

January 29, 2025

RESULT REPORT Q3 FY25 | Sector: Consumer Durables

RR Kabel Ltd

Cables capacity expansion to drive volume growth & margin improvement; reiterate BUY

Result Synopsis

RRKABEL performance has been muted with revenue growing at 9.1% yoy (6.1% lower than estimates), Wires and Cables revenue grew at 7.6%, which is lower than peers as the company is facing challenges in exports as availability of shipping containers has become difficult and on the domestic front there has been channel de-stocking on back of volatility in the copper prices. Margins in Wires and Cables stood at 7.0% contracting 104bps on yoy basis, while on sequential basis it has improved 189bps. Margin contraction is attributed to huge volatility in commodity prices and negative operating leverage resulting on back of slower growth. On the FMEG front revenue grew by 20% yoy driven by strong performance of Fans, Appliances and Switches, losses in FMEG have come off and it is lowest quarterly loss. Reduction in FMEG loss has been on account of superior product mix and healthy volume growth. Management is confident of strong performance continuing in FMEG and breaking even in Q1FY26. On the wires and cables side management has guided 15% volume growth in Q4, guidance is based on demand recovery that has been observed in month of December and in January there has been dealer stocking as copper prices has started to firm up. As far as exports is concerned challenges regarding the container availability is easing and capacity of cables is also coming on stream. Management endeavor is to reach double digit margin by improving mix towards cables which has higher margin. The company has planned capex of Rs12bn in next 3 years most of it will be going towards increasing cables capacity. Considering change in mix we expect margin to start inching up in wires and cables segment and increased capacity to drive volume growth. We reiterate our BUY with revised PT of Rs1,612. We now value the stock at 30x which is at discount to its peers as it must demonstrate volume growth and margin improvement in line with peers.

We estimate the company to now deliver FY24-27E revenue of 18%. We have trimmed down the margin expectation given the change in business mix, increased competition. We value the company at 30x FY27 EPS and our revised PT stands at Rs1,612. We believe the company should do well given the real-estate continues to do well and company's has distribution network in place to tap the opportunity.

Result Highlights

- Quarter summary** – RR Kabel's has missed estimates with topline growing by 9.1% yoy (6.1% lower than estimates). EBITDA margin stood at 6.2% (136 bps lower than estimates).
- Wires & cables** – Wires and cables revenue grew 7.6% yoy, lower than estimates as the company is facing challenges in exports and volatility in copper prices has resulted in de-stocking in wires impacting revenue.
- FMEG** –FMEG business revenue grew by 20% YoY. Strong growth in FMEG has been attributed to higher demand for fans, appliances, and Switches. Losses has reduced owing to better product mix and various cost saving initiatives
- Working Capital** – Net working capital has largely remained flat with NWC days in 9MFY25 being 65 days which has been commendable.

Exhibit 1: Actual vs estimates

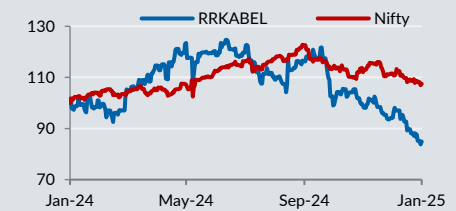
Rs mn	Actual	Estimate		% Variation		Remarks
		YES Sec	Consensus	YES Sec	Consensus	
Sales	17,822	18,986	18,594	-6.1	-4.2	Export challenges has resulted in subdued performance.
EBITDA	1,105	1,435	1,224	-23.0	-9.7	
EBITDA Margin (%)	6.2	7.6	6.6	-136 bps	-38 bps	
Adjusted PAT	686	928	759	-26.1	-9.7	

Reco	: BUY
CMP	: Rs 1,246
Target Price	: Rs 1,612
Potential Return	: +29.3%

Stock data (as on Jan 29, 2025)

