

IPO Note

August 29, 2023

Rishabh Instruments Limited





Issue Snapshot:

Issue Open: Aug 30 – Sep 01, 2023

Price Band: Rs. 418 – 441

*Issue Size: 11,128,858 eq sh (Fresh Issue of Rs. 75 cr + Offer for Sale of up to 9,428,178 eq sh)

Reservation for:

QIB	upto	50% eq sh
Non-Institutional	atleast	15% eq sh
((including 1/3 rd for applications between Rs.2 lakhs to Rs.10 lakhs))		
Retail	atleast	35% eq sh

Face Value: Rs 10

Book value: Rs 109.98 (March 31, 2023)

Bid size: - 34 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs.	36.26 cr
*Post issue Equity:	Rs.	37.96 cr

Listing: BSE & NSE

Book Running Lead Managers: DAM Capital Advisors Limited, Mirae Asset Capital Markets (India) Private Limited, Motilal Oswal Investment Advisors Limited

Sponsor Bank: ICICI Bank Ltd & Kotak Mahindra Bank Ltd

Registrar to issue: KFin Technologies Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	80.67	70.68
Public & Employee	19.33	29.32
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

Rishabh Instruments Limited 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. It supplies 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. It provides comprehensive solutions to its customers looking for cost-effective ways to measure, control, record, analyse and optimise energy and processes through its array of products. 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 it is among the leading global companies in terms of manufacturing and supply of low voltage current transformers.

RIL 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 supply aluminium high pressure die casting through its Subsidiary, Lumel Alucast. It also provides 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. Its 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.

RIL is a technology and R&D focussed enterprise concentrating on innovation of its products, processes and applications to add value to its customers as well as the industry. Its R&D centres in India are accredited nationally and internationally. It manufactures all its products in-house from its five manufacturing facilities – two in India, two 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.

The 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. It has 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 its 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, it also has resident sales engineers in 10 cities across India. Globally it has 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) RIL 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.

Objects of Issue:

The Offer comprises a Fresh Issue aggregating up to Rs 750.00 million by RIL and an Offer for Sale of up to 9,428,178 Equity Shares by the Selling Shareholders.

The 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. RIL will not receive any proceeds from the Offer for Sale. The Selling Shareholders will be entitled to their respective portion of proceeds of the Offer for Sale, net of their respective proportion of the Offer related expenses and the relevant taxes thereon.

Fresh Issue

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

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

In addition, RIL expect to achieve the benefit of listing of its Equity Shares on the Stock Exchanges.

Utilisation of Net Proceeds

The Net Proceeds are proposed to be utilised in the following manner:

Particulars (In Rs million)	Amount to be funded from Net Proceeds	Amount to be deployed from the Net Proceeds in Fiscal 2024	Amount to be deployed from the Net Proceeds in Fiscal 2025
Financing the cost towards the Expansion of Nashik Manufacturing Facility I	628.86	440.00	188.86
General corporate purposes			*
Total Net Proceeds	*	*	*

Competitive Strengths

- Ability to drive technology and innovation through advanced research and development capabilities.
- Global engineering solution provider operating in large addressable markets and well positioned to benefit from mega industrialization trends
- Vertically integrated operations, backed by strong manufacturing capabilities
- Diversified product portfolio
- Wide customer base
- Track record of successful integration of acquired businesses or entities across geographies
- Global and integrated business model increasing cost competitiveness and de-risking customer supply chain
- Well-established and recognised brands
- Strong and demonstrated management capabilities

Business Strategy:

- Enhance product innovation, engineering and design competence while focussing on higher value addition.
- Expanding geographical footprint
- Continue to pursue strategy for inorganic growth
- Target new customers and expand existing customer accounts
- Explore opportunities to tap emerging products and services segments
- Promote product localization



Industry Opportunity and Regulatory Support:

The segments in which RIL supply its products and services each present an attractive industry opportunity as described below:

Electrical Automation: The market for electrical automation components is very mature globally (Source: F&S Report). Digitization and Industry 4.0 initiatives are pushing every industry to transform their operations to become more efficient and flexible, thus positively impacting the electrical automation components market (Source: F&S Report). The global electrical automation market is valued at USD 147.5 billion in 2022 and is expected to grow at CAGR of 7.8% to reach USD 215.1 billion by 2027 (Source: F&S Report). India is forecasted to grow the fastest and largest, driven by industrial end users (Source: F&S Report).

Metering, Control and Protection Devices: The metering, control and protection devices market is well established globally (Source: F&S Report). The global COVID-19 pandemic has caused a slowdown in multiple industries, notably delaying construction activities and new investments in retrofits of building systems (Source: F&S Report). The market is expected to improve when economic investments gain momentum (Source: F&S Report). The global metering, control and protection devices market is estimated at USD 34.08 billion in 2022 and is expected to witness a 4.8% CAGR to reach USD 43.04 billion by 2027 (Source: F&S Report). Resumption of infrastructure development is expected to push adoption from commercial and utility applications across the globe (Source: F&S Report).

