R R Kabel | BUY

JM Financial

Strong 2Q and aggressive outlook; execution remains key

RR Kabel's 2Q performance was ahead of expectations on all fronts, driven by volume growth (+16% in 2Q, +12% in 1H) and value growth in the cables & wires (C&W) segment, resulting operating leverage benefits, and an improved revenue mix. The FMEG vertical, on the other hand, witnessed a muted quarter owing to industry-wide headwinds, especially w.r.t. fans, while lighting was a relative outperformer. The management reiterated its guidance, and indicated that (1) 2H volume should be better than 1H, putting the company on track to achieve 18% volume growth in FY26E, as guided, and (2) it is confident of an improvement of 100bps in FY26E C&W EBIT margin and the aspiration is to get to 10.5-11% by FY28E, driven by a changing product mix, as benefits of the company's INR 12bn capex (80% of which is targeted towards cables) come in. We revise our FY26-28E EPS estimates by 2-4%, and maintain BUY with a target price of INR 1,720 (1,650 earlier), valuing the stock at 35x Sep'27E EPS.

- **2Q performance a beat on all fronts:** RR Kabel's 2Q revenue rose 20% YoY to INR 21.6bn, ahead of our estimate by 3%. This was driven by a 22% YoY growth in the cables & wires (C&W) business, while revenue from the FMEG vertical declined 3% YoY on the back of seasonal headwinds. EBITDA at INR 1.8bn, +2x YoY was 17% ahead of estimate, while margin at 8.1%, expanded 340bps YoY and was 100bps higher than estimate. The strong EBITDA performance was a result of higher-than-expected gross margin at 18.9% (vs. estimate of 18.5%) and lower-than-expected operating expenses. 2Q PAT at INR 1.2bn, +2.3x YoY, too, was higher than estimate of INR 939mn.

- **C&W revenue growth a mix of volume and value growth:** RR Kabel's C&W segment reported YoY growth of 22%. Growth in the C&W business was the result of 16% volume growth and higher input costs. Further, within this vertical, domestic revenue rose 23% YoY and constituted 73% of segment revenue (vs. 71% in 1QFY26 and 62% in 2QFY25), while exports grew 20% YoY and constituted 27% of segment revenue. Europe and Middle East remained the company's largest export markets, cumulatively constituting 75-80% of total export revenue, while exposure to the US was 6-8% of total export revenue, with an uptick expected as clarity over tariffs emerges. EBIT margin in this segment stood at 9.2%, expanding 410bps YoY, gaining from operating leverage benefits.

- **FMEG business weak as expected; management hopeful of EBIT break even by FY26E end:** RR Kabel's FMEG segment reported a YoY decline of 3% to INR 1.9bn. This was owing to seasonal headwinds and high channel inventory, especially in fans, which is RR Kabel's key FMEG product, while growth in the lighting vertical outperformed other categories. FMEG constituted 9% of total company revenue vs. 11% sequentially and YoY. EBIT margin in the FMEG segment stood at-6.1%, vs. -5.9% YoY. Management commentary highlighted that FMEG should break-even on an EBIT level by end-FY26E; however, on a full year basis, EBIT losses will continue, given a weaker 1H.

- **FY26E guidance unchanged:** The management guided that 2H volume would be better than 1H (1H volume growth at 12%) and put the company on track to achieve the guided 18% volume growth in FY26E. Further, it indicated that the target is for a 100bps margin improvement in FY26E on a consolidated basis. Of this, the current EBIT margin profile (1H C&W EBIT margin at 8.3%) in the C&W vertical is around sustainable levels, and the aspiration is to get to 10.5-11% by FY28E. This will be driven predominantly by a changing product mix.

