

RISHABH INSTRUMENT LTD

30-08-2023 to 01-09-2023

Industry: Electrical Engineering

Price Band: ₹ 418 - 441

Recommendation: Subscribe with Risk

Post Implied Market Cap: ₹ 1,591 - 1,674 Cr

Key Data

Issue Size (₹ Cr)	469 - 491
Fresh (₹)	75
OFS (₹)	415.78
No of shares offered	11,222,436 - 11,128,858
Face Value (₹ /share)	10
Bid Lot	34

About the Company

Rishabh Instruments Ltd (Rishabh) is a 4-decade old leading technology-driven energy efficiency solutions engineering company having global manufacturing capabilities in electrical and electronic products and aluminum high-pressure die-casting used across diverse industries. With a robust product portfolio of 145+ lines, the company shines as a leader in analog panel meters and low voltage transformers. Its vertically integrated approach includes 5 manufacturing units across India, Poland, and China, backed by in-house R&D. With a global footprint spanning across 100 countries and serving over 3000 customers, Rishabh caters to various sectors including FMCG, Pharmaceuticals, Cement, Steel, Railways, Power, Renewable energy, Oil & Gas etc.

Investment Rationale

- **Leading global engineering solution provider poised to capitalize on major industrialization trends:** Rishabh is a global energy efficiency solutions company specializing in electrical measurement and process optimization equipment across industrial sectors. With a strong market position, extensive global presence, and advanced manufacturing capabilities, company is primed to seize opportunities in the booming industrialization landscape. The mega industrialisation trends like rise in process of automation, metering, control and protection devices; the company is well positioned to leverage market position to grasp the opportunities. Company has a well-established manufacturing facilities and processes with their global footprint and exposure to across 100 countries. Their wide distribution network with the track record of innovation and research and development position them advantageously to capture modern engineering requirements.
- **Continue to pursue strategy for inorganic growth:** Company have steadily extended their global reach by way of strategic acquisitions in Europe, the United Kingdom and China. Starting from the acquisition of Lubuskie Zakłady Aparatów Elektrycznych "Lumel" Spółka akcyjna in Poland during Fiscal 2012 which helped them to penetrate particularly in Central and Eastern European markets. Eventually they also acquired businesses in China during Fiscal 2020 through which they gained an additional environmental TMI products portfolio. Subsequently in Poland during Fiscal 2021 they acquired a division of Relpol S.A. gaining a medium voltage relay offering. Rishabh continue to pursue inorganic growth opportunities in larger markets or developed economies likes United States, Brazil and Turkey.
- **Diversified product portfolio:** Rishabh is a global leader in manufacturing analog panel meters and low voltage current transformers. Their brand Lumel is highly recognized in Poland for meters, controllers, and recorders. With a diverse product portfolio of over 145 product lines and 130,000 stock keeping units, they have manufactured millions of units annually across various sectors. The instruments are used not only in the electrical switch boards are also used for distribution of electricity, but also for industrial applications such as multiloading monitoring, cloud and connectivity, and energy monitoring systems. Such instruments are capable of serving needs in specialized markets like Laboratories, Defence, Railways, Renewable energy and Aerospace. Company's offerings also products used in manufacturing services such as mold design, EMC testing and software solutions. They diversified their product portfolio in such a way that their products are customised for the technology, parameters and features for specific geographical needs, which enhances customer retention and cross-selling.
- **Wide customer base:** Company's customer base is broad and not reliant on any single customer for their operational revenue. With a diverse product range, they serve various sectors including Industrial (FMCG, pharmaceutical, cement, steel, railways), Power (generation, transmission and distribution, renewable energy, oil and gas), OEM (transformer, motor, cable and special machine manufacturers), and Emerging applications (data centre, laboratories, semiconductors, consumer electronics, and building automation). Their 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. In their aluminium high pressure die casting business in Poland, they have leading automation and automotive companies as their customers such as Endress + Hauser Flowtec AG, Valeo Compressor Europe s.r.o and Sanden Manufacturing Poland Sp. Z.o.o.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	06-09-2023
Refunds/Unblocking ASBA Fund	07-09-2023
Credit of equity shares to DP A/c	08-09-2023
Trading commences	11-09-2023

Shareholding (No. of shares)

Pre-Issue	3,62,60,678
Post Issue (Lower price band)	3,80,54,936
Post Issue (Higher price band)	3,79,61,358

Shareholding Pattern

	%
Promoters:	
Pre Issue	44.85%
Post Issue	42.84%
Promoters Group:	
Pre Issue	35.83%
Post Issue	27.85%
Public - Investor Selling S/h:	
Pre Issue	19.33%
Post Issue	0.00%
Public - Others:	
Pre Issue	0.00%
Post Issue	29.32%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: DAM Capital, Mirae Asset Capital, Motilal Oswal

Registrar: KFin Technologies Ltd.

Listing: BSE & NSE

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Risk

- Customers do not commit to long term contracts.
- Shortages in the supply of semiconductors.

MView

We believe Rishabh Instrument IPO offer gives investors an opportunity to invest in a company which is a global leader in manufacturing of energy efficiency products in electrical and electronic segments with uses across diverse industries. With a history of multiple inorganic growth, we consider Rishabh would continue to pursue its business growth through such strategy to expand its footprint in other developed economies. We also like the way the company has diversified its product portfolio along with the wide customer base, which would help them to enhance customer services, retention and cross-selling. By looking at the financials historically, Rishabh has delivered a healthy growth in revenue from operation of 20%/21% in FY2022/23 and a subdued bottom-line of 0.07% in FY 2023. On Valuation parse at upper price band of ₹ 441/- and based on annualized earnings and fully diluted post-IPO paid-up capital, the issue is asking for a Market Cap of ₹ 1674 Cr with P/E of 33.69x on consolidated basis, which seems the issue is fully priced-in looking at the margin and profit growth. Given the company's export oriented business which is almost 66% of revenue and its strong brand in niche products segment demand, we are inclined to recommend risk taking investors to "Subscribe with Risk" to the IPO.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS			
Particulars ₹ (in Cr)	2021	2022	2023
Equity Share Capital	14.63	14.63	29.25
Instruments entirely equity in nature	10.82	10.82	10.82
Reserve as stated	273.82	315.04	360.96
Net worth as stated	302.13	346.1	408.75
Revenue from Operations	389.96	470.25	569.54
Revenue Growth (%)	-	20.59%	21.11%
Adj. EBITDA as stated	70.05	82.63	94.30
EBITDA Margin (%)	17.96%	17.57%	16.56%
Profit Before Tax	45.80	59.24	60.72
Net Profit for the Period	35.94	49.65	49.69
Net Profit Margin (%)	8.93%	10.35%	8.57%
EPS (₹)	9.32	12.91	12.84
RONW %	11.61%	13.825	11.67%
NAV (₹)	80.33	93.38	109.98

Source: RHP



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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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