

R R Kabel

Wired for the future



India's 5th largest Electrical Wires and Cables player with industry leading revenue growth track record

Expect strong growth on industry tailwinds and portfolio/geographical expansions

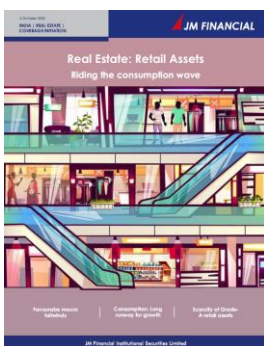
Initiate with BUY; 3-year IRR potential 20% on strong PAT growth

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RR Kabel (RRK) has delivered the highest compounded growth in revenue among peers and robust EBITDA growth across 3/5/10 year periods along with a respectable RoCE profile (>15% post tax). We believe RRK is well placed to repeat its strong performance (20%/43% CAGR in Revenue/PAT in FY23-26) on the back of a) industry tailwinds in domestic and export markets for W&C, and b) robust distribution and portfolio expansion in FMEG. We initiate coverage with a BUY rating and a Dec'24TP of INR 1,650, basis 35xDec'25EPS (c. 22% upside), and see a potential of 20% IRR over the next 3 years.

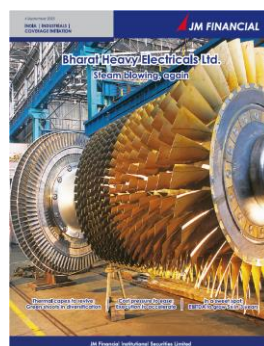
RECENT REPORTS



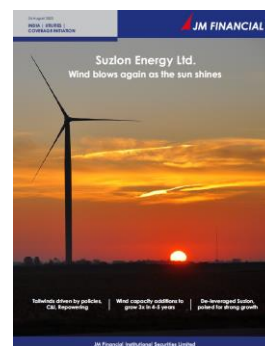
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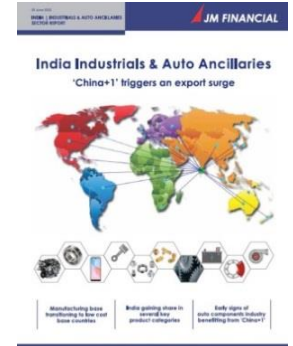
[Office REITs:
Awaiting daybreak](#)



[Bharat Heavy Electricals:
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[Suzlon Energy:
Wind blows again as the
sun shines](#)



['China+1' triggers an
export surge](#)

R R Kabel

Wired for the future

RR Kabel (RRK) is one of the leading consumer electricals players with an operating history of over 20 years in India. RRK is the 5th largest Wires and Cables (W&C) players in India with over 7% market share (of the branded market) with a strong presence in Fast Moving Electrical Goods (FMEG), especially in Fans & Lighting.

The domestic W&C industry (INR 748bn in FY23) is estimated to see 13% CAGR in FY23-27 on the back of growth in real estate and infrastructure investments. Moreover, unorganised to organised shift due to regulatory compliances and brand aspirations will benefit organised players like RRK.

Indian W&C Exports (INR 148bn in FY23) is expected to grow at a strong pace over the medium term on the back of 'China+1' strategy of most global customers. RRK is expected to be a big beneficiary of this long-term shift as it holds one of the highest number of international product certifications and is among the top 2 exporters of W&C from India in FY23 (largest in FY22). Exports constitute c.25% of its W&C revenue (FY23) and over 95% of its exports are 'RR Kabel' branded.

FMEG, an INR 1.1trln industry, is estimated to see 8% CAGR in FY23-27. RRK, with its strong W&C positioning and having a wide FMEG portfolio (encompassing categories that constitute 75% of the industry) and distribution set-up, is well placed to see significant growth (expect 22% CAGR in FMEG revenue in FY23-27), albeit on a low base (11% of FY23 revenue).

We estimate RRK to post 20%/37%/44% CAGR in Revenue/EBITDA/PAT in FY23-26 (24%/16%/23% in FY19-23) on the back of strong revenue growth (20%/22% CAGR in W&C and FMEG) and operating margin improvement in both segments. We estimate FY26 RoE/RoC (post tax) of 22% /20% respectively. We initiate coverage with a BUY rating and Dec'24TP of INR 1650, basis 35x Dec'25 EPS (c. 21% upside) and estimate possibility of 20% IRR over 3 years.

Strong growth prospects for consumer electricals industry: Consumer Electricals industry (Wires & Cables + FMEG) is estimated to post 10% CAGR in FY23-27 to reach INR 2.7trln in FY27E) on the back of growth in real estate (residential and commercial), rising electrification, disposable income growth and aspirations and government and private investments in infrastructure projects. RR Kabel is well placed with its strong product portfolio (across W&C and FMEG segments) and scaled up distribution network (115k retailers vs. over 200k for top players).

RRK to ride on W&C exports opportunity: W&C exports has grown by 23% CAGR in the past 4 years and could rise significantly due to strong demand in developed markets (growth+replacement demand) and 'China+1' policy of several nations. RRK was India's 2nd largest W&C exporter in FY23 (largest in FY22; exports 22-25% of W&C revenue in past 10 years) and holds one of the highest number of international product certifications. More than 97% of sales are distributor led (over 95% of exports under 'RR Kabel' brand), reflecting significant strength of RRK in export markets.

FMEG scale-up to change face of the company further: FMEG, introduced in 2012-13, has seen significant organic scale, aptly boosted by acquisitions (FY20/23) and has now achieved a respectable INR 6.4bn in revenue (FY23). FMEG is largely led by fans, lighting and small appliances (encompassing 75% of the FMEG categories). Distribution expansion and wallet share gains should deliver the significant above-industry growth for RRK along with improved margins.

Best growth among peers with prudent balance sheet management; expect exponential growth in profit: RRK has delivered the highest compounded growth in revenue among peers and robust EBITDA growth across 3/5/10yr period along with respectable RoCE profile (>15% post tax). We estimate RRK to post 20%/37%/44% CAGR in Revenue/EBITDA/PAT in FY23-26 on the back of strong revenue growth (in both W&C and FMEG) and operating margin improvement. We initiate coverage with a BUY rating and Dec'24TP of INR 1650, basis 35x Dec'25 EPS (c. 22% upside). We estimate CMP offers 20% IRR for RRK over 3 years. Key risks - Any sharp swing in copper price demand.

Recommendation and Price Target

Current Reco.	BUY
Current Price Target (12M)	1,650
Upside/(Downside)	22.6%

Key Data – RRKABEL IN

Current Market Price	INR1,345
Market cap (bn)	INR151.8/US\$1.8
Free Float	12%
Shares in issue (mn)	114.6
Diluted share (mn)	112.8
3-mon avg daily val (mn)	INR0.0/US\$0.0
52-week range	1,525/1,137
Sensex/Nifty	64,113/19,141
INR/US\$	83.2

Price Performance

%	1M	6M	12M
Absolute	-3.9	0.0	0.0
Relative*	-1.3	0.0	0.0

*To the BSE Sensex

Financial Summary

	(INR mn)					
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	43,859	55,992	66,998	80,773	97,396	
Sales Growth (%)	61.0	27.7	19.7	20.6	20.6	
EBITDA	3,032	3,223	4,758	6,566	8,314	
EBITDA Margin (%)	6.9	5.8	7.1	8.1	8.5	
Adjusted Net Profit	2,139	1,899	3,031	4,398	5,637	
Diluted EPS (INR)	27.4	19.8	26.9	39.0	50.0	
Diluted EPS Growth (%)	58.0	-27.5	35.4	45.1	28.2	
ROIC (%)	13.8	13.0	17.9	20.3	21.5	
ROE (%)	28.7	20.5	21.3	22.0	23.8	
P/E (x)	49.2	67.8	50.1	34.5	26.9	
P/B (x)	12.4	12.8	8.3	7.0	5.9	
EV/EBITDA (x)	54.0	50.6	33.3	24.3	19.2	
Dividend Yield (%)	0.2	0.3	0.4	0.7	1.0	

Source: Company data, JM Financial. Note: Valuations as of 30/Oct/2023

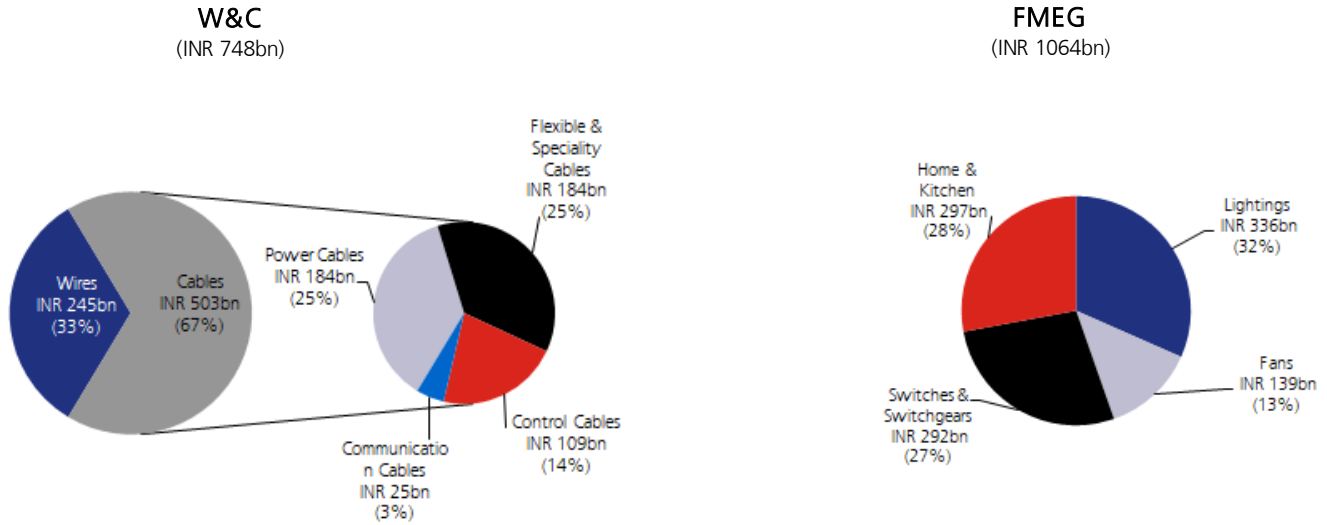
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Achal Lohade
achal.lohade@jmfl.com
Tel: (91 22) 66303081

Vineet Shanker
vineet.shanker@jmfl.com
Tel: (91 22) 66303574

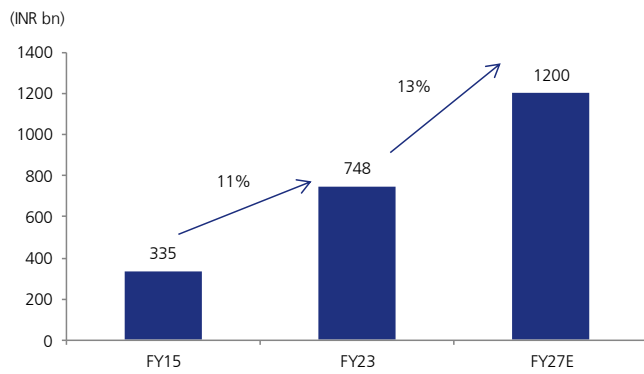
Focus Charts

Exhibit 1. Consumer electricals landscape (INR 1.75trln, FY23 estimated)



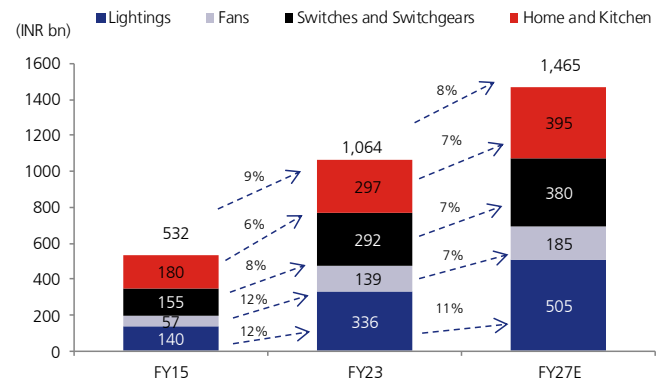
Source: Company RHP, JM Financial; FY23 market size (INR bn)

Exhibit 2. W&C industry size (FY23)



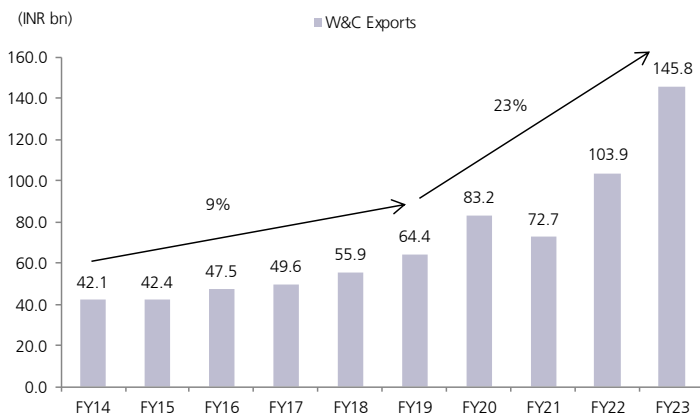
Source: Company RHP, JM Financial

Exhibit 3. India's FMEG industry size (FY23)



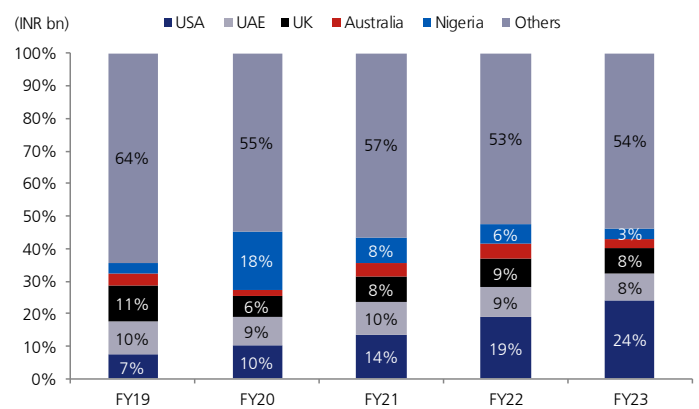
Source: Company RHP, JM Financial

Exhibit 4. India - W&C exports trend



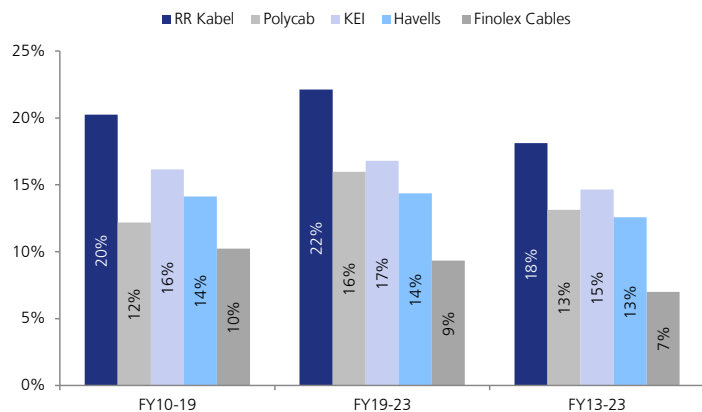
Source: Industry, JM Financial

Exhibit 5. India's W&C exports mix - US sees sharp jump



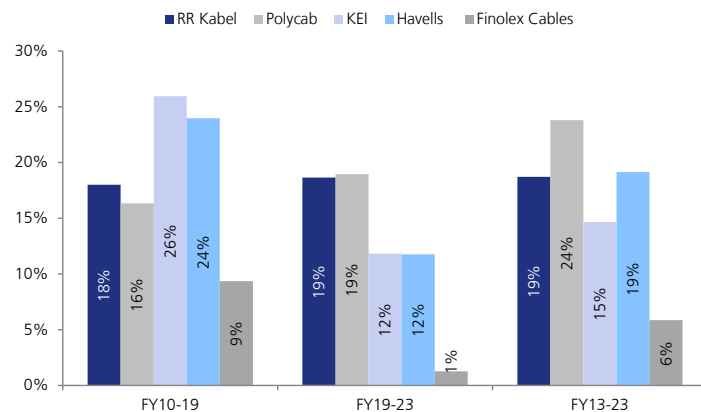
Source: Industry, JM Financial

Exhibit 6. RRK's W&C revenue CAGR highest among peers



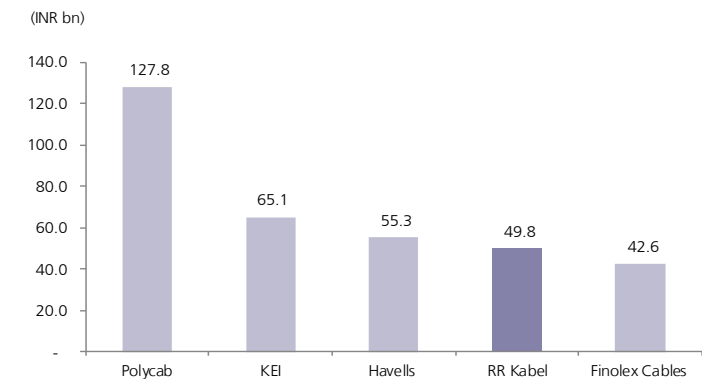
Source: Company, JM Financial;

Exhibit 7. RRK had one of the highest EBIT CAGRs in W&C



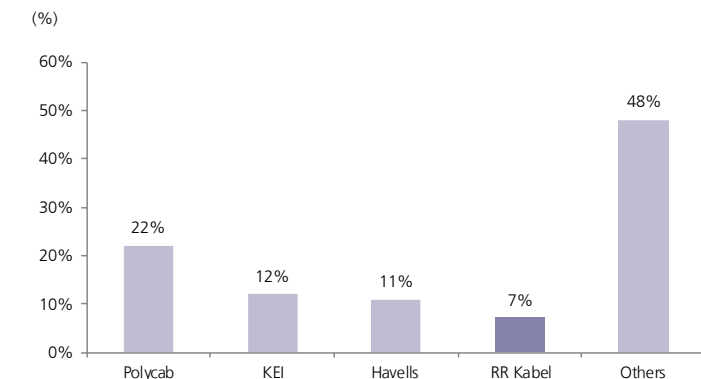
Source: Company, JM Financial;

Exhibit 8. Key players' W&C revenue (FY23)



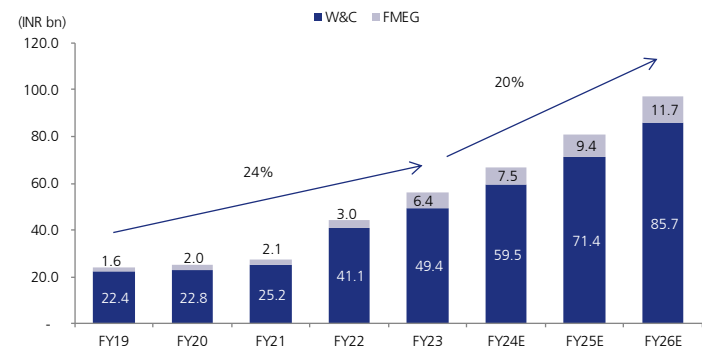
Source: Company, JM Financial

Exhibit 9. Market share of key players in W&C (%)



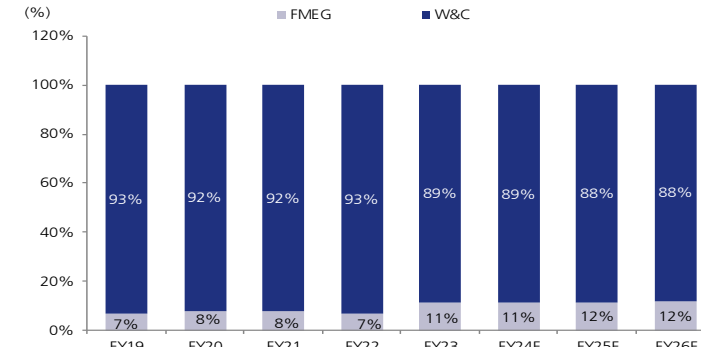
Source: Company, JM Financial

Exhibit 10. RRK - Revenue trend



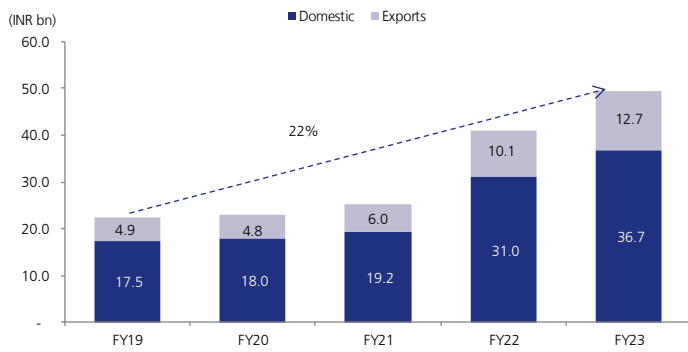
Source: Company, JM Financial

Exhibit 11. RRK - W&C continues to dominate (88% of revenue)



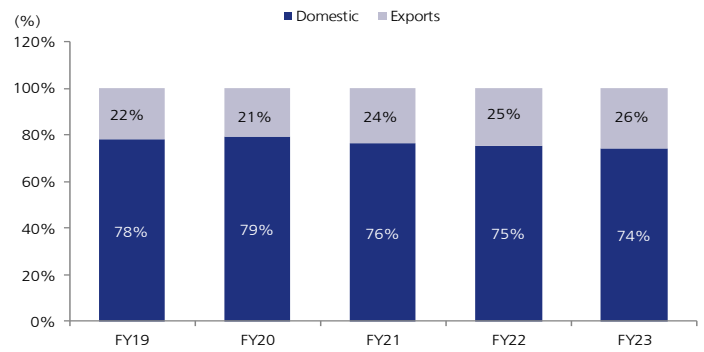
Source: Company, JM Financial

Exhibit 12. RRK - W&C domestic / exports revenue trend



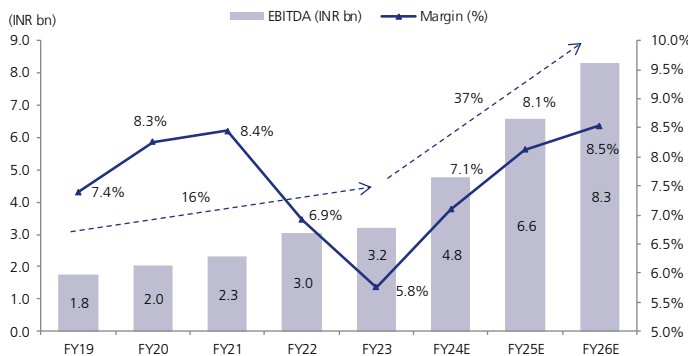
Source: Company, JM Financial

Exhibit 13. RRK - W&C domestic/ exports revenue mix (%)



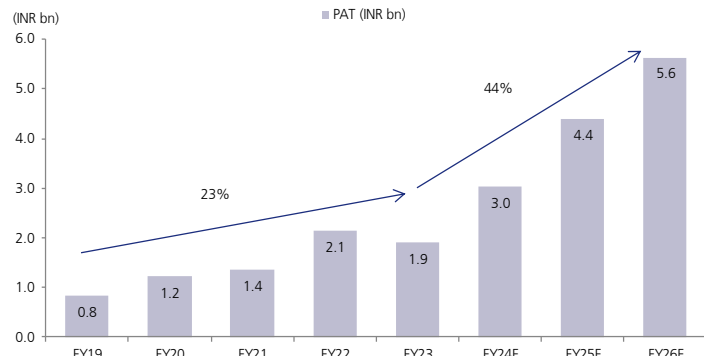
Source: Company, JM Financial

Exhibit 14. EBITDA and EBITDA margin trend



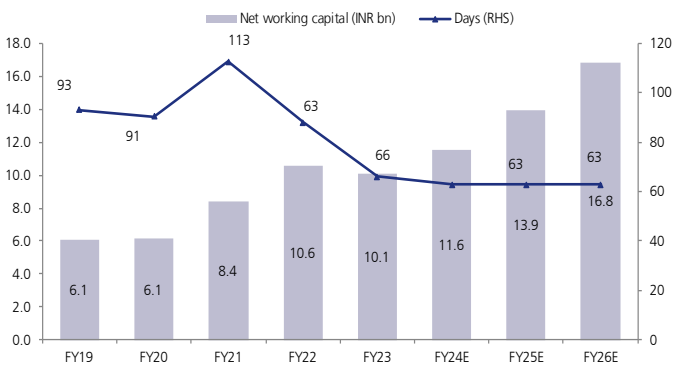
Source: Company, JM Financial

Exhibit 15. PAT trend



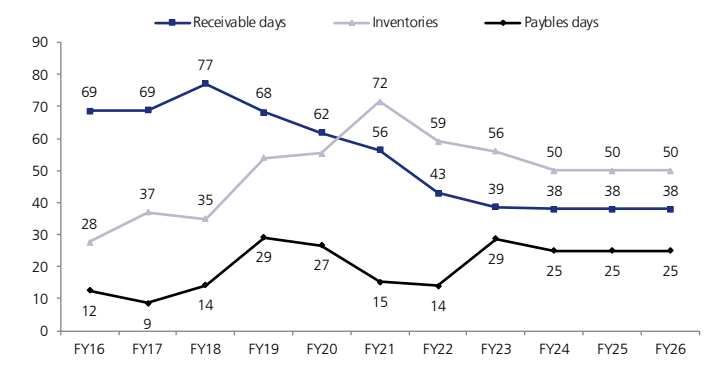
Source: Company, JM Financial

Exhibit 16. Net working capital trend



Source: Company, JM Financial

Exhibit 17. Return profile



Source: Company, JM Financial

Company Profile

RRK is one of the leading companies in India's consumer electrical industry (comprising wires and cables and FMEG) and has an operating history of over 25 years in the country. RRK is the fifth largest player in the branded wires and cables market in India, representing approximately 7% market share by value as of FY23 (vs. 5% in FY15). It is one of India's largest exporters of wires and cables from India with 11% market share of the exports market (as of FY23). The company had one of the largest networks of electricians – 298,084 electricians across India – as of Jun'23.

Evolution:

- Wires and cables segment has been in operation since FY98.
- The company has actively diversified and expanded its product portfolio in adjacent areas such as FMEG, both organically and inorganically. In FY20, it amalgamated the business from one of the group companies, Ram Ratna Electricals Private Limited (RREPL).
- In FY20, RRK also acquired the professional lighting fixtures and LED lights business (LED Lights Business) of Arraystorm Lighting Private Limited (Arraystorm), along with its trademarks and design certificates, to expand its portfolio to cover office, industrial and warehouse spaces.
- In May'22, the company acquired home electrical business (HEB) of Luminous and also obtained a limited and exclusive licence to use the 'Luminous Fans and Lights' brand for fan and light products for a period of 4 years (includes a right to use 61 registered trademarks, and a portfolio of lights and premium fans) to strengthen its FMEG portfolio.

Exhibit 18. Key milestones

FY	Particulars
1999	Establishment of the first manufacturing facility in Silvassa and commenced the operations
2004	Commencement of in-house manufacturing of PVC compound
2011	Establishment of manufacturing plant in the industrial belt of Vadodara
2018	Acquisition of 21.01% shareholding by TPG Asia VII SF Pte. Ltd. in the Company
2019	Commencement of exports to USA
2020	Amalgamation of Ram Ratna Electricals Limited with the Company
2019	Acquisition of LED business of Arraystorm Lighting Private Limited
2021	Commencement of manufacturing of switches
2022	Acquisition of Home Electrical Business (HEB) 'Luminous Fans and Light' from Luminous

Source: Company, JM Financial

Exhibit 19. Shareholding pattern

Shareholders	Number of shares o/s (in mn)	% of shares o/s
A) Promoter & Promoter group	70.81	62.8%
B) Public	42.01	37.2%
TPG Asia VII fund	5.63	5.0%
Government pension fund global	3.45	3.1%
DSP Small cap fund	1.21	1.1%
SBI Life insurance fund	1.68	1.5%
Others	30.04	26.6%
Total	112.8	100.0%

Source: Company, JM Financial

Exhibit 20. RRK - Board of Directors

Name	Designation	Remarks
Tribhuvanprasad Rameshwarlal Kabra	Executive Chairman	<ul style="list-style-type: none"> He has completed his secondary level school education from Hindi High School, Mumbai. He has extensive experience in the electrical industry. Previously, he was associated with Shramik Winding Wires Private Limited as a director. He was appointed to the Board of Directors with effect from May 13, 1997.
Shreegopal Rameshwarlal Kabra	Managing Director	<ul style="list-style-type: none"> He has completed his secondary level school education from Hindi High School, Mumbai. He has extensive experience in the electrical industry. Previously, he was associated with International Copper Association as chairman of wire and cable product council and Indian Electrical and Electronics Manufacturers' Association as president. He was appointed to the Board of Directors with effect from June 27, 2014.
Mahendrakumar Rameshwarlal Kabra	Joint Managing Director	<ul style="list-style-type: none"> He has completed his secondary level school education from Hindi High School, Mumbai and holds a diploma in mechanical engineering from Veermata Jijabai Technological Institute Mumbai. He has extensive experience in the electrical industry. Previously, he was associated with MEW Electricals Limited as a director. He was appointed to the Board of Directors with effect from February 6, 1995.
Mitesh Daga	Non-Executive Nominee Director	<ul style="list-style-type: none"> He holds a degree of bachelor's of technology in chemical engineering from Indian Institute of Technology, Delhi and is also a holder of chartered financial analyst charter issued by the CFA Institute. He is the managing director at TPG Capital India Private Limited. Previously, he was associated with Advent India PE Advisors Private Limited, Zephyr Peacock Management India Private Limited and Capital One Services (India) Private Limited. He was appointed to the Board of Directors with effect from September 6, 2018.
Bhagwat Singh Babel	Independent Director	<ul style="list-style-type: none"> He holds a degree of bachelor's in technology in electrical engineering from Banaras Hindu University and a diploma of membership from the Institution of Engineers (India). He is on the board of directors of Secure Meters and was also on the board of Udaipur Urja Initiatives Producer Company Limited and the Indian Electrical and Electronics Manufacturers' Association. He was appointed to the Board of Directors with effect from August 24, 2017.
Ramesh Chandak	Independent Director	<ul style="list-style-type: none"> He holds a degree of master's in commerce from Nagpur University and has also completed a program on 'Harvard Business School'. He is also a practicing member of the Institute of Chartered Accountants of India. Previously, he has served as the president of Indian Electricals and Electronics Manufacturers' Association and is a trustee of the Victoria Memorial School for the Blind, Mumbai. He was appointed to the Board of Directors with effect from April 29, 2023.
Vipul Sabharwal	Independent Director	<ul style="list-style-type: none"> He holds a degree of bachelor's in arts from University of Delhi and holds a master's of management studies degree from University of Bombay. Previously, he was associated with Luminous Power Technologies Private Limited as managing director, Whirlpool of India Limited as vice president of sales, service and brand, Nokia India Private Limited and Gillette India Limited as general sales director. He was appointed to the Board of Directors with effect from August 23, 2022.
Jyoti Davar	Independent Director	<ul style="list-style-type: none"> She holds a degree of bachelor's in commerce from University of Delhi and holds a master's of arts degree from University of Delhi. Previously, she was associated with the Federation of Indian Chambers of Commerce & Industry as assistant secretary general and is currently designated as the deputy secretary general. She was appointed to the Board of Directors with effect from December 16, 2022.

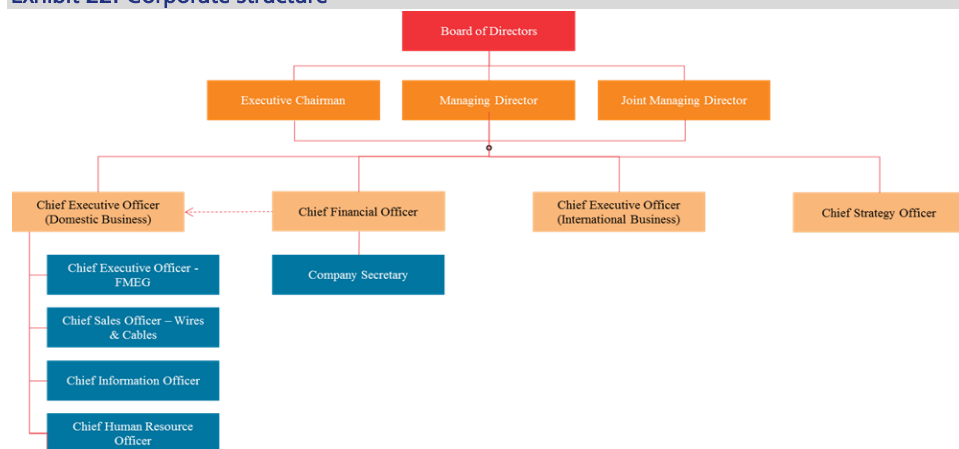
Source: Company, JM Financial

Exhibit 21. RRK - Key managerial personnel (KMP) and senior management

Name	Designation	Remarks
Rajesh Babu Jain	Chief Financial Officer	<ul style="list-style-type: none"> ▪ He joined the Company on July 1, 2014 ▪ He holds a degree of bachelor's in commerce from Mohanlal Sukhadia University, Udaipur. ▪ He has also qualified as an associate from the Institute of Cost and Works Accountants of India and enrolled as a licentiate of the Institute of Company Secretaries of India. ▪ Previously, he has worked with Harshvardhan Chemicals and Minerals Limited.
Dinesh Aggarwal	Chief Executive Officer	<ul style="list-style-type: none"> ▪ He joined the Company on December 16, 2022 ▪ He holds a degree of bachelor's in science from Kurukshetra University and a post graduate diploma in management from Indian Institute of Management, Calcutta. ▪ Previously, he has worked with Anchor Electronics and Electricals Private Limited, Panasonic Life Solutions India Private Limited, Net4India Limited, Voltas Limited, DSQ world.com Limited, AntariX e-Applications Limited and Forbes Gokak Limited.
Himanshu Navinchandra Parmar	Company Secretary and Compliance Officer	<ul style="list-style-type: none"> ▪ He joined the Company on June 1, 2013 ▪ He holds a degree of bachelor's in law and bachelor's in commerce from the Maharaja Sayajirao University of Baroda and is also a fellow member of the Institute of Company Secretaries of India. Previously, he has worked with MEW Electricals Limited.
Sanjay Narnarayan Taparia	Chief Executive Officer - International Business	<ul style="list-style-type: none"> ▪ He joined the Company on November 12, 2010 and is responsible for expansion of international business and export of products. ▪ He holds a degree of bachelor's in science from University of Bombay. ▪ Previously, he has worked with Ram Ratna International as a director.
Satishkumar Anandilal Agarwal	Chief Strategy Officer	<ul style="list-style-type: none"> ▪ He joined the Company on March 1, 2023 ▪ He has passed the examinations for the degree of bachelor's in commerce from the University of Bombay. He is also a qualified chartered accountant from Institute of Chartered Accountants of India. ▪ Previously, he has worked with Ram Ratna Wires Limited.
Shishir Sharma	Chief Sales Officer	<ul style="list-style-type: none"> ▪ He joined the Company on September 30, 2018 ▪ He holds a degree of bachelor's in science from The Maharaja Sayajirao University of Baroda. ▪ He has previously worked with Godrej-GE Appliances Limited, Whirlpool of India Limited and Electrolux Voltas Limited.
Vinod Parur	Chief Human Resources Officer	<ul style="list-style-type: none"> ▪ He joined the Company on November 1, 2021 ▪ He holds a degree of bachelor's in commerce from Narsee Monjee College of Commerce and Economics, University of Mumbai and a master's in management studies from Mahatma Education Society's Pillai's Institute of Management Studies and Research, University of Mumbai. ▪ Previously, he has worked with Hindustan Construction Company Limited, Unichem Laboratories Limited, Schindler India Private Limited, A.T.E. Enterprises Private Limited and Nilkamal Limited.
Vivek Abrol	Chief Executive Officer-Consumer Business (FMEG division)	<ul style="list-style-type: none"> ▪ He joined the Company on June 1, 2021 ▪ He holds a degree of bachelor's in engineering from Dr. Babasaheb Ambedkar Marathwada University and master's in management from University of Mumbai. ▪ Previously, he has worked with ITC Limited and Pidilite Industries Limited.

Source: Company, JM Financial

Exhibit 22. Corporate structure



Source: Company RHP

Exhibit 23. RRK's manufacturing facilities

Facility	Products	UoM	FY23
			Installed capacity
Waghodia Facility	W&C – copper and aluminum	CKM	2,116,620
	PVC compound	Mts	40,400
	Switches	Numbers	8,925,000
Silvassa Facility	Wires and cables	CKM	1,936,000
	PVC compound	Mts	13,200
Roorkee Facility	Fan	Numbers	1,500,000
	Light	Numbers	1,800,000
Gagret Facility	Fan	Numbers	1,650,000
Bengaluru	Light	Numbers	132,096

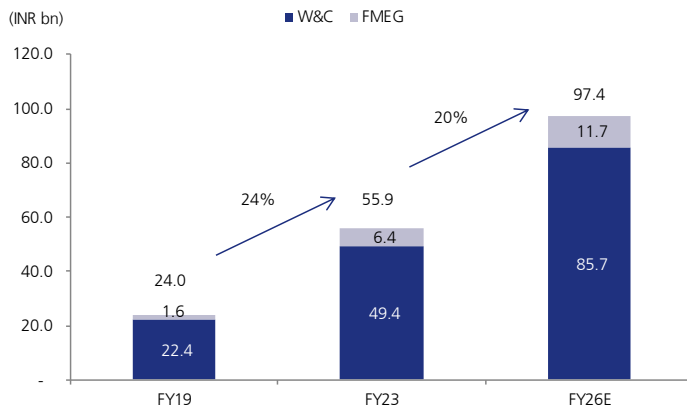
Source: Company, JM Financial

Business segments analysis

The company sells products across two broad segments – (i) wires and cables including house wires, industrial wires, power cables and special cables; and (ii) FMEG including fans, lighting, switches and appliances.

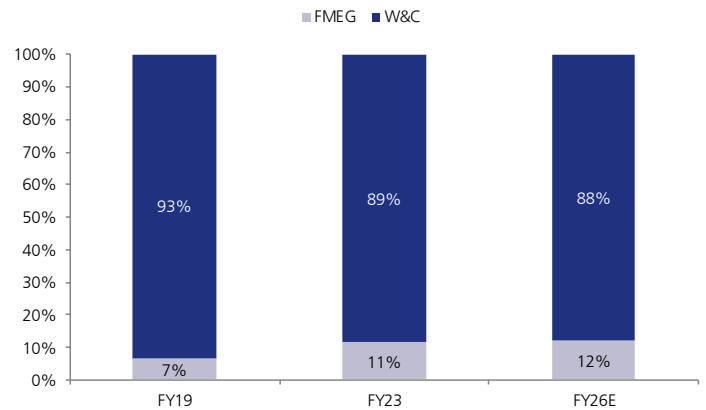
Wires and Cables is the dominant part of business (89% of FY23 revenue) while FMEG has seen a significant scale-up (contribution increased from 7% in FY19 to 11% in FY23).

Exhibit 24. RRK's revenue trend (INR bn)



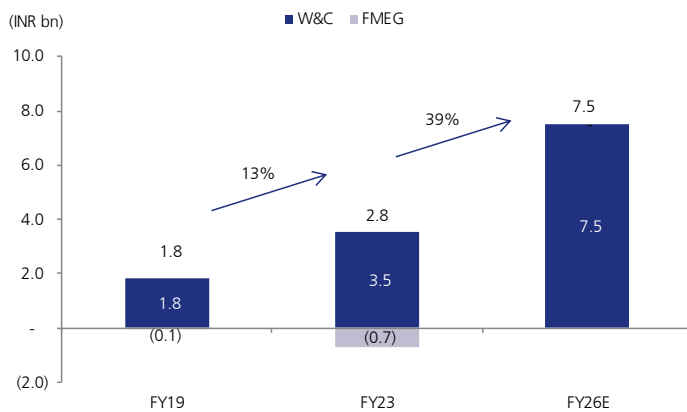
Source: Company, JM Financial

Exhibit 25. RRK's revenue mix (%)



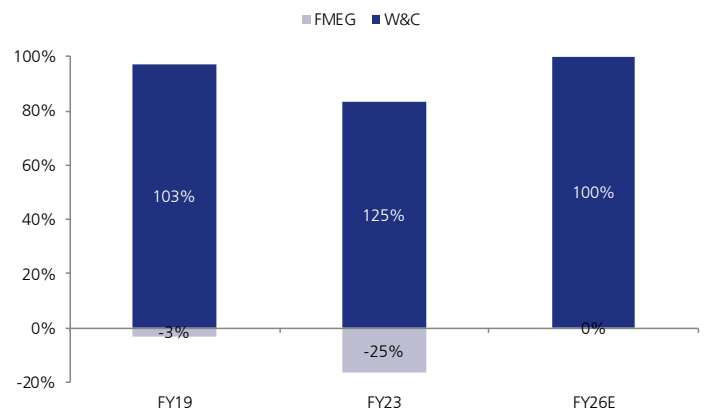
Source: Company, JM Financial

Exhibit 26. RRK's EBIT trend (INR bn)



Source: Company, JM Financial

Exhibit 27. RRK's EBIT mix (%)



Source: Company, JM Financial

A. Wires and Cables

RRK's Wires and Cables portfolio includes house wires, industrial wires, power cables and special cables. It primarily sells wires and cables under the brand name 'RR Kabel' in India and the international markets. It also manufactures and exports certain products under private labels for select customers.

House wires are primarily used for residential, commercial and public infrastructure. In Industrial wires, it manufactures range of wires such as single core flexible cables, control cables and submersible flat cables.

Power cables are primarily used for transmitting and distributing high voltage electrical power and have several industrial and commercial applications. The company manufactures a range of power cables such as low tension (LT) power cables and medium voltage and high voltage power cables. It manufactures a range of cables with high to low voltage and different sheathings such as PVC, XLPE, flame retardant and low smoke.

In special cables, the company has a wide range of products such as data and communication cable, instrumentation cable, solar cable, fire and security cables, silicon rubber cable, auto cable, EV charging cable, battery cable, lift and elevator cable and appliance wiring material.

RRK has a strong focus on innovation and research and development and has relied on innovation to differentiate its wires and cables and FMEG products. It is the first company in India to launch products compliant with European regulations, such as Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), Restriction of Hazardous Substances Directive (ROHS) and Construction Products Regulations (CPR).

The company has a dedicated innovation team of 60 employees engaged in research and development, of which 20 employees exclusively focus on research and development involving FMEG products.

RRK owns and operates two integrated manufacturing facilities which are located at Waghodia, Gujarat, and Silvassa, Dadra & Nagar Haveli and Daman & Diu in India; these two units primarily manufacture wire and cables and switches. The company's Waghodia Facility is one of the largest consumer electrical manufacturing facilities in India, with an annual manufacturing capacity of 2.1mn CKM of wires and cables. The company's manufacturing facilities give it the in-house ability to manufacture 100% of requirements for wires and cables.

Exhibit 28. W&C product portfolio

Product category	Product Name	Characteristics
House wires	Firex LSOH	Safe house wires, used in Auditoriums, hospitals, hotels
	Unilay HRFR	House wire range with specially bunched conductors, heat resistant
	Superx FR	Baseline house wire and is offered with class 2 conductors
Industrial wires	Single core flexible cable	For internal wirings in power and control panels, switchgears, relay and instrumentation panel
	Control cable	These cables can resist extreme temperature, chemicals, oils and minimizing downtime in case of a breakdown.
	Submersible flat cable	Industrial cables with PVC, XLPE insulated and sheathed cables
Power cables	LT Power cable	These cables are rated for the voltage up to and including 1,100 V.
	MHV Power cable	These cables range from 3.3 kV to 33 kV.
Special cables	Data and communication	Suitable for digital signal transmission
	Instrumentation	Application for measuring, supervision and control of process in manufacturing, power transmission and distribution
	Solar	Used for connecting the photovoltaic modules and panels
	Fire and security	For use in public buildings, where danger to life greatly increase in the event of a power failure
	Silicon rubber	Primarily used in steel industries, cement industries, glass industries, ship buildings and aviation.
	Auto	Used in automotive lightings, signals and instrument panel circuits in automobiles.
	EV charging	EV charging cables are offered for all three charging modes
	Lift and elevator	Used in domestic and commercial lifts, overhead cranes, horizontal cranes, material handling systems
Appliance wiring	Cables for internal wiring of panels and electrical equipment	

Source: Company, JM Financial

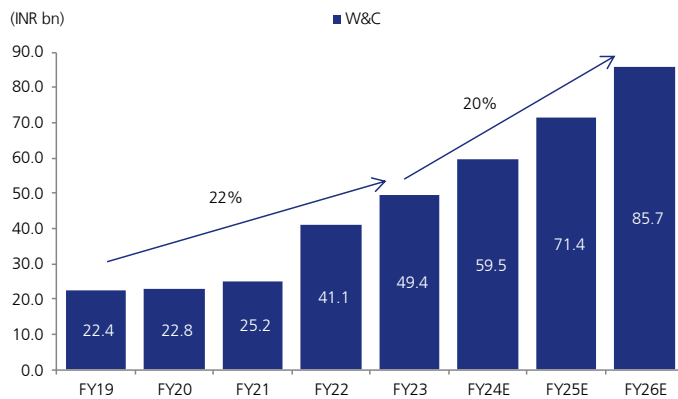
Outlook

As shown in Exhibit 29 below, RRK has posted 22% CAGR in W&C revenue in FY19-23, led by both domestic and export segments, partially helped by rise in copper price (12% CAGR). Exports mix has risen from 22% to 26% in FY23 as the company has expanded across geographies because it enjoys a number of prestigious certifications across the world.

We estimate RRK to deliver 20% CAGR in revenue in the W&C segment in FY23 on the back of a) continuous expansion of product portfolio and distribution, b) wallet share gains in existing locations in domestic markets, and c) growing export sales (exports from India grew 23% CAGR in FY19-23 and is expected to see strong momentum in the medium term; Apr-Aug'23 exports up 23% YoY for the country).

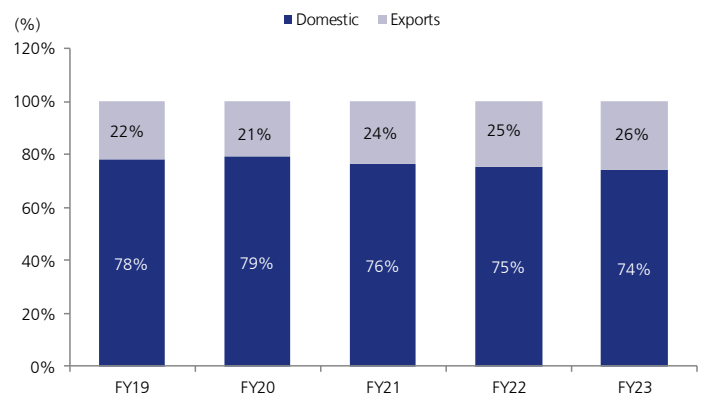
RRK's margins moderated in FY22/23 as the significant rise in copper prices (47% YoY in FY22) could not be passed on fully. However, given the range-bound movement in copper prices in the past 4-5 quarters, we estimate margins to recover in FY24-26, though our margin assumption is still lower than FY22 margins.

Exhibit 29. Wires & Cables revenue trend



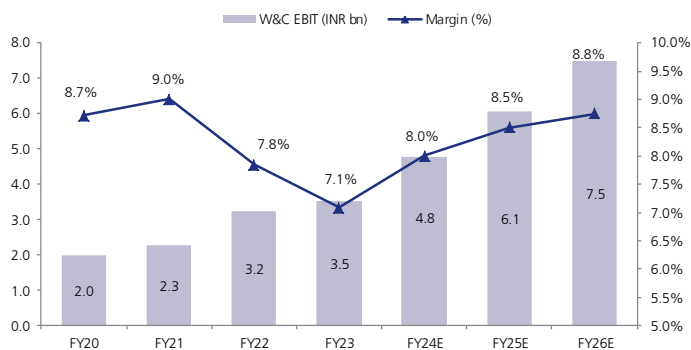
Source: Company, JM Financial

Exhibit 30. Domestic and exports mix (%)



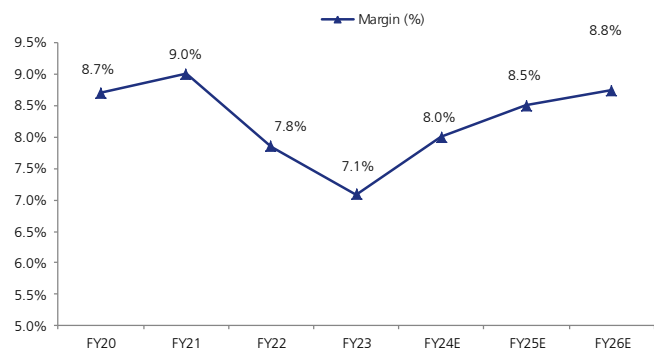
Source: Company, JM Financial

Exhibit 31. EBIT trend



Source: Company, JM Financial

Exhibit 32. EBIT margin



Source: Company, JM Financial

B. FMEG

The FMEG portfolio includes a wide range of products such as fans, lighting, switches switchgear and appliances. In addition, the company produces customised products, based on the customer's requirements, specifications and performance expectations.

In FY20, the company acquired the LED Lights Business of Arraystorm Lighting Pvt Ltd, along with its trademarks and design certificates (other than Ethos, Adappt and WioT trademarks), which added professional lighting fixtures and LED lights to its portfolio.

In May'22, RRK acquired the Home Electrical Business (HEB; consisting Fans and Lights) from Luminous, which helped boost its lights and premium and mid-premium fans offering, thereby expanding the product portfolio in the FMEG segment. The company uses 'Luminous Fans and Lights' brand for premium FMEG products and, subsequently, aims to develop and establish the 'RR Signature' brand for premium FMEG products to replace the 'Luminous Fans and Lights' brand.

The company primarily sells FMEG products under the brand name 'RR Kabel' and 'Luminous Fans and Lights'.

Exhibit 33. FMEG product portfolio

Product category	Product	No of Models*
Fans	Ceiling fans	79
	Table pedestal wall (TPW)	44
	Exhaust	23
Lighting	Retail: Bulb, Batten, Downlighters, Panels, Street light	67
	Project: Panel, Downlights, Linear, Suspended Linear, Highbay, Flood	144
Switches and Switchgears	Modular switches (Maven)	72
	Modular switches (Connect)	98
	MCB	95
	Distribution Boards	70
	General accessories (Holder)	8
	General accessories (AC Box)	1
	General accessories (Spike Guard)	1
	Boxes (Plastic)	24
	Boxes (Metal)	11
	Appliances	Water heater
Irons		13
Room heater		4
Coolers		10

Source: Company RHP, JM Financial; *As on March'2023

RRK owns and operates three integrated manufacturing facilities, located at Roorkee (Uttarakhand), Bengaluru (Karnataka), and Gagret (Himachal Pradesh), which carry out manufacturing operations in respect of FMEG products. In-house manufactured products contribute c.35% of its FMEG products (in terms of sales value).

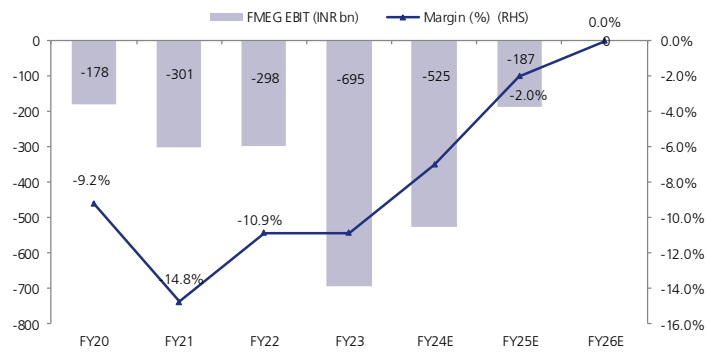
Outlook

RRK posted 49% CAGR in FMEG revenue during FY20-23 on the back of product portfolio expansion, distribution expansion and acquisition of Arraystorm (FY21) and HEB portfolio (FY23). We note that FY23 was a lacklustre period for the fans category (significant part of RRK's FMEG sales) on account of destocking by companies/channel (in order to manufacture/purchase energy rated fans) and delayed restocking coupled with unseasonal rains.

We estimate RRK's FMEG segment revenue to register 22% CAGR in FY23-26. We note that 1HFY24 was subdued for FMEG players on general weakness in consumption, coupled with price reduction in the lighting segment (offsetting volume growth) and the muted summer season. As a result, we expect growth to be slightly subdued in FY24 and see strong pick-up in FY25/26.

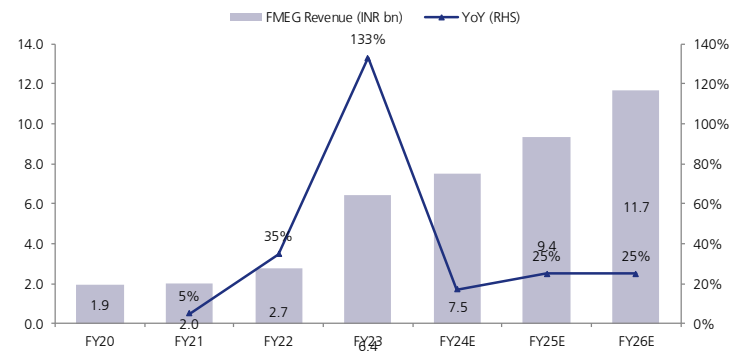
On the operating margin front, RRK has been posting marginal losses in FMEG as it continues to invest in human resources, R&D, A&P and distribution. However, losses zoomed in FY23 on account of a) high commodity prices in 1HFY24, b) HEB acquisition-related cost, c) integration-related cost and d) weak fans sales, thus adverse operating leverage. We see reduced losses in FY24/25 and break-even in FY26 on the back of a) higher priced/margin accretive SKUs, b) discontinuation of low margin/loss-making SKUs within HEB portfolio, and c) operating leverage.

Exhibit 34. FMEG revenue trend



Source: Company, JM Financial

Exhibit 35. FMEG margin trend



Source: Company, JM Financial

Investment Rationale

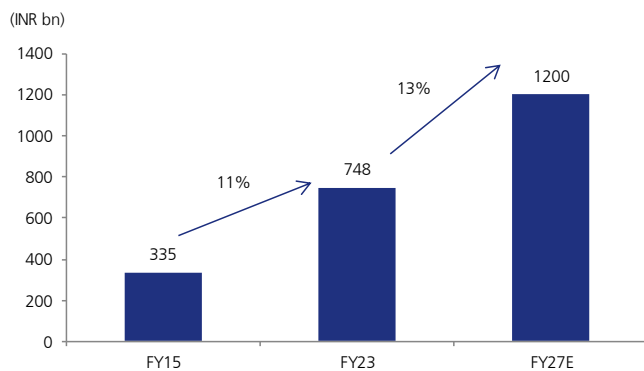
Consumer electricals industry set for steady 10% CAGR over next 5 years

Consumer electricals industry comprises a) Wires and Cables (INR 748bn in FY23), and b) Fast Moving Electrical Goods (FMEG; INR 1,064bn in FY23). The Wires and cables industry is expected to grow at a CAGR of 10% until FY27, primarily driven by a) rural electrification, b) expansion in the residential and commercial real estate sector, c) transition towards clean and green energy, d) global shift from 'China-based manufacturing' to China plus one strategy, e) requirements of new age sectors such as electrical vehicles, charging stations, airport cables, green energy, battery storage, data centres, logistic parks, and f) shift towards branded play driven by rising awareness among consumers on safety.

On the other hand, FMEG is estimated to grow at 8% CAGR to INR 1.5trln by FY27 on the back of a) rising disposable income, b) real estate growth, and c) growing rural electrification.

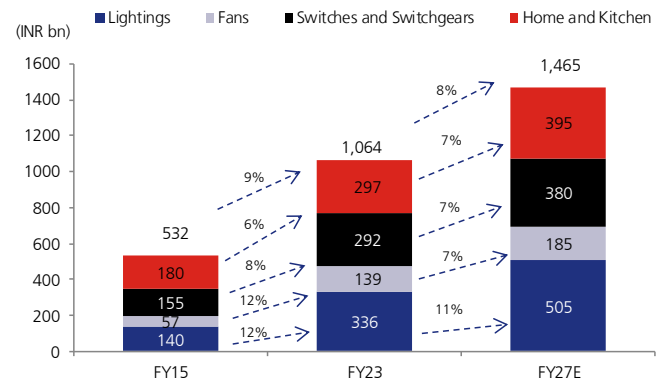
RRK is the 5th largest player in the Wires and Cables Industry with a market share of 7% in FY23 and is among the top 10 players in FMEG industry with a market share of less than 1% (of the total market). We believe RRK is well-positioned to capture a significant share of the market due to its brand recognition, diversified product portfolio, ability to innovate, scale of operations, sizeable and certified manufacturing facilities and infrastructure, quality and safety of products and the reach of its distribution network.

Exhibit 36. Indian W&C market size



Source: Company RHP, JM Financial

Exhibit 37. India's FMEG market size

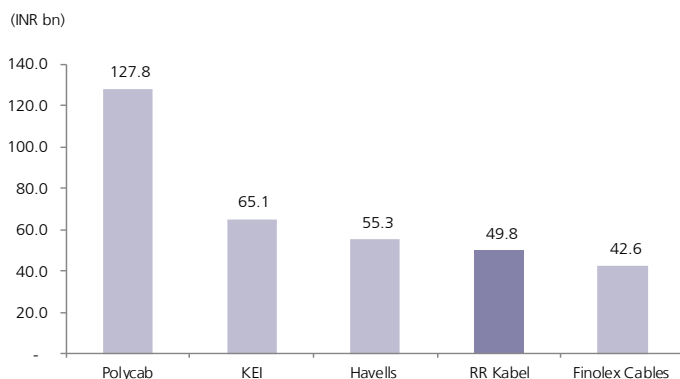


Source: Company RHP, JM Financial

RRK is among top 4 players in growing W&C industry

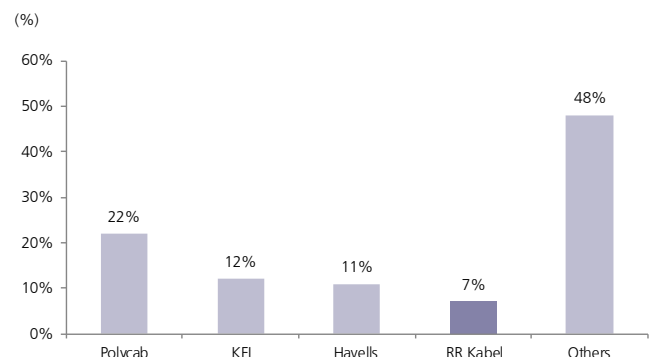
RRK manufactures and sells a diverse portfolio of products across categories, enabling it to cross-sell its products. The company's leading products in the wires and cables segment are Firex LS0H, Superx, Unilay, medium and high voltage power cables and control cables. It also manufactures a range of special application cables that can be customised as per customer specifications.

Exhibit 38. W&C companies' FY23 segment revenue (INR bn)



Source: Company, JM Financial

Exhibit 39. W&C companies' FY23 market share (% of organised market)



Source: Company, JM Financial

Diverse suite of products driven by focused research and development efforts with global certifications and accreditations

The company manufactures a range of special application cables that can be customised as per customer specifications. For instance, in FY21, it began supplying ready-to-use cable harness to a large Swiss textile machinery manufacturer in India, giving the customer an alternative product manufactured in India and substituting import of such products. In addition, it also manufactures and sells leading products in the FMEG segment.

RRK as a B2C manufacturer of wires and cables has diversified into the FMEG segment and is transforming the company to a diversified consumer electrical company. In particular, the success of the diverse portfolio of products has been driven by its focused research and development efforts, as well as global certifications and accreditations awarded to it. As of Jun'23, the company has a dedicated innovation team of 60 employees engaged in research and development, of which 22 employees exclusively focus on research and development involving FMEG products.

Exhibit 40. Wires and cables product portfolio



Source: Company RHP

Exhibit 41. FMEG product portfolio

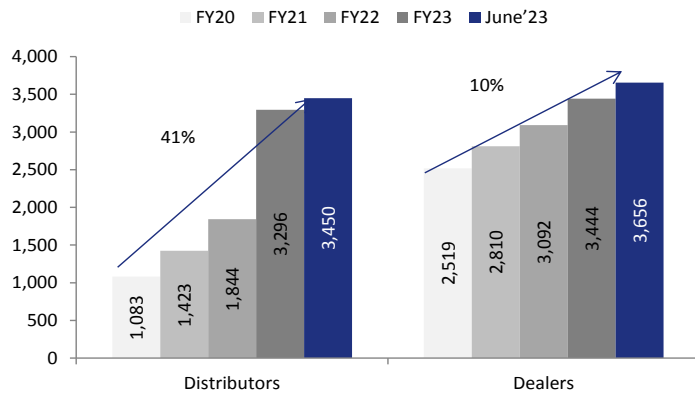


Source: Company RHP

Significant expansion in distribution network recently to support growth

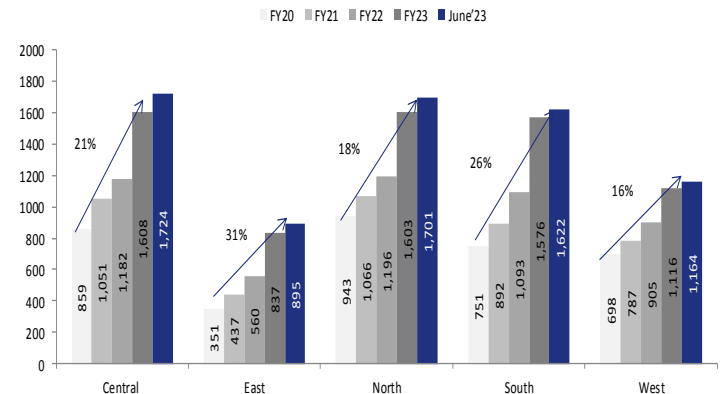
The company has an extensive pan-India distribution presence; as of Jun'23 it had 3,450 distributors, 3,656 dealers and 114,851 retailers. In addition, the company has a focused approach to expand the geographical market share in India by identifying nano and micro markets. It also has a presence on recognised e-commerce platforms. As of Jun'23, it had 21 warehouses across 17 states and union territories in India. RRK has one of the largest networks of electricians, covering 298,084 electricians across India.

Exhibit 42. Robust growth in RRK's distributors/dealers



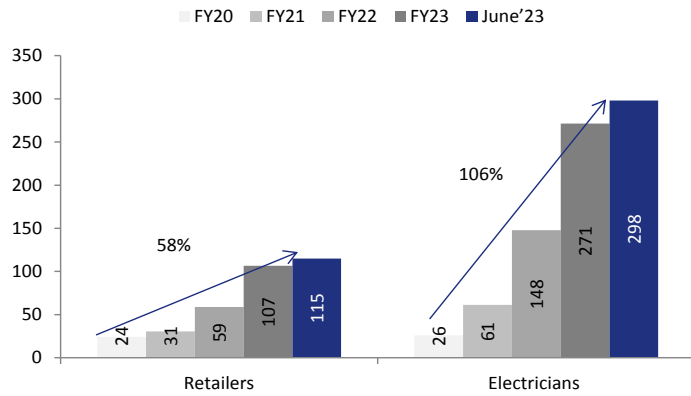
Source: Company RHP, JM Financial

Exhibit 43. Number of RRK's dealers/ distributors across regions



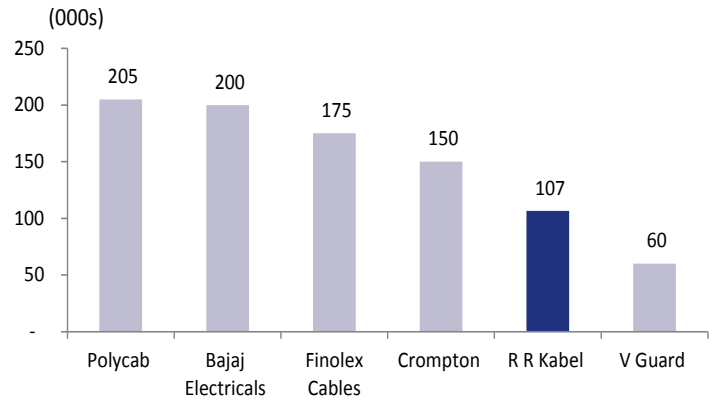
Source: Company RHP, JM Financial

Exhibit 44. RRK: Robust growth in retailer reach



Source: Company, JM Financial

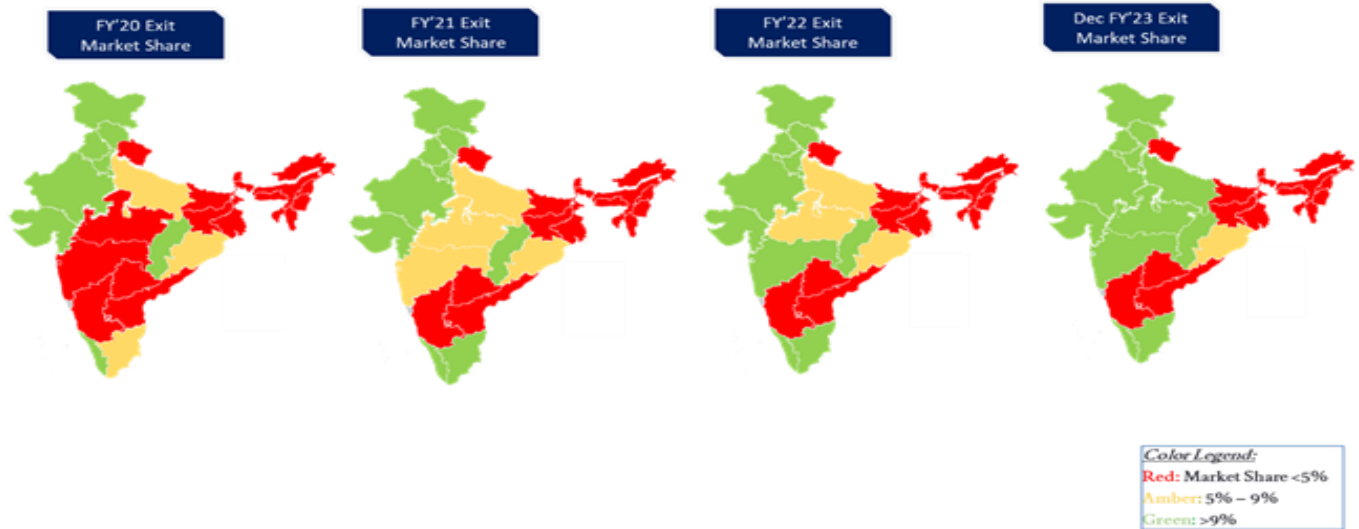
Exhibit 45. Comparison of retail reach



Source: Company, JM Financial

To strengthen its distribution network, RRK has undertaken several initiatives. It launched Project KaRRma in FY20 in two phases to achieve a higher market share and increase the retail outreach in domestic house wires, before increasing its micro and nano market reach. It has classified its geographical presence in India into 'winner' state (RRK has more than 9% market share by value); 'growing states' (RRK has 5% to 8.9% market share by value); and 'opportunity states' (RRK has less than 5% market share by value). The following exhibit shows the significant success of RRK's distribution expansion in both quantity and quality parameters.

Exhibit 46. Company's region of dominance

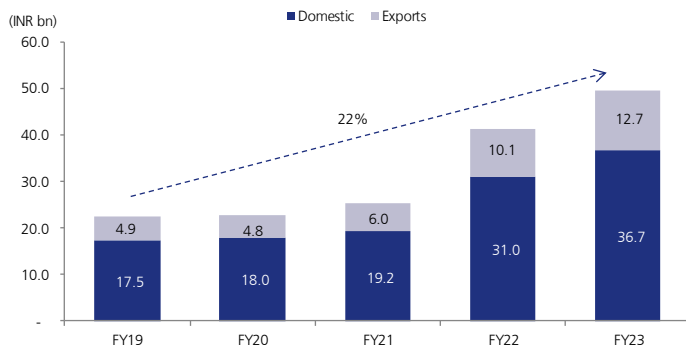


Source: Company RHP

On the FMEG front, RRK launched a 5-year long initiative Project Lakshya in FY19, comprising two phases - beginning with the aim to organically and inorganically grow its fans and lights product portfolio, and thereafter integrating the HEB of 'Luminous Fans and Lights' brand.

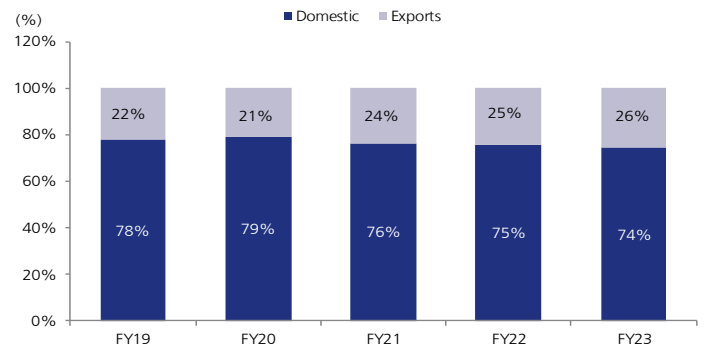
Exports: The company exports its range of wires and cable products directly as well as through distributors across the world. During FY21 to FY23 and in 1QFY24, it sold its products to 63 countries in North America, APAC, Europe and Middle East. In 1QFY24, 99% of its export revenue was derived from distributors and 1% from OEMs. It exports a majority of its products under the brand 'RRK' and manufactures under private labels for select customers. It has long-standing relationships with 10 distributors in these markets who cover the majority of its exports.

Exhibit 47. Domestic and exports revenue trend (INR bn)



Source: Company, JM Financial

Exhibit 48. Domestic/ exports revenue mix



Source: Company, JM Financial

Exhibit 49. Strategies to expand its domestic and international footprint

Grow Domestic Business

Expanding Distribution Network

Increase distribution and sales efforts in regions with no significant market presence

Identify nano and micro markets in winner states to expand distribution

Growing e-commerce presence

Growing on-shelf brand presence

Capturing shift to branded products

Enhance Geographical Footprint

Benefit from "China +1" strategy

Suite of globally accredited products

Leading position in exports Market^(1,2)

RR Kabel has grown in well-regulated markets such as USA

USA

Scaled up USA exports to 11.59% of exports revenue for quarter ended June 30, 2023

Grow exports of specialized wires & cables

Expand Product Portfolio

Pipeline in Place to..

15

Wires & Cables Products under development^(1,4)

..Capture Demand from New Age Sectors

Focused on expanding product portfolio

Data Centre Cables

EV Charging Cables

Source: Company RHP

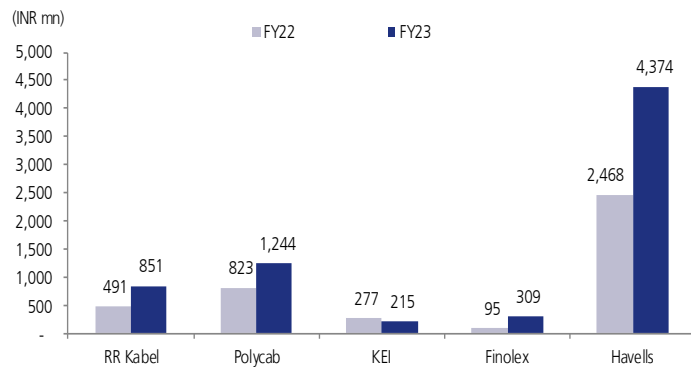
Rising brand presence to further boost long-term growth prospects

RRK is one of the fastest growing consumer electrical companies in India, growing at a CAGR of 24% between FY19-23. The management’s focus on safety, quality and continuous innovation, together with its distribution network, connect with electricians and digital and physical marketing efforts have enabled it to develop brand recognition in the consumer electrical industry.

The company has invested in implementing brand initiatives, such as Kable Nukkad and Mabel Mela, to enhance its brand visibility over the last few years. The brand also provides it the opportunity to cross-sell its FMEG products to wires and cables customers. The company’s marketing and sales efforts are spread across multiple touch points where customers discover its brands and product offerings, creating opportunities for cross-selling its products on the back of its brands’ focus on safety, quality and innovation. These initiatives also ensure customer stickiness.

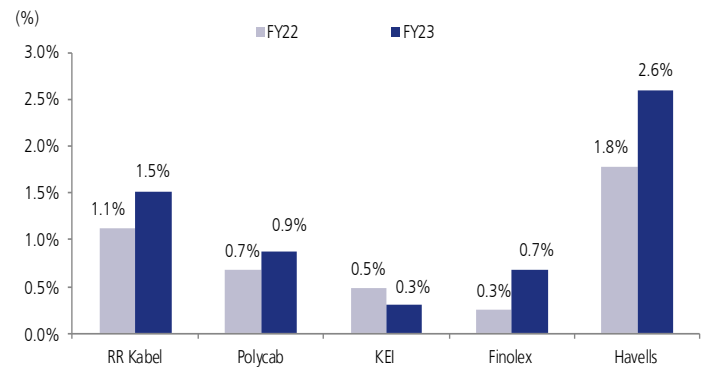
It has also mapped the distribution network of its wires and cables products, and identified and worked with distributors and retailers to carry its FMEG products. The company’s strong connect with electricians through incentive-driven marketing provides it with a unique competitive advantage and ensures long-term stickiness.

Exhibit 50. Advertisement spend trend (INR mn)



Source: Company, JM Financial

Exhibit 51. Advertisement spend trend (% of sales)



Source: company, JM Financial

Well-positioned for growth in FMEG segment

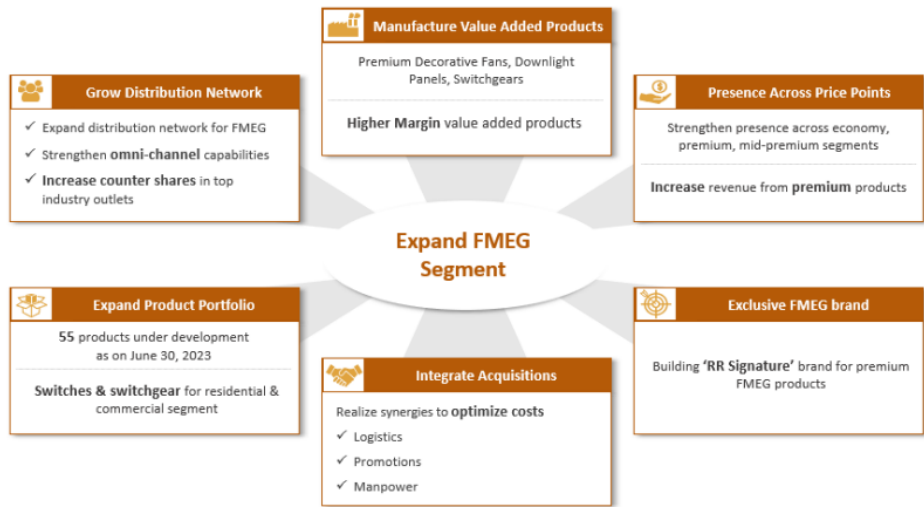
In FY23, the total domestic market for FMEG industry was estimated at INR 1,064bn, representing approximately 58% of the total wires and cable and FMEG industry. This is expected to grow at a CAGR of 8% until FY27 to reach a market value of approximately INR 1,465bn, on account of the following:

- The fan market in India was estimated at INR 139bn in FY23, and is expected to grow at a CAGR of approximately 7% until FY27 to reach a market value of INR 185bn, helped by premiumisation, shift towards branded play and increase in demand for replacement apart from real estate growth and increase in per capita electricity consumption.
- The lighting market in India was estimated at INR 336bn in FY23, and is expected to grow at a CAGR of approximately 11% until FY27 to reach INR 505bn of annual sales, boosted by premiumisation and demand for replacement apart from real estate growth and increase in per capita electricity consumption.
- The switch and switchgear market in India was estimated at INR 292bn in FY23, and is expected to grow at a CAGR of approximately 8% until FY27 to reach INR 380bn of annual sales, driven in part by the integration of smart monitoring and control units across power grid infrastructure and demand for replacement.

The company is well-positioned to capture a significant share of this growth, as a result of its omni-channel presence, distribution network, product portfolio (which extends across various price points), and its ability to identify product gaps in the segment. It has a wide portfolio of FMEG products including fans, lighting & switches and appliances such as room heaters, irons, water heaters and coolers, which covers approximately 77% of the FMEG industry by value (as on Mar'23).

RRK's acquisition of Luminous and Arraystorm has given it the following advantages (i) improve its retail distribution with the addition of retailers; (ii) provide access to alternate channels such as e-commerce channels; (iii) expand its product portfolio across price points in the economy, mid-premium and premium segments; (iv) boost its research and development and ability to launch new and improved designs with automated manufacturing and design and in-house testing facilities; and (v) add energy efficient models to its fan product portfolio; it added over 54 star rated models and 12 brushless direct current (BLDC) fans in FY23. It has adopted 'Luminous Fans and Lights' brand for its premium FMEG products and, subsequently, aims to develop and establish 'RR Signature' brand for its premium FMEG products to replace the 'Luminous Fans and Lights' brand by FY24.

Exhibit 52. Focus on growing and expanding FMEG business



Source: Company RHP

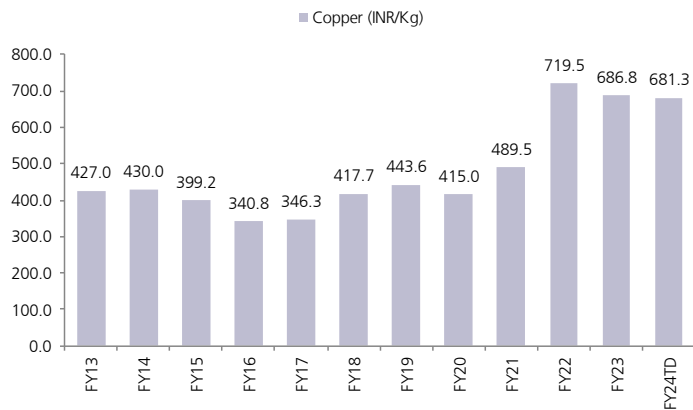
Key risks

Volatility in prices of raw materials

Key raw materials for wires and cables include copper and aluminium, prices of which have been volatile over the past few years. The increase in prices of raw materials poses a key challenge to W&C manufacturers such as RRK, as it leads to an increase in raw material cost. This increase can either be passed on to the consumer or absorbed by the manufacturer or a combination of both. The corresponding increase in price may lead to a reduction in sales volume. Based on overall industry dynamics and macroeconomic factors, the revenue (price x volume) and profitability of players is likely to be impacted.

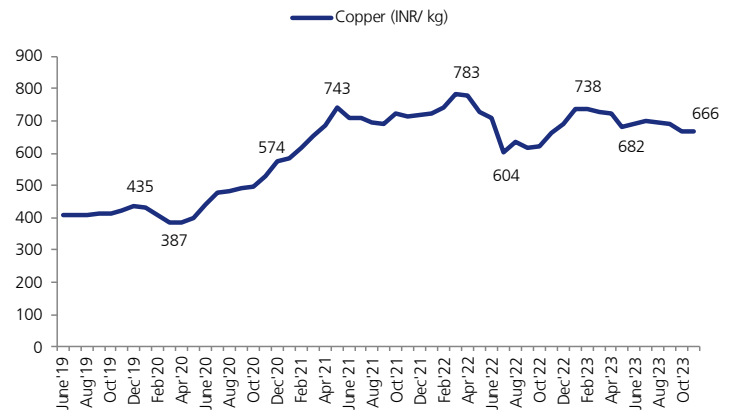
While RRK manufactures up to 99.58%, 31.81%, 44.28% and 42.54% of its requirements for PVC compound, LSOH compound, XLPE compound and solar cable compound, respectively (at its facilities as of 31st Dec'22), it purchases the remaining requirements from third parties on a spot basis. The price of other raw materials such as copper and aluminium are linked to the prices on the London Metal Exchange (LME), which are generally quoted in US dollars. Accordingly, the price it pays for these raw materials can fluctuate due to volatility in the commodity markets and in exchange rates.

Exhibit 53. Copper prices – Annual (INR/kg)



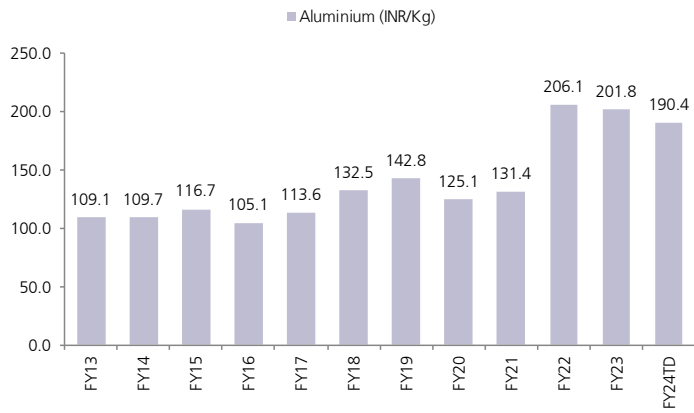
Source: Bloomberg, JM Financial

Exhibit 54. Copper prices- Monthly (INR/kg)



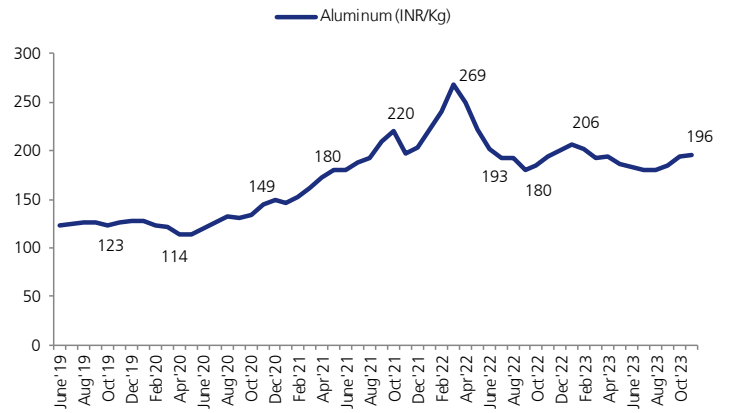
Source: Bloomberg, JM Financial

Exhibit 55. Aluminium- Annual prices (INR/kg)



Source: Bloomberg, JM Financial

Exhibit 56. Aluminium- Monthly prices (INR/kg)



Source: Bloomberg, JM Financial

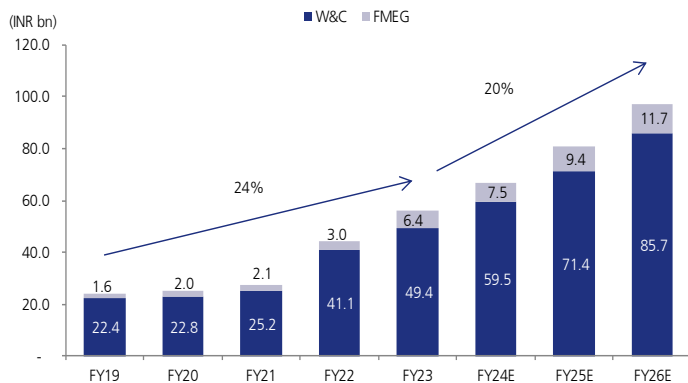
Financial Analysis and Outlook

- Industry tailwind coupled with distribution/manufacturing expansion to drive strong revenue growth:** We estimate RRK to post 20% CAGR in total revenue on the back a) industry tailwinds (growing real estate, infrastructure investments), b) further wallet share gains (distributors/retailers rose c.3x/10x in FY19-23) on growing brand acceptance and portfolio, and d) augmentation of manufacturing capacities.

In our view, exports and domestic mix in W&C segment will be broadly stable as both segments will see strong growth momentum.

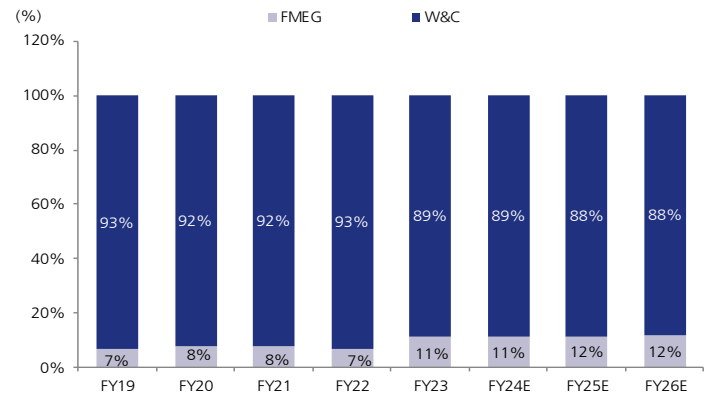
FMEG growth, on the other hand, is expected to be slightly weaker in FY24 on account of generally subdued demand, weakness in fans' growth (channel stocking/destocking in the event of energy norms transition during 1HCY23), and most recently price correction in lighting products (on falling cost) offsetting strong volume growth. However, we estimate FY25/26 should see 20% growth YoY as the base normalises.

Exhibit 57. Revenue trend (INR bn)



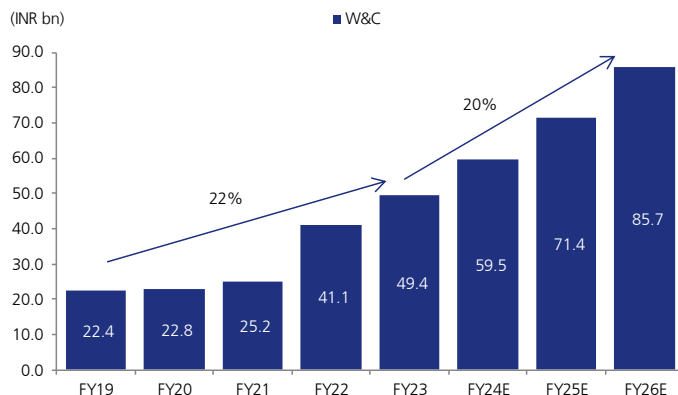
Source: Company, JM Financial

Exhibit 58. Revenue mix (%)



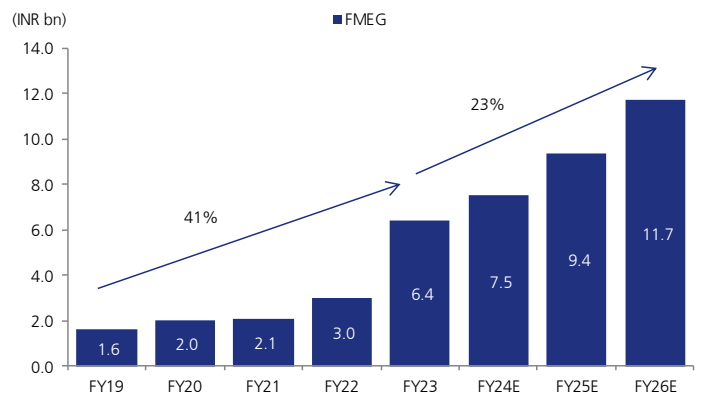
Source: Company, JM Financial

Exhibit 59. W&C revenue trend (INR bn)



Source: Company, JM Financial

Exhibit 60. FMEG revenue trend (INR bn)



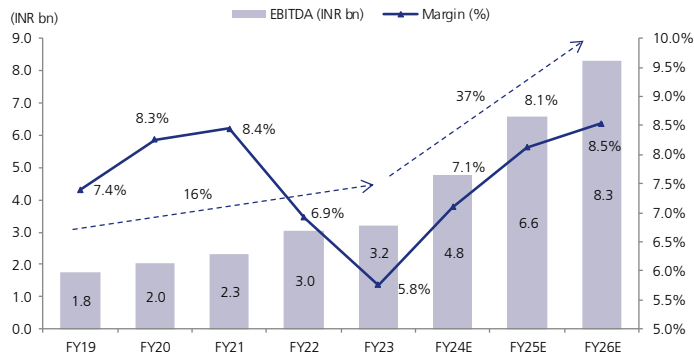
Source: Company, JM Financial

- Operating margin performance set to improve substantially from hereon:** We believe RRK witnessed margin compression in FY20-23 (from 7.4% in FY19 to 5.8% in FY23) on account of a) delayed pass-on of sharp increase in copper price to customers, b) higher export mix, and c) increased investments and losses in FMEG business (to expand distribution, A&P investments and acquisition-related cost apart from cost inflation). However, margins have bottomed out, in our view, as a) copper prices are stable and cost inflation is largely being passed, b) FMEG business will see reduced losses and break-even in FY26 on the back of stable RM cost, premiumisation (higher gross margin) and operating leverage. Notwithstanding margin contraction, RRK still registered 16% CAGR in EBITDA in FY19-23.

We estimate W&C EBIT margin to improve from 7.1% in FY23 (impacted due to inventory losses in 1H FY23, like other peers) to 8.6% by FY26, largely led by a) pass-through of historical cost inflation, b) premiumisation, and c) operating leverage. We note that our margin assumption for FY26 is almost similar to its historical margins.

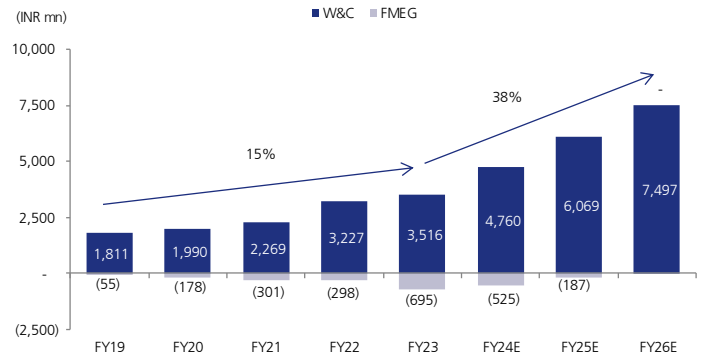
On the other hand, we estimate FMEG to see reduced losses in FY24 onwards and break-even in FY26 due to a) ending of loss-making SKUs, b) increased pricing and gross margins, through branding and premiumisation, and c) operating leverage.

Exhibit 61. Absolute EBITDA and margin trend



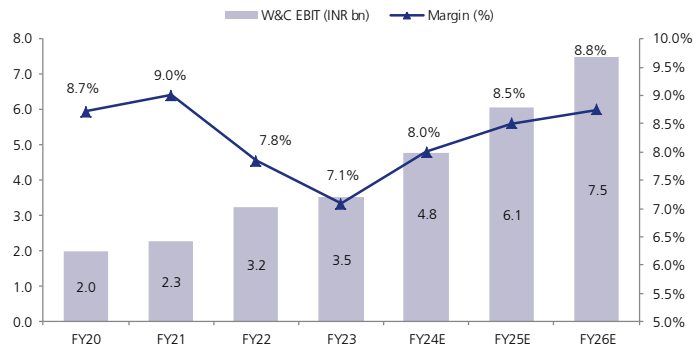
Source: Company, JM Financial

Exhibit 62. EBIT mix - Expect FMEG to break even in FY26



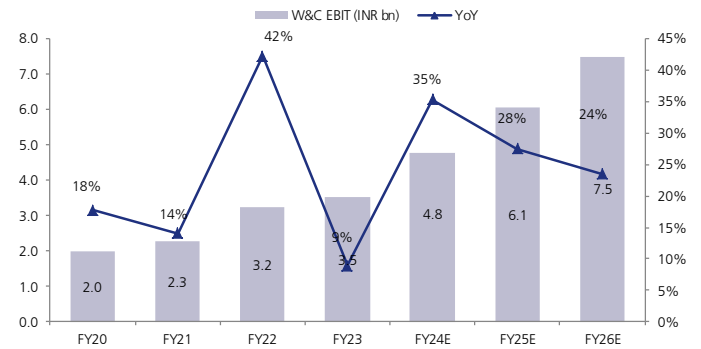
Source: Company, JM Financial

Exhibit 63. W&C - EBIT and margin trend



Source: Company, JM Financial

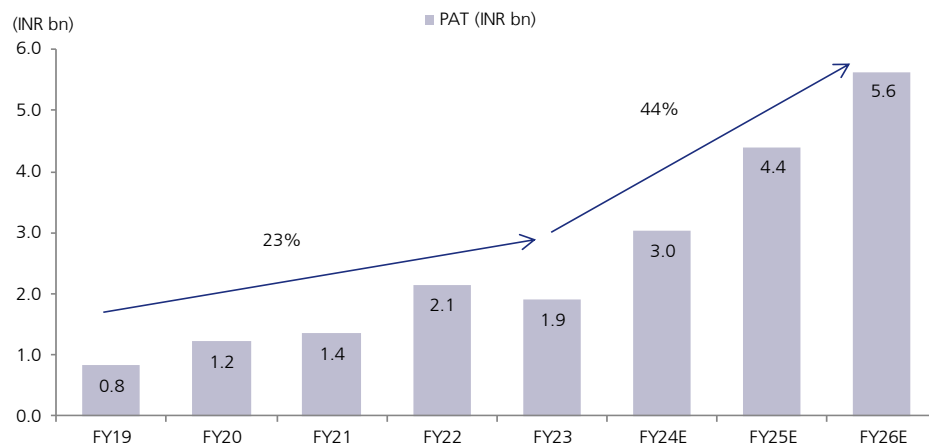
Exhibit 64. FMEG - EBIT and margin



Source: Company, JM Financial

- **Expect strong PAT growth in FY23-26:** Despite weak FY23 (inventory losses in 1H FY23 on sharp reduction in copper price and FMEG losses), RRK has 23% CAGR in FY19-23. Given the strong revenue growth, operating margin improvement and financial leverage, we estimate RRK's PAT to see 43% CAGR, from INR 1.9bn to INR 5.6bn, in FY23-26.

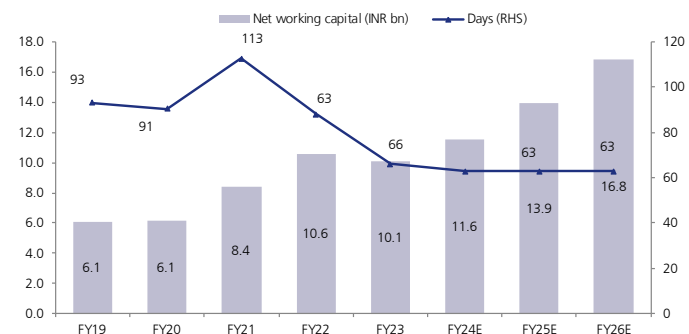
Exhibit 65. RRK's PAT trend (INR bn)



Source: Company, JM Financial