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Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,720
Upside/(Downside)	23.7%
Previous Price Target	1,650
Change	4.2%

Key Data – RRKABEL IN	
Current Market Price	INR1,391
Market cap (bn)	INR157.3/US$1.8
Free Float	29%
Shares in issue (mn)	112.8
Diluted share (mn)	112.8
3-mon avg daily val (mn)	INR273.5/US$3.1
52-week range	1,612/751
Sensex/Nifty	83,978/25,763
INR/US$	88.8

Price Performance

%	1M	6M	12M
Absolute	11.0	35.8	-9.1
Relative*	7.3	30.2	-13.7

** To the BSE Sensex*

Financial Summary (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	65,946	76,182	86,381	98,770	1,14,299
Sales Growth (%)	19.1	15.5	13.4	14.3	15.7
EBITDA	4,617	4,856	6,349	8,237	10,131
EBITDA Margin (%)	7.0	6.4	7.3	8.3	8.9
Adjusted Net Profit	2,981	3,116	3,950	4,945	6,141
Diluted EPS (INR)	26.4	27.6	35.0	43.8	54.4
Diluted EPS Growth (%)	54.6	4.5	26.8	25.2	24.2
ROIC (%)	17.5	16.8	18.0	18.9	20.0
ROE (%)	18.4	15.7	17.1	18.4	19.5
P/E (x)	53.4	51.1	40.3	32.2	25.9
P/B (x)	8.7	7.4	6.4	5.5	4.7
EV/EBITDA (x)	34.7	32.9	25.4	19.6	15.9
Dividend Yield (%)	0.2	0.4	0.4	0.5	0.6

Source: Company data, JM Financial. Note: Valuations as of 03/Nov/2025

Key takeaways from concall

Guidance

- **Volume guidance:** C&W volume growth in 2Q stood at 16%, while 1H volume growth stood at 12%. The target is that 2H volume should ideally be better than 1H and put the company on track to achieve the 18% volume growth in FY26E, as guided.
- **Margin guidance:** Targeting a 100bps margin improvement in FY26E on a consolidated basis. Believe that the current C&W EBIT margin (1H C&W EBIT margin at 8.3%) is around sustainable levels for FY26E, and has been driven by a changing revenue mix, as was the target of the management. The long-term aspiration is to get to 10.5-11% EBIT margin in C&W by FY28E. FMEG should ideally break-even by end-FY26E.

Cables & Wires segment

- **Volume growth:** Revenue in this segment rose 22% YoY (domestic C&W revenue +23% YoY, export C&W revenue +20% YoY), which included volume growth of 16%, while the balance was driven by an inflationary input cost environment. 1H volume growth stood at 12%.
- **Margin expansion:** Current margin expansion is sustainable and was achieved by better product mix and efficiency, and impact of rise in copper prices was minimal
- **Exports:** Exports constituted 27% of 2Q revenue and revenue from exports rose 20% YoY. Europe and Middle East are the company's largest export markets, cumulatively constituting 75-80% of total export revenue. US exposure stood at 6-8% of total export revenue. Remain hopeful of a revival in the US market as the dust around tariff settles down. Impact of US tariff was supported by addition of new geographies and new customers in existing geographies.
- **Macro outlook:** Macro outlook is buoyant driven by government projects, formalisation of electricity distribution, Utility, B2B, infrastructure projects, data centre and other real-estate products.
- **Current capacity utilisation:** 70% in wire business, and 90% in cables business. Out of the INR12bn, 80% of the capex is towards cables, including LV and HV cables. The target is to achieve capabilities up to 220KV. Power cable capacities are fungible; hence, they can be used to make different type of cables depending upon the requirement and orders

FMEG

- **Impacted by seasonal headwinds:** Fans and appliances have remained weak, while lighting has outperformed other categories. Festive-led recovery has been underway in 3Q.
- **Primary geographies:** North and West are currently the primary geographies for FMEG segment along with some part of East.

Other takeaways

- **Management rejig:** Mr Mahendrakumar Kabra, part of the promoter family, has been designated as MD. Mr Rajesh Jain, erstwhile CFO takes over as COO, while Mr Jigar Mehta, earlier VP – Finance, takes over as CFO.
- **Capacity expansion:** INR 12bn project on track, as per initial plans.