Portable Test and Measuring Instruments: Portable test and measurement equipment play a central role in enabling digital transformation, IoT, Industry 4.0 and autonomous living as the need for highly reliable and advanced electronic device increases (Source: F&S Report). F&S estimates the portable test and measurement market at USD 5.1 billion in 2022. The market is expected to grow at 5.1% and reach USD 6.6 billion by 2027 (Source: F&S Report). Growth by region will be led by India and APAC (Source: F&S Report). The end-users that will drive demand includes automotive and power industries (Source: F&S Report).

Solar String Inverters: In respect of the industry outlook for solar string inverters, the global revenue for solar string inverters is expected to increase from USD 4.3 billion in 2022 to USD 6.6 billion in 2027, at a CAGR of 9.1% (Source: F&S Report). Commercial and residential rooftop solar installations are driving the market's growth (Source: F&S Report). APAC (excluding India) is the fastest growing region (Source: F&S Report).

Aluminium High Pressure Die Casting: For aluminium high pressure die castings, F&S estimates the global aluminium high pressure die casting market is at USD 83.9 billion in 2022 (Source: F&S Report). The market is estimated to grow at 6.1% CAGR from 2022 to 2027 and reach USD 112.9 billion by 2027 (Source: F&S Report). Automotive will remain the highest revenue contributor across all regions (Source: F&S Report). APAC will lead revenue growth in the next five years (Source: F&S Report).

RIL's business in India benefits from the Govt's 'Aatmanirbhar Bharat Abhiyaan', or Self-Reliant India, campaign, which provides a range of incentives to attract and localise manufacturing and production in the country. Make in India initiative, a part of the 'Aatmanirbhar Bharat Abhiyaan' (Self-reliant India), would provide an additional boost to country's business operations by encouraging substitution of imports of low-technology products from other countries and generating demand for local manufacturing (Source: F&S Report). Industries that benefit from 'Aatmanirbhar Bharat Abhiyaan' includes electronics, pharma and steel (Source: F&S Report). The country also introduced the modified Electronics Manufacturing Clusters Scheme (EMC 2.0), which aims to enhance the infrastructure base for the electronics industry and broaden the electronics value-chain (Source: F&S Report). The policies are expected to create more number of players across the semiconductor value chain (from design to service) (Source: F&S Report).

It is also eligible for the Modified Special Incentive Package Scheme ("M-SIPS"), which provides a capital subsidy of 25% for investment in capital expenditure on plant and machinery to units situated outside SEZs who are engaged in designing and manufacturing of electronic and nano-electronic products and their accessories. Additionally, subject to compliance of the Maharashtra Electronics Policy, 2016 and Package Scheme of Incentive Policy, 2019, the Government of Maharashtra has granted certain financial incentives to it basis the level of fixed capital investment that it undertakes to manufacture certain products at its Nashik Manufacturing Facility I.

In addition, RIL is eligible for certain indirect tax benefits under the Central Goods and Services Tax Act, 2017 / the Integrated Goods and Services Tax Act, 2017 and applicable State Goods and Services Tax Act, 2017, as well as the Customs Act, 1962 and the Customs Tariff Act, 1975. These incentives are subject to various conditions, including meeting certain minimum and cumulative targets, and the amount of incentive it will be able to receive will depend on its ability to meet or exceed those targets and other conditions. RIL expect these incentives to contribute to the profitability of its diversification initiatives into new industries and service offerings.



Key Concerns

- Business is dependent and will continue to depend on its Manufacturing Facilities, and it is subject to certain risks in its manufacturing process. Any slowdown or shutdown in manufacturing operations could have an adverse effect on the business, financial condition and results of operations.
- RIL is dependent on its Poland Manufacturing Facilities and any disruption, slowdown or shutdown of its Poland Manufacturing Facilities may restrict its operations and adversely affect the business, financial condition and results of operation.
- RIL proposes to utilise a substantial portion of the Net Proceeds of the Offer towards its Expansion of Nashik Manufacturing Facility I and it has not entered into any definitive arrangements to utilise certain portions of the Net Proceeds of the Offer. Its funding requirements and deployment of the Net Proceeds of the Offer are based on management estimates, a cost assessment report from Sanjay Madhavrao Patil, architect, certificate from Manish M Kothari, chartered engineer and have not been appraised by any bank or financial institution or other agency. The deployment of the Net Proceeds will not be monitored by a monitoring agency. Its proposed expansion plans relating to Nashik Manufacturing Facility I are subject to the risk of unanticipated delays in implementation and cost overruns.
- If RIL fails to effectively implement its production schedules, its 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.
- If the products RIL manufactures experience quality defects or if the manufacturing services, it provides are found to be deficient, it may lose its customers and may be subject to product liability claims or claims alleging deficiency in service, which may also cause damage to its reputation and/or adversely affect its results of operations and financial condition.
- If RIL cannot execute its strategies to expand existing customer accounts and geographical footprint effectively, its business and prospects may be materially and adversely affected.
- Two of the immediate relatives of RIL's Promoter, who are deemed to be a part of the Promoter Group under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 have not provided consent, information or any confirmations or undertakings pertaining to themselves which are required to be disclosed in relation to a member of the Promoter Group in this Red Herring Prospectus
- Dependence on Subsidiaries exposes RIL to significant operational and financial risks.
- Shortages in the supply of semiconductors have had, and may continue to have, a material adverse effect on the results of operations and financial condition.

