



## IPO Report

29<sup>th</sup> Aug'23

### Snapshot

Rishabh Instruments Ltd is a global energy efficiency solution company focused on electrical automation, metering and measurement, precision engineered products, et al. with diverse applications across industries including power, automotive and industrial sectors. Company supply a wide range of electrical measurement and process optimization equipment, and are engaged in designing, developing and manufacturing, and sale of devices significantly under its own brand across several sectors. Company also provide 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.

### VALUATION

Company is bringing the issue at price band of Rs 418-441 per share at p/e multiple of 33x on post issue FY23 basis.

Company has ability to drive technology and innovation through advanced research and development capabilities. Company is global engineering solution provider operating in large addressable markets and well positioned to benefit from mega industrialisation trends. Also, company's vertically integrated operations, backed by strong manufacturing capabilities & diversified product portfolio, wide customer base and track record of successful integration of acquired businesses or entities across geographies make it decent avenue to deploy funds in.

Hence, we recommend "Subscribe" on issue

<b>Price Band (Rs./Share)</b>	<b>418-441</b>
<b>Opening date of the issue</b>	<b>30<sup>th</sup> Aug '2023</b>
<b>Closing Date of the issue</b>	<b>01<sup>st</sup> Sep '2023</b>
<b>No of shares pre issue</b>	36,260,678 Eq Shares
<b>Issue Size</b>	Rs 469-491 Cr
<b>Issue Size</b>	11,222,436-11,128,858 Equity Shares
<b>Fresh Issue</b>	Rs 75 Cr
<b>Offer For Sale</b>	9428178 Equity Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	34

### BIDDING DETAILS

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 5564428 Eq Shares)
<b>Non-Institutional</b>	15% of the offer ( Approx 1669329 Eq Shares)
<b>Retail</b>	35% of the offer ( Approx 3895101 Eq Shares)
<b>Lead managers</b>	DAM Capital, Mirae Asset Capital, Motilal Oswal
<b>Registrar to the issue</b>	KFin Technologies Ltd

## WHAT WE LIKE

### Well-established and recognised brands

Company's brands 'Rishabh', 'Lumel', 'Sifam' and 'Tinsley' are well recognised in multiple countries. Company have held a trademark registration containing the name 'Rishabh' for over 37 years and a trademark containing the name 'Lumel' has been in existence for over 55 years. 'Lumel' has brand recognition both in the electronics field and the high-pressure aluminium die casting field with OEM customers and industrial users alike.

### Wide customer base

Company is diversified in terms of end users, serving industrials (FMCG, pharmaceutical, cement, steel, railways), power (generation, transmission and distribution, renewable energy, oil and gas), OEM industries (transformer, motor, cable and special machine manufacturers) and new applications (data centre, laboratories, semiconductors, consumer electronics, and building automation). Company's long-standing and diversified customer base also includes blue chip customers such as ABB India Limited, Siemens Limited, Pronutec S.A., Lucy Electric India Private Limited and Perel OY.

### Global engineering solution provider operating in large addressable markets and well positioned to benefit from mega industrialisation trends

According to F&S, the 2022 global total addressable market for the electrical automation market is estimated to be USD 52.36 billion or 35.5% of the total market The emergence of global mega trends such as connected living, Industry 5.0, digital reality, data as the oil of the 21st century, smart retail, smart cities, autonomous vehicles, towards zero emission, artificial intelligence supply chain management etc. rely on seamless connectivity, where company's product portfolio having communication enabled devices have application.



## COMPANY BACKGROUND

Company is a global leader in manufacturing and supply of analog panel meters, and it is among the leading global companies in terms of manufacturing and supply of low voltage current transformers (Source: F&S Report). Lumel is the most popular brand in Poland for meters, controllers, and recorders and Lumel Alucast is one of the leading non-ferrous pressure casting players in Europe (Source: F&S Report). 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, company manufacture and supply aluminium high pressure die casting through its Subsidiary, Lumel Alucast. For six years (Fiscals 2005, 2006, 2008, 2009, 2011 and 2012), the Engineering Export Promotion Council, India, recognised company as a 'Star Performer' in the product group of miscellaneous instruments and appliances (large enterprise). Company also provide certain manufacturing services which include mould design and manufacturing, EMI/EMC testing services, Electronic Manufacturing Services, and software solutions (e.g., MARC).