Exhibit 1. RR Kabel – 2QFY26 result review

INR mn	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26	Q2FY26E
Net Revenue	**16,097**	**16,335**	**17,541**	**65,946**	**18,081**	**18,102**	**17,822**	**22,178**	**76,183**	**20,586**	**21,638**	**20,961**
YoY	***18%***	***10%***	***16%***	***18%***	***13%***	***12%***	***9%***	***26%***	***16%***	***14%***	***20%***	***16%***
RM Costs	(12,901)	(13,219)	(14,314)	(53,489)	(14,942)	(15,221)	(14,554)	(17,832)	(62,549)	(16,843)	(17,554)	(17,083)
Gross Profit	**3,195**	**3,116**	**3,227**	**12,457**	**3,139**	**2,881**	**3,267**	**4,346**	**13,633**	**3,743**	**4,084**	**3,878**
GP Margin %	19.9%	19.1%	18.4%	18.9%	17.4%	15.9%	18.3%	19.6%	17.9%	18.2%	18.9%	18.5%
Employee Cost	(803)	(818)	(780)	(3,169)	(887)	(894)	(908)	(796)	(3,485)	(931)	(1,012)	(950)
% of sales	5.0%	5.0%	4.4%	4.8%	4.9%	4.9%	5.1%	3.6%	4.6%	4.5%	4.7%	4.5%
Other expenses	(1,184)	(1,172)	(1,294)	(4,671)	(1,303)	(1,128)	(1,254)	(1,606)	(5,292)	(1,392)	(1,314)	(1,425)
% of sales	7.4%	7.2%	7.4%	7.1%	7.2%	6.2%	7.0%	7.2%	6.9%	6.8%	6.1%	6.8%
EBITDA	**1,209**	**1,126**	**1,153**	**4,617**	**949**	**858**	**1,105**	**1,944**	**4,857**	**1,421**	**1,758**	**1,503**
YoY	***88%***	***-4%***	***15%***	***43%***	***-16%***	***-29%***	***-2%***	***69%***	***5%***	***50%***	***105%***	***75%***
Margin%	**7.5%**	**6.9%**	**6.6%**	**7.0%**	**5.3%**	**4.7%**	**6.2%**	**8.8%**	**6.4%**	**6.9%**	**8.1%**	**7.2%**
Deprecation	(166)	(165)	(163)	(655)	(162)	(175)	(178)	(190)	(705)	(203)	(219)	(235)
EBIT	**1,043**	**961**	**990**	**3,962**	**787**	**684**	**927**	**1,753**	**4,152**	**1,218**	**1,539**	**1,268**
YoY	***111%***	***-5%***	***14%***	***51%***	***-19%***	***-34%***	***-3%***	***77%***	***5%***	***55%***	***125%***	***85%***
EBIT margin%	**6.5%**	**5.9%**	**5.6%**	**6.0%**	**4.4%**	**3.8%**	**5.2%**	**7.9%**	**5.4%**	**5.9%**	**7.1%**	**6.0%**
Others	6	(2)	65	88	69	(84)	(27)	(36)	(78)	(27)	6	(20)
PBT	**1,049**	**959**	**1,055**	**4,050**	**857**	**599**	**900**	**1,718**	**4,074**	**1,190**	**1,546**	**1,248**
YoY	***113%***	***3%***	***20%***	***59%***	***-13%***	***-43%***	***-6%***	***63%***	***1%***	***39%***	***158%***	***108%***
Tax Expense	(310)	(250)	(270)	(1,080)	(218)	(101)	(219)	(441)	(978)	(303)	(386)	(313)
Rate %	29.5%	26.0%	25.6%	26.7%	25.4%	16.9%	24.3%	25.6%	24.0%	24.0%	24.0%	25.1%
Share of JCE	2	0	2	11	5	(2)	4	14	21	10	3	5
Net Profit	**741**	**710**	**787**	**2,981**	**644**	**496**	**686**	**1,291**	**3,117**	**898**	**1,163**	**939**
Margins	**4.6%**	**4.3%**	**4.5%**	**4.5%**	**3.6%**	**2.7%**	**3.8%**	**5.8%**	**4.1%**	**4.4%**	**5.4%**	**4.5%**
YoY	***111.7%***	***-0.7%***	***20.6%***	***33.3%***	***-13.4%***	***-33.1%***	***-3.4%***	***64.0%***	***-9.5%***	***39.4%***	***134.5%***	***89.5%***

