The market push is expected to come from new building automation facilities, greenfield factories, and digitization initiatives in brownfield factories.



Source: RHP, SSL Research

Indian Electrical Automation Market Size and Growth Estimates

The Indian Electrical Automation market was valued at USD 6.37 bn in 2022 and is forecasted to grow at a CAGR of 9% to reach USD 9.8 bn by 2027. The market experienced a slowdown in 2020 due to the COVID-19 pandemic, but it has bounced back strongly and showcased a strong and positive outlook. China's weakening economic projections and ongoing trade wars will create opportunities for India to develop its cutting-edge technologies. By attracting investments from companies looking to diversify their manufacturing and supply chains away from China, India has more room to negotiate favorable trade agreements with other countries and strengthen its global influence.



Source: RHP, SSL Research

Financial Snapshot

Rishabh Instruments Limited			
(Rs. Cr.)	Pre-Issue	Post Issue	
	FY22	FY23	
Particulars		Price Band	
	441.0	418.0	441.0
Net Sales	470.3	569.5	569.5
Total Income	479.9	579.8	579.8
EBIDTA	73.0	76.1	76.1
PAT	49.7	49.7	49.7
Equity Share Capital	14.6	38.1	38.0
No of Equity Shares	1.5	3.8	3.8
Face Value	10.0	10.0	10.0
EPS	34.0	13.1	13.1
CMP	441.0	418.0	441.0
Cash and Bank	105.1	181.1	181.1
Debt	96.6	102.9	102.9
Market Cap	645.0	1,590.7	1,674.1
BV per share (Rs)	232.8	125.1	125.4
PE(x)	13.0	32.0	33.7
P/BV (x)	1.9	3.3	3.5
Enterprise Value	636.4	1,512.5	1,595.9
Mcap/Sales (x)	1.4	2.8	2.9
EV/Sales (x)	1.4	2.7	2.8
EV/EBIDTA (x)	8.7	19.9	21.0
EBITDA Margins (%)	15.5	13.4	13.4
Net Margins (%)	10.6	8.7	8.7
ROE (%)	15.5	12.2	12.2
ROCE (%)	15.1	13.0	13.0
Debt/Equity	0.3	0.2	0.2
Net worth	340.5	476.0	476.0

Source: RHP, SSL Research (Post Issue)

	FY21	FY22	FY23
Net Sales	390.0	470.3	569.5
EBITDA	57.5	73.0	76.1
Net Profit	35.9	49.7	49.7
EBITDA Margin (%)	14.7	15.5	13.4
Net Profit Margin (%)	9.2	10.6	8.7

Source: RHP, SSL Research

	FY21	FY22	FY23
Debtor's days	64	62	77
Inventory days	186	238	219
Creditor's days	145	126	118
Working Capital Days	104	174	178

Source: RHP, SSL Research

	FY21	FY22	FY23
Cash flow from Operating Activities	52.9	13.3	27.5
Cash flow from Investing Activities	(20.8)	(10.8)	(2.7)
Cash flow from Financing Activities	(23.0)	(7.1)	(4.5)
Free Cash Flow	17.5	(2.6)	(2.7)

Source: RHP, SSL Research

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