Electrical automation products include energy management software, transducers and isolators, paperless recorders (chartless) and dataloggers, temperature and humidity recorders, I/O converters and temperature controllers among others. Company's metering, control and protection devices consist of analog panel meters, rotary cam switches, current transformers, shunts, digital panel meters, multifunction meters, multi-load monitoring meters, power quality meters, power quality analyzers, power factor controllers, LV and MV relays, genset controllers, synchronizing units, power supply and battery chargers among others. Under company's portable test and measuring instruments portfolio, company manufacture various categories of digital multimeters, digital clamp meters, digital insulation testers, digital earth testers and environmental products such as ultrasonic level/thickness meter, digital luxmeter, non-contact tachometers, DB meter, submarine cable fault locator among others. Company also manufacture solar string inverters in India designed for use in photovoltaic installations connected to the grid. In terms of company's aluminium high pressure die castings, company serve global automation, automotive and other industries with company's inhouse designed tools (which include die casting moulds and CNC fixtures) and various post casting processes such as high precision machining, surface treatment and heat treatment. Company's product portfolio consists of over 145 product lines and 0.13 million stock keeping units as of May 31, 2023. In Fiscals 2023, 2022 and 2021, company manufactured an aggregate of 16.21 million units, 14.02 million units and 13.35 million units of products, respectively, across company's product lines. Over the last three financial years, i.e. Fiscals 2023, 2022 and 2021, company have served customers in over 100 countries. Company is diversified in terms of end users of its products, serving industrial (FMCG, pharmaceutical, cement, steel, railways), power (generation, transmission and distribution, renewable energy, oil and gas), OEM industries (transformer, motor, cable and special machine manufacturers) and new applications (data centre, laboratories, semiconductors, consumer electronics, and building automation).

Company in Poland and one in China. Products manufactured at all its Manufacturing Facilities (other than Poland Manufacturing Facility II) are tested and certified by testing laboratories for certifications such as CE, ROHS, UKCA etc. In India, both the manufacturing facilities are situated in Nashik, Maharashtra. Nashik Manufacturing Facility I is a vertically integrated facility with end-to-end product development capabilities from concept design to testing. Nashik Manufacturing Facility II is also a vertically integrated facility with a tool design facility.

Company was founded in 1982 by Narendra Joharimal Goliya who is company's Promoter, as well as company's Chairman and Managing Director. 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 has over four decades of experience in the manufacturing and electrical industry. Anchored by company's 40-year presence in India, company strategically expanded company's operations to overseas markets and have acquired and/or established seven foreign Subsidiaries – three in Poland, one in the United Kingdom, one in the United States of America, one in China and one in Cyprus. Further, in September 2013, South Asia Clean Energy Fund, an Indiafocused clean energy private equity fund, through its subsidiary, SACEF, acquired a stake in company and currently holds 19.33% of the pre-Offer capital of company on a fully diluted basis.

Company primarily follow a business-to-business model which is purchase order based for all its segments except portable test and measuring instruments which is also sold on a merchant basis. Company have an extensive network of 175 authorized distributors/stockists across 81 districts in India with direct sales conducted through eight sales and marketing offices which collectively house 53 engineers and 24 sales personnel. The eight locations of company's sales and marketing offices across India are New Delhi, Delhi, Kolkata, West Bengal, Mumbai, Maharashtra, Ahmedabad, Gujarat, Pune, Maharashtra, Chennai, Tamil Nadu, Bangalore, Karnataka and Hyderabad, Telangana. Apart from sales and marketing offices, company also have resident sales engineers in 10 cities across India. Globally company have served customers in over 100 countries in the last three financial years, i.e. Fiscals 2023, 2022 and 2021 through five sales and marketing offices and a strong global network of 339 authorized distributors/stockists as of May 31, 2023. Globally (outside India) Company has over 164 authorized distributors/stockists catering to international customers across 70 countries including Germany, the United States, the United Kingdom, Australia, the Middle East, etc. Lumel has 15 authorized distributors/stockists in Poland and over 20 authorized distributors/stockists outside Poland. Lumel also has resident sales engineers situated at the UAE, Hungary, Taiwan, Spain, Germany and Cyprus.



## INVESTMENT RATIONALE

<p><i>Ability to drive technology and innovation through advanced research and development capabilities</i></p>	<p>Company is a technology and R&amp;D focussed enterprise striving to set trends for the industry and concentrating on innovation of its products, processes as well as applications to add value to the industry and to its customers. Company's global presence affords it exposure to the latest technologies for its core segments and company accordingly strive to drive both its product portfolio and service offerings with its R&amp;D capabilities. Company's ability to develop and integrate technology allows company to provide innovative and customizable solutions to its customers more efficiently. Company have 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. Further, from time to time, company have in the past also entered into technical collaborations and technology purchases with international players through which company have gained technical proficiency and assimilated the technology in order to further develop and improve not only products but processes as well. For instance, following a technology purchase related to manufacture of solar string inverters, company further improved the solar sting inverter product to make it portable and added numerous additional features such as GSM connectivity to remotely monitor and control energy generation data. Company's manufacturing facilities house equipment procured from various countries across the world and hold multiple accreditations.</p>
<p><i>Vertically integrated operations, backed by strong manufacturing capabilities</i></p>	<p>In India, both Nashik Manufacturing Facilities are vertically integrated and have end-to-end product development capabilities from concept design to prototype testing, with R&amp;D units. Company have an NABL accredited testing facility which includes EMI-EMC testing and is capable of both immunity and emission testing. Company utilize high precision imported and machinery including EDM, Wire EDM (Agie Charmilles), CNC SPARK EDM and Vertical Milling Machines (Makino) along with high end calibrators. Company also provide advanced software solutions such as MARC, which is a cloud-based next generation IoT platform that enables energy optimization, cost saving and efficiency improvement, and contains built-in applications for efficiency, productivity, conditioning, control, predictive maintenance, demand site management and process monitoring. Both company's manufacturing facilities in Poland are also vertically integrated. While Poland Manufacturing Facility I is engaged in manufacturing energy and industrial use products, Poland Manufacturing Facility II has an aluminum die casting facility which has 9 die casting machines including six automated DC cells 550T up to 840T, and a component manufacturing facility which houses 49 CNC machines. It also houses fully automated cells, a coordinate measuring machine, and deploys CAD/CAM software. Leveraged against in-house engineering and manufacturing, company provide complete 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. European car production is 9.90 million units per annum, and Lumel Alucast produces 3.00 million units of aluminium cast housing for car compressors which makes Lumel Alucast one of the leading die cast players in Europe</p>