Source: Company, JM Financial

Exhibit 2. RR Kabel – 2QFY26 segmental result review

INR mn	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26	Q2FY26
Segmental Revenue											
Wires & Cables	**14,504**	**14,331**	**15,231**	**58,296**	**15,781**	**16,118**	**15,425**	**19,562**	**66,887**	**18,335**	**19,712**
Domestic	9,836	10,084	11,021	40,868	11,442	11,231	10,614	14,239	47,525	12,365	13,869
Export	4,668	4,247	4,210	17,429	4,339	4,887	4,812	5,323	19,362	5,970	5,842
Consumer Electricals	**1,593**	**2,005**	**2,310**	**7,650**	**2,300**	**1,984**	**2,396**	**2,616**	**9,296**	**2,251**	**1,926**
Segmental Revenue Growth											
Wires & Cables	**19%**	**9%**	**15%**	**18%**	**11%**	**11%**	**8%**	**28%**	**15%**	**16%**	**22%**
Domestic	14%	0%	4%	11%	15%	14%	5%	29%	16%	8%	23%
Export	31%	38%	60%	37%	1%	5%	13%	26%	11%	38%	20%
Consumer Electricals	**7%**	**20%**	**19%**	**19%**	**32%**	**25%**	**20%**	**20%**	**22%**	**-2%**	**-3%**
Segmental Revenue Mix											
Wires & Cables	**90%**	**88%**	**87%**	**88%**	**87%**	**89%**	**87%**	**88%**	**88%**	**89%**	**91%**
Domestic	61%	62%	63%	62%	63%	62%	60%	76%	62%	71%	73%
Export	29%	26%	24%	26%	24%	27%	27%	24%	25%	29%	27%
Consumer Electricals	**10%**	**12%**	**13%**	**12%**	**13%**	**11%**	**13%**	**12%**	**12%**	**11%**	**9%**
Segment EBIT											
Wires & Cables	1,329	1,147	1,320	5,043	1,130	818	1,075	1,941	4,965	1,391	1,804
Consumer Electricals	(198)	(124)	(194)	(685)	(207)	(117)	(44)	(91)	(459)	(71)	(117)
Segment EBIT margin											
Wires & Cables	9.2%	8.0%	8.7%	8.6%	7.2%	5.1%	7.0%	9.9%	7.4%	7.6%	9.2%
Consumer Electricals	-12.4%	-6.2%	-8.4%	-9.0%	-9.0%	-5.9%	-1.8%	-3.5%	-4.9%	-3.2%	-6.1%