Nifty	23,163
52 Week h/l (Rs)	1902 / 1176
Market cap (Rs/USD mn)	135614 / 1567
Outstanding Shares (mn)	113
6m Avg t/o (Rs mn):	267
Div yield (%)	0.5
Bloomberg code:	RRKABEL IN
NSE code:	RRKABEL

Stock performance



	1M	3M	1Y
Absolute return	-9.8%	-14.6%	-15.8%

Shareholding pattern (As of Dec'24 end)

Promoter	61.8%
FII+DII	21.7%
Others	16.5%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,612	2,000

Δ in earnings estimates

	FY26e	FY27e
EPS (New)	41.0	53.7
EPS (Old)	46.0	58.8
% change	-10.8%	8.6%

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Revenue	74,455	89,347	106,987
YoY Growth	12.9%	20.0%	19.7%
EBIDTA	4,840	6,880	8,987
YoY Growth	4.8%	42.2%	30.6%
PAT	3,057	4,629	6,061
YoY Growth	2.5%	51.4%	30.9%
ROE	15.6%	20.1%	21.8%
EPS	27.1	41.0	53.7
P/E	46.0	30.4	23.2
BV	186.1	222.5	270.1
EV/EBITDA	29.6	20.7	15.6

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Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	y/y %	q/q %	9MFY25	9MFY24	y/y %
Sales	16,335	17,541	18,081	18,101	17,822	9.1%	-1.5%	54,004	48,405	11.6%
EBITDA	1126	1153	949	858	1105	-1.8%	28.9%	2,913	3,464	-15.9%
EBITDA Margin %	6.9%	6.6%	5.3%	4.7%	6.2%					
Depreciation	164.8	163.2	162.0	174.7	178.0	8.0%	1.9%	515	492	4.7%
EBIT	961	990	787	683	927	-3.5%	35.8%	2,398	2,972	-19.3%
EBIT Margin %	5.9%	5.6%	4.4%	3.8%	5.2%					
Interest charges	124	128	116	156	162	30.0%	3.4%	434	410	5.8%
Other Income	122.4	193.2	185.2	72.2	134.4	9.8%	86.1%	392	433	-9.5%
PBT	959	1057	861	597	905	-5.7%	51.6%	2,363	3,004	-21.3%
Tax	249.6	270.1	217.7	101.4	218.8	-12.3%	115.8%	538	810	-33.6%
Effective Tax Rate (%)	26.0	25.5	25.3	17.0	24.2					
PAT	710	787	644	495	686	-3.4%	38.4%	1,825	2,194	-16.8%
PAT Margin %	4.3%	4.5%	3.6%	2.7%	3.8%					
EPS (Rs)	6.3	7.0	5.7	4.4	6.1	-3.4%	38.4%	16	19	-16.8%