## OBJECTS OF OFFER

### Offer for Sale

The object of the Offer for Sale is to allow the Selling Shareholders to sell up to 9,428,178 Equity Shares held by them. Company will not receive any proceeds from the Offer for Sale

### Fresh Issue

Company proposes to utilize the Net Proceeds towards funding the following objects (collectively, the “Objects”):

1. Financing the cost towards expansion of Nashik Manufacturing Facility I (“Expansion of Nashik Manufacturing Facility I”); and
2. General corporate purposes

## RISKS

Company is dependent on its Poland Manufacturing Facilities and any disruption, slowdown or shutdown of its Poland Manufacturing Facilities may restrict company’s operations, adversely affect company’s business and financial condition and results of operations.

Source:RHP

## INDUSTRY OVERVIEW

### Overview of Indian Electrical Automation Market

The Indian Electrical Automation market was valued at USD 6367.8 million in 2022 and is forecasted to grow at a CAGR of 9% to reach USD 9802.6 million by 2027. The market experienced a slowdown in 2020 due to the COVID-19 pandemic, but it has bounced back strongly and showcases 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. With Indian Prime Minister’s visit to the US in June 2023, both the countries are set to take a major step towards semi-conductors, defense and emerging technology (such as AI, 5G, 6G) supply chain market. This would promote semi-conductor manufacturing in India, increase product consumption. One of the primary elements boosting mild steel barrel sales is the manufacturing and industrial sector’s output performance. The main players in several end-use sectors have moved their production facilities and expanded their markets in South and East Asia as a result of the cheap manufacturing costs in developing nations like India. The necessity for improved industrial packaging is obvious with stabilized manufacturing sector activity since there is a strong association between industrial output and demand for industrial packaging.

In India, the market is dominated by international players. The top 5 companies occupy approximately 50% market share. Local players compete with global brands on price points and customer service and are emerging competition. Industrial end users prefer a single vendor for all their needs, so international players have an advantage because of their wide product portfolio in this segment. Local players form a major part of others (48.8%) and in large part supply SMEs that make up the country’s manufacturing base in India. Rishabh Instruments is the number one player in electrical transducers in India and holds ~37% of market share and it holds 0.07% market share in the electrical automation segment. (w.r.t the TAM)

### Competitive Landscape of Metering, Control and Protection Devices Market

In India, the market is consolidating at the top and is dominated by a handful of players. Schneider Electric, with its inorganic growth strategy, is dominating the Indian Metering, Control and Protection Devices market following the completion of its acquisition of L&T’s electrical business unit. Schneider Electric has the largest market share in India, with its wide product portfolio. Siemens is another leading company with ~15% market share. Rishabh Instruments is one of the top three players in digital panel meters in India and it holds 8.01% market share within digital panel meters (w.r.t the TAM)



**Consolidated Financials**

**(Rs in Mn)**

<b>Financials</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
Total Revenue (A)	3899.56	4702.50	5695.40
Total Expenditure (B)	3324.71	3972.83	4934.65
EBIDTA	574.85	729.67	760.75
EBIDTA Margin	14.74	15.52	13.36
Other Income	125.36	96.65	102.41
Depreciation	210.87	199.80	204.60
EBIT	489.34	626.52	658.56
Interest	31.71	34.31	51.50
PBT	457.63	592.21	607.06
Share of profit in Associate	0.33	0.20	0.09
PBT	45.96	592.41	607.15
Tax	98.56	95.89	110.28
PAT	359.40	496.52	496.87
NPM	9.22	10.56	8.72
ROE %	11.61	13.82	11.67
EPS	9.32	12.91	12.84
Eq Cap	146.25	146.25	292.50
Net Worth	3,021.25	3,460.98	4,087.48

**(Source: RHP)**





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