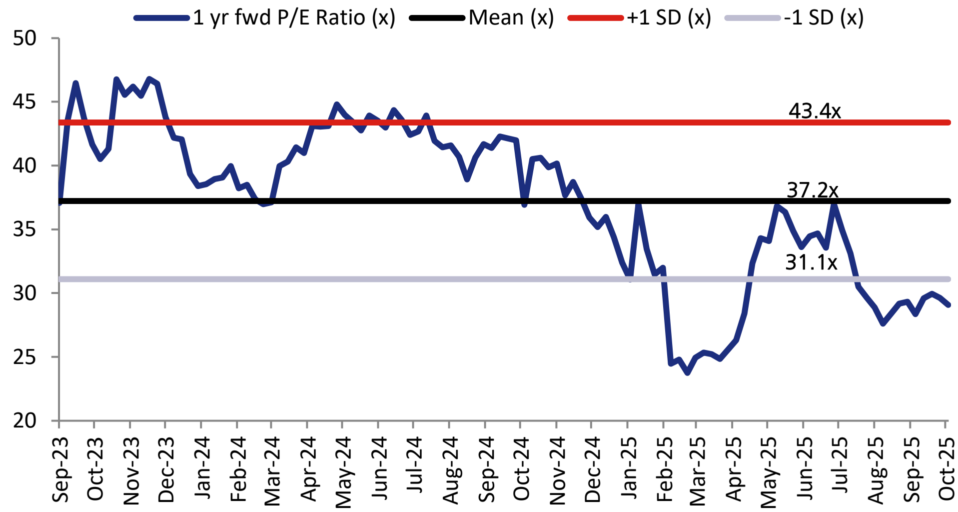
Source: Company, JM Financial

Exhibit 3. RR Kabel – EPS revision table

Particulars (INR mn)	FY26E	FY27E	FY28E
Revenue			
New	86,381	98,770	1,14,299
Old	85,762	98,518	1,13,886
Change	0.7%	0.3%	0.4%
EBITDA			
New	6,349	8,237	10,131
Old	6,182	7,949	9,709
Change	2.7%	3.6%	4.3%
EBITDA Margin			
New	7.3%	8.3%	8.9%
Old	7.2%	8.1%	8.5%
Change	14	27	34
PAT			
New	3,950	4,945	6,141
Old	3,817	4,824	5,879
Change	3.5%	2.5%	4.5%
EPS			
New	35.0	43.8	54.4
Old	33.8	42.8	52.1
Change	3.5%	2.5%	4.5%

Source: Company, JM Financial

Exhibit 4. RR Kabel – 1-yr forward P/E band chart (since listing)



Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	65,946	76,182	86,381	98,770	1,14,299
Sales Growth	*19.1%*	*15.5%*	*13.4%*	*14.3%*	*15.7%*
Other Operating Income	0	0	0	0	0
Total Revenue	**65,946**	**76,182**	**86,381**	**98,770**	**1,14,299**
Cost of Goods Sold/Op. Exp	53,489	62,549	70,273	79,311	91,263
Personnel Cost	3,169	3,485	3,938	4,528	5,208
Other Expenses	4,671	5,292	5,821	6,694	7,698
EBITDA	**4,617**	**4,856**	**6,349**	**8,237**	**10,131**
EBITDA Margin	*7.0%*	*6.4%*	*7.3%*	*8.3%*	*8.9%*
EBITDA Growth	*43.2%*	*5.2%*	*30.7%*	*29.7%*	*23.0%*
Depn. & Amort.	655	705	983	1,444	1,784
EBIT	3,962	4,151	5,366	6,793	8,346
Other Income	626	511	538	499	443
Finance Cost	539	589	670	741	657
PBT before Excep. & Forex	4,050	4,074	5,235	6,550	8,133
Excep. & Forex Inc./Loss(-)	0	0	0	0	1
PBT	4,050	4,074	5,235	6,550	8,134
Taxes	1,080	978	1,315	1,645	2,043
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	11	21	30	40	50
Reported Net Profit	2,981	3,116	3,950	4,945	6,141
Adjusted Net Profit	**2,981**	**3,116**	**3,950**	**4,945**	**6,141**
Net Margin	*4.5%*	*4.1%*	*4.6%*	*5.0%*	*5.4%*
Diluted Share Cap. (mn)	112.8	112.8	112.8	112.8	112.8
Diluted EPS (INR)	**26.4**	**27.6**	**35.0**	**43.8**	**54.4**
Diluted EPS Growth	*54.6%*	*4.5%*	*26.8%*	*25.2%*	*24.2%*
Total Dividend + Tax	338	677	677	846	1,015
Dividend Per Share (INR)	3.0	6.0	6.0	7.5	9.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	1,972	2,084	2,635	3,299	4,098
Depn. & Amort.	655	705	983	1,444	1,784
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	612	-844	1,296	1,797	2,147
Others	-18	2,830	-1,277	-1,949	-2,250
Taxes Paid	-99	-55	0	0	0
Operating Cash Flow	**3,123**	**4,720**	**3,636**	**4,592**	**5,778**
Capex	-2,029	-3,760	-4,500	-4,000	-4,000
Free Cash Flow	*1,093*	*960*	*-864*	*592*	*1,778*
Inc (-) / Dec in Investments	212	1,023	0	0	0
Others	-203	-68	0	0	0
Investing Cash Flow	**-2,020**	**-2,805**	**-4,500**	**-4,000**	**-4,000**
Inc / Dec (-) in Capital	-4,066	1	0	0	0
Dividend + Tax thereon	-338	-677	-677	-846	-1,015
Inc / Dec (-) in Loans	-2,205	-699	1,280	-750	-500
Others	5,511	801	0	0	0
Financing Cash Flow	**-1,098**	**-573**	**603**	**-1,596**	**-1,515**
Inc / Dec (-) in Cash	**4**	**1,342**	**-261**	**-1,004**	**263**
Opening Cash Balance	811	815	2,157	1,896	892
Closing Cash Balance	815	2,157	1,896	892	1,155