Profit & Loss

Particulars (Rs in million)	FY23	FY22	FY21
Revenue from operations	5695.4	4702.5	3899.6
Other Income	102.4	96.7	125.4
Total Income	5797.8	4799.2	4024.9
Total Expenditure	4934.7	3972.8	3324.7
Cost of Materials Consumed	2350.2	2010.8	1488.7
Purchases of stock-in-trade	259.3	128.7	62.8
Change In Inventories of Finished Goods & Work-In-Progress	-46.2	-167.6	11.0
Employee Benefits Expenses	1451.2	1257.5	1149.2
Other Expenses	920.2	743.4	613.1
PBIDT	863.2	826.3	700.2
Interest	51.5	34.3	31.7
PBDT	811.7	792.0	668.5
Depreciation and amortization	204.6	199.8	210.9
PBT	607.1	592.2	457.6
Share of restated profit / (loss) of associates / joint ventures	0.1	0.2	0.3
Tax (incl. DT & FBT)	-110.3	-95.9	-98.6
Current tax	-125.3	-117.6	-102.1
Tax expense related to earlier years	0.0	28.2	0.0



Deferred tax (credit)/charge	15.0	-6.5	3.5
PAT	496.9	496.5	359.4
EPS (Rs.)	12.84	12.9	9.3
Face Value	10	10	10
OPM (%)	13.4	15.5	14.7
PATM (%)	8.7	10.6	9.2

Balance Sheet

Particulars (Rs in million) As at	FY23	FY22	FY21
Non-current assets			
Property, plant and equipment	1,926.0	1,943.5	1,980.8
Capital work-in-progress	76.2	51.3	20.7
Goodwill	213.4	210.6	211.6
Other Intangible assets	52.7	42.0	51.2
Financial assets			
<i>Investments</i>	2.2	2.1	1.9
<i>Other financial assets</i>	6.79	34.62	23.08
Deferred tax assets (net)	21.2	17.3	15.5
Other non-current assets	93.2	12.1	16.3
Total non-current assets	2,391.6	2,313.6	2,320.9
Current assets			
Inventories	1,535.1	1,284.2	794.1
Financial assets			
Trade receivables	1,209.0	799.8	683.2
Cash and cash equivalents	665.7	462.4	543.3
Bank balances other than cash and cash equivalents	394.9	588.9	636.0
Current tax assets (net)	8.7	5.0	1.3
Other financial assets	21.5	24.1	25.0
Other current assets	262.9	161.0	116.0
Total current assets	4,097.7	3,325.3	2,798.8
Total assets	6,489.3	5,638.9	5,119.7
EQUITY & LIABILITIES			
Equity			
Equity share capital	292.5	146.3	146.3
Instruments entirely equity in nature	108.2	108.2	108.2
Non-Controlling Interest	77.2	56.1	28.7
Other equity	3,609.6	3,150.5	2,738.2
Total equity	4,087.5	3,461.0	3,021.3
Liabilities			
Non-current Liabilities			
Financial Liabilities			
<i>Borrowings</i>	258.4	336.2	454.8
<i>Lease liabilities</i>	6.2	0.6	68.5
Provisions	81.8	70.8	71.8
Deferred tax liabilities (net)	49.7	61.8	53.6
Total non-current liabilities	396.1	469.3	648.7
Current liabilities			
Financial liabilities			
<i>Borrowings</i>	770.2	629.5	464.7
<i>Lease liabilities</i>	24.0	66.9	71.3
<i>Trade payables</i>			
<i>Total outstanding dues of micro and small enterprises</i>	53.9	39.1	10.2
<i>total outstanding dues of creditors other than micro and small enterprises</i>	774.6	639.2	611.3
<i>Other financial liabilities</i>	105.6	143.6	113.0
Current tax liabilities (net)	0.0	1.1	19.1
Provisions	60.6	44.3	49.4
Other current liabilities	216.9	144.9	110.8
Total current liabilities	2,005.7	1,708.6	1,449.8
Total liabilities	2,401.8	2,177.9	2,098.5
Total equity and liabilities	6,489.3	5,638.9	5,119.7

Source: RHP

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Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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