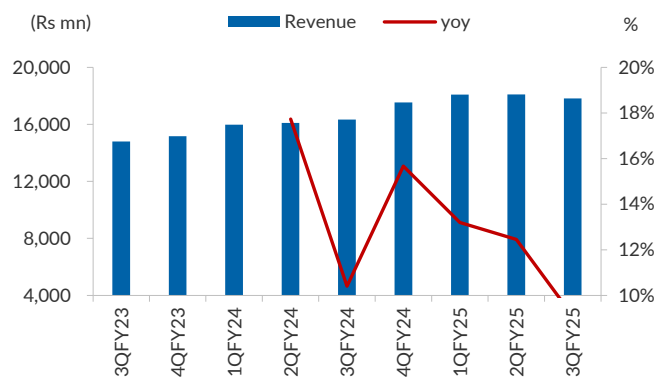
Source: Company, YES Sec

Exhibit 3: Segmental Performance

Rs mn	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)	9MFY25	9MFY24	YoY (%)
Wires and Cables	14,331	15,231	15,782	16,118	15,425	7.6%	-4.3%	47,325	43,066	9.9%
FMEG	2,005	2,310	2,300	1,984	2,396	19.5%	20.8%	6,679	5,454	22.5%
Total Sales	16,335	17,541	18,082	18,102	17,822	9.1%	-1.5%	54,005	48,411	11.6%
PBIT										
Wires and Cables	1147.0	1319.8	1130.4	818.2	1074.8	-6%	31%	3,023	3,723	-18.8%
FMEG	-123.6	-193.9	-206.5	-117.0	-44.1	-64%	-62%	-368	-491	-25.2%
Total PBIT	1,023	1,126	924	701	1,031	1%	47%	2,656	3,232	-17.8%
Finance Costs	124.3	128.2	116.1	156.3	161.6	30%	3%	434	410	5.8%
Other Income	60	57	49	54	31	-48%	-42%	134	174	-22.9%
Share of profit/loss of joint venture	0	2	5	-2	4	1235%	-296%	7	9	-18.6%
PBT	959	1,057	861	597	905	-6%	52%	2,363	3,004	-21.3%
PBIT Margins (%)						(bps)	(bps)			(bps)
Wires and Cables	8.0	8.7	7.2	5.1	7.0	(104)	189	5.6	7.7	(209)
FMEG	(6.2)	(8.4)	(9.0)	(5.9)	(1.8)	432	406	(0.7)	(1.0)	33
Total PBIT	5.9	6.0	4.8	3.3	5.1	(80)	178	4.9	6.7	(176)

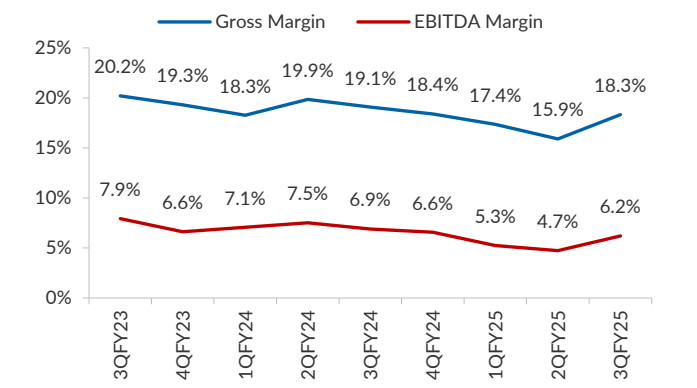
Source: Company, YES Sec

Exhibit 4: Export challenges due to unavailability of containers and channel de-stocking has impacted revenues



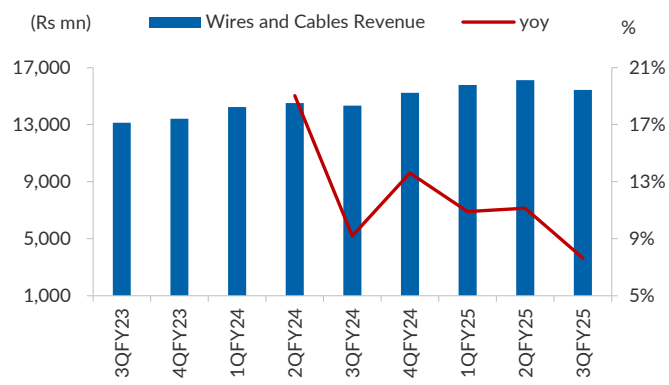
Source: Company, YES Sec

Exhibit 5: Margins have improved on better control on costs



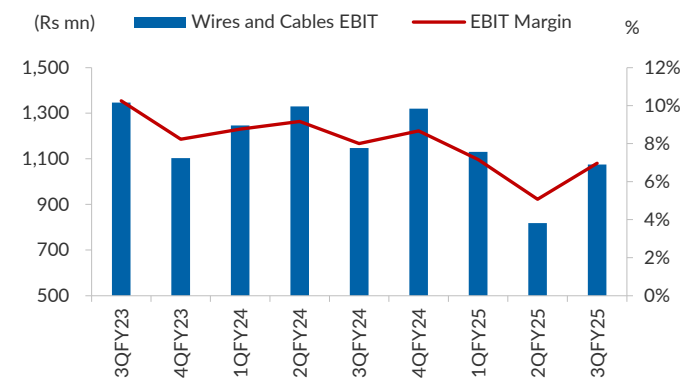
Source: Company, YES Sec

Exhibit 6: Revenue from the W&C segment saw overall moderate volume growth as wires were impacted on account of channel de-stocking



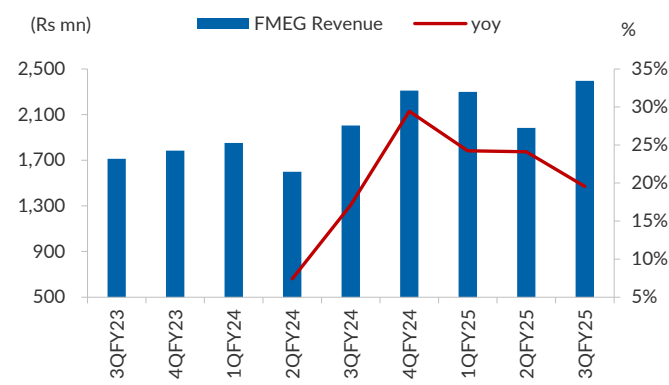
Source: Company, YES Sec

Exhibit 7: Volatility in commodity prices and increased competition have resulted margin erosion



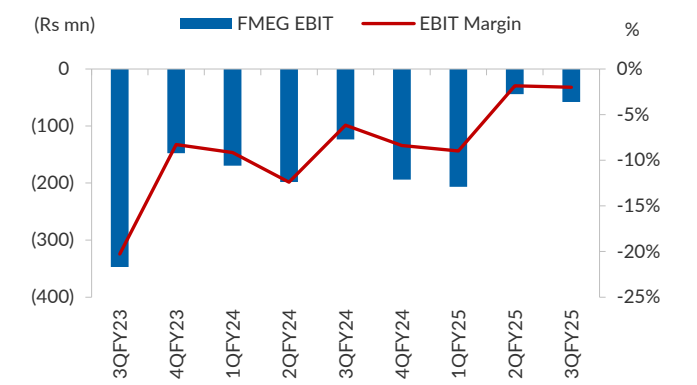
Source: Company, YES Sec

Exhibit 8: Revenue growth driven by strong volume growth mainly in Fans, Appliances and Switches



Source: Company, YES Sec

Exhibit 9: FMEG losses have been reducing due to savings in operational cost and better product mix



Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- **Management commentary** – Breakeven in FMEG is expected to be achieved in early FY26. Demand for wires and cables continues to remain resilient. Various steps have been taken to increase capacity and focus on higher margin products and looking to reach double digit margin in coming years.
- **Guidance** – The company is guiding 15% volume growth in wires and cables segment in Q4 and is expecting 10-12% volume growth for FY25. Volatility in copper prices is normalizing and hence the confidence of 15% volume growth in Q4.
- **Margin** – Favorable product mix and various cost measures undertaken the company is expecting margin improvement.
- **Volume growth** – Volume growth in 9M basis is 6%. Off late at end of Q3 and in Q4 there has been pickup in demand for wires. Channel has been low on wires and with now demand looking up dealers have started stocking wires resulting in increased primary demand. **Volume growth for cables stood at 20%, while wires volume has seen de-growth of 3%**
- **Exports** – Exports have seen pick up from end of Q3 and Q4 should be back to normalized levels. In Q3 exports have been subdued as exports have been primarily to Europe which has been slow. The company has got good orders for cables exports which has higher margin. **Exports volume for cables grew 18%, while wires exports volume de-grew ~6%. Red sea issues have been sorted out, delays have been there but it is manageable**
- **Capex** – The company is likely to incur capex of Rs12bn over next 3 years which can give additional revenue of around Rs50bn. Capex will be largely used in brownfield expansion in Wagodia plant and large part will be going to expand cables capacity.
- **Cables** – Cables contribution currently stands at 30% which is expected to reach 35% in coming years
- The company is looking to make inroads in south which will enable higher volume offtake for wires. Demand is expected to come from Solar. Solar capacity addition is expected to increase 2x in coming five years. Infrastructure capex is likely to be increased in FY26 after being slow in 1HFY25 and there has been increased opportunity for cables.
- **FMEG** – The company has seen good growth in Fans, Fans now contribute 45% of the FMEG revenue vs 40% revenue earlier. The company is expecting breakeven in Q1FY26 at EBITDA level.
- **Capacity utilization** – Capacity utilization in the cables has reached 90-95%, while in wires capacity utilization is ~60%

FINANCIALS

Exhibit 10: Balance Sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	478	564	564	564	564
Reserves	13,718	17,721	20,431	24,534	29,907
Net worth	14,197	18,285	20,995	25,099	30,471
Debt	5,158	2,890	3,262	3,915	4,688
Deferred tax liab (net)	149	247	247	247	247
Other non current liabilities	726	739	753	779	808
Total liabilities	20,230	22,161	25,258	30,039	36,215
Fixed Asset	4,989	6,320	7,968	8,526	8,987
Investments	3,627	3,415	3,415	3,415	3,415
Other Non-current Assets	1,109	1,355	1,513	1,722	1,929
Net Working Capital	9,695	10,083	11,645	13,999	16,787
Inventories	8,602	8,978	10,137	12,164	14,566
Sundry debtors	5,919	6,412	7,239	8,687	10,402
Loans and Advances	90	280	372	446	534
Sundry creditors	4,401	4,292	4,846	5,815	6,963
Other current liabilities	1,483	1,993	2,235	2,657	3,158
Cash & equivalents	811	988	716	2,378	5,097
Total Assets	20,230	22,161	25,258	30,039	36,215

Source: Company, YES Sec

Exhibit 11: Income statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	55,992	65,946	74,455	89,347	106,987
Operating profit	3,223	4,617	4,840	6,880	8,987
Depreciation	596	655	779	897	1,021
Interest expense	421	539	552	326	392
Other income	344	626	571	525	520
Profit before tax	2,550	4,050	4,080	6,181	8,094
Taxes	661	1,080	1,028	1,557	2,039
Minorities and other	(9)	(11)	(5)	(5)	(5)
Adj. profit	1,899	2,981	3,057	4,629	6,061
Exceptional items	-	-	-	-	-
Net profit	1,899	2,981	3,057	4,629	6,061

Source: Company, YES Sec

Exhibit 12: Cashflow Statement

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	2,971	4,588	4,632	6,507	8,486
Depreciation	596	655	779	897	1,021
Tax paid	(661)	(1,080)	(1,028)	(1,557)	(2,039)
Working capital Δ	74	111	(1,563)	(2,353)	(2,788)
Other operating items					
Operating cashflow	2,980	4,275	2,820	3,494	4,681
Capital expenditure	(1,282)	(1,986)	(2,426)	(1,455)	(1,483)
Free cash flow	1,698	2,289	393	2,039	3,197
Equity raised	295	1,445	-	(0)	-
Investments	(155)	(287)	-	-	-
Debt financing/disposal	(53)	(2,269)	373	653	773
Interest paid	(421)	(539)	(552)	(326)	(392)
Dividends paid	(500)	(338)	(347)	(526)	(688)
Net Δ in cash	688	177	(271)	1,662	2,719

Source: Company, YES Sec

Exhibit 13: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Tax burden (x)	0.74	0.74	0.75	0.75	0.75
Interest burden (x)	0.86	0.88	0.88	0.95	0.95
EBIT margin (x)	0.05	0.07	0.06	0.07	0.08
Asset turnover (x)	2.39	2.40	2.43	2.50	2.50
Financial leverage (x)	1.75	1.69	1.56	1.55	1.54
RoE (%)	14.2	18.4	15.6	20.1	21.8

Source: Company, YES Sec

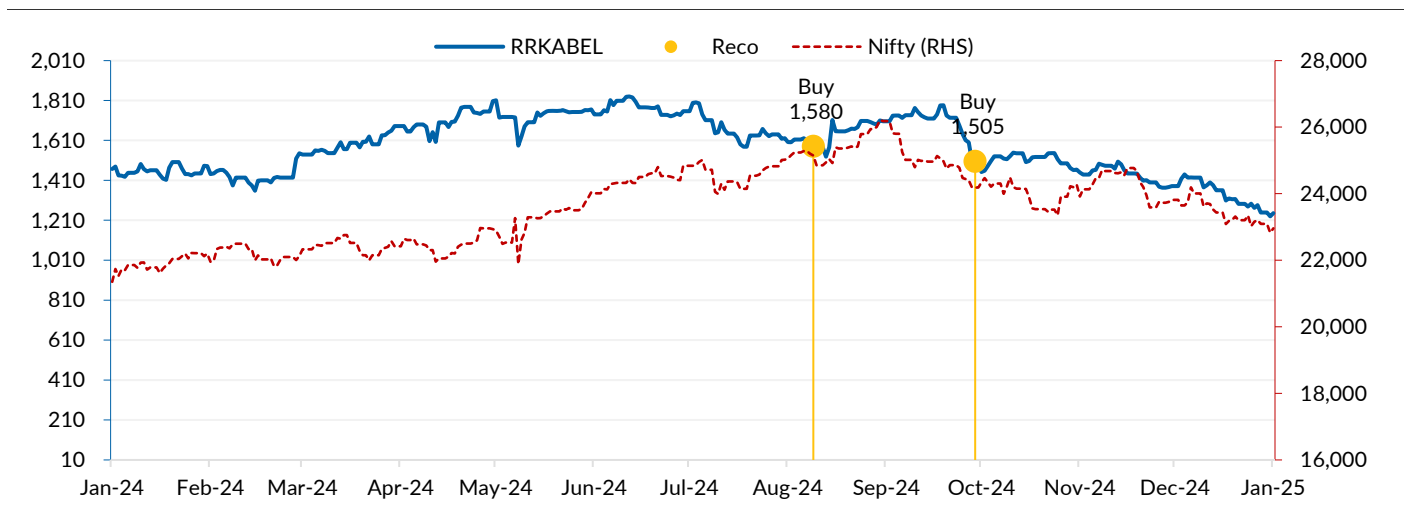
Exhibit 14: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth matrix (%)					
Revenue growth	27.7	17.8	12.9	20.0	19.7
Op profit growth	6.3	43.2	4.8	42.2	30.6
EBIT growth	(2.1)	54.4	1.0	40.5	30.4
Net profit growth	(11.2)	57.0	2.5	51.4	30.9
Profitability ratios (%)					
OPM	5.8	7.0	6.5	7.7	8.4
EBIT margin	5.3	7.0	6.2	7.3	7.9
Net profit margin	3.4	4.5	4.1	5.2	5.7
RoCE	16.0	22.6	20.4	24.4	26.4
RoNW	14.2	18.4	15.6	20.1	21.8
RoA	8.1	10.8	10.0	13.0	14.2

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Per share ratios					
EPS	19.8	26.4	27.1	41.0	53.7
Dividend per share	5.2	3.0	3.1	4.7	6.1
Cash EPS	26.1	32.2	34.0	49.0	62.8
Book value per share	148.4	162.1	186.1	222.5	270.1
Valuation ratios					
P/E	62.8	47.2	46.0	30.4	23.2
P/CEPS	47.8	38.7	36.6	25.4	19.8
P/B	8.4	7.7	6.7	5.6	4.6
EV/EBIDTA	38.3	30.9	29.6	20.7	15.6
Payout (%)					
Dividend payout	26.3	11.4	11.4	11.4	11.4
Tax payout	25.9	26.7	25.2	25.2	25.2
Liquidity ratios					
Debtor days	38.6	35.5	35.5	35.5	35.5
Inventory days	56.1	49.7	49.7	49.7	49.7
Creditor days	28.7	23.8	23.8	23.8	23.8

Source: Company, YES Sec

Recommendation Tracker



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