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	18,285	21,526	24,799	28,898	34,023
Share Capital	564	565	565	565	565
Reserves & Surplus	17,721	20,961	24,234	28,332	33,458
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	3,600	2,901	4,181	3,431	2,931
Def. Tax Liab. / Assets (-)	247	302	302	302	302
Total - Equity & Liab.	**22,132**	**24,730**	**29,282**	**32,631**	**37,257**
Net Fixed Assets	6,320	9,427	12,945	15,501	17,717
Gross Fixed Assets	7,561	10,489	14,989	18,989	22,989
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	2,876	3,409	4,391	5,836	7,620
Capital WIP	1,636	2,347	2,347	2,347	2,347
Investments	3,415	2,391	2,391	2,391	2,391
Current Assets	18,958	23,350	25,755	27,838	31,864
Inventories	8,978	10,109	11,462	13,106	15,166
Sundry Debtors	6,412	8,232	9,466	10,824	12,526
Cash & Bank Balances	815	2,157	1,896	892	1,155
Loans & Advances	470	453	532	617	618
Other Current Assets	2,282	2,399	2,399	2,399	2,399
Current Liab. & Prov.	6,561	10,439	11,809	13,099	14,716
Current Liabilities	4,313	7,623	8,993	10,283	11,900
Provisions & Others	2,247	2,816	2,816	2,816	2,816
Net Current Assets	12,397	12,911	13,946	14,739	17,149
Total – Assets	**22,132**	**24,730**	**29,282**	**32,631**	**37,257**

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	4.5%	4.1%	4.6%	5.0%	5.4%
Asset Turnover (x)	3.1	3.2	3.2	3.2	3.3
Leverage Factor (x)	1.3	1.2	1.2	1.2	1.1
RoE	18.4%	15.7%	17.1%	18.4%	19.5%

Key Ratios

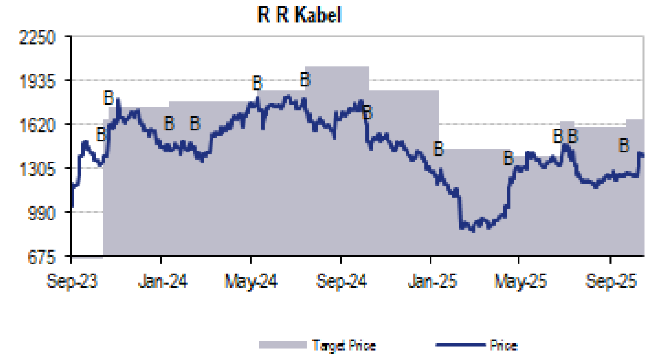
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	162.1	190.8	219.8	256.1	301.6
ROIC	17.5%	16.8%	18.0%	18.9%	20.0%
ROE	18.4%	15.7%	17.1%	18.4%	19.5%
Net Debt/Equity (x)	0.0	0.0	0.1	0.1	0.0
P/E (x)	53.4	51.1	40.3	32.2	25.9
P/B (x)	8.7	7.4	6.4	5.5	4.7
EV/EBITDA (x)	34.7	32.9	25.4	19.6	15.9
EV/Sales (x)	2.4	2.1	1.9	1.6	1.4
Debtor days	35	39	40	40	40
Inventory days	50	48	48	48	48
Creditor days	26	39	41	41	42

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
31-Oct-23	Buy	1,650	
9-Nov-23	Buy	1,750	6.1
30-Jan-24	Buy	1,790	2.3
5-Mar-24	Buy	1,790	0.0
29-May-24	Buy	1,870	4.5
1-Aug-24	Buy	2,030	8.6
26-Oct-24	Buy	1,870	-7.9
29-Jan-25	Buy	1,450	-22.5
5-May-25	Buy	1,400	-3.4
12-Jul-25	Buy	1,640	17.1
1-Aug-25	Buy	1,610	-1.8
10-Oct-25	Buy	1,650	2.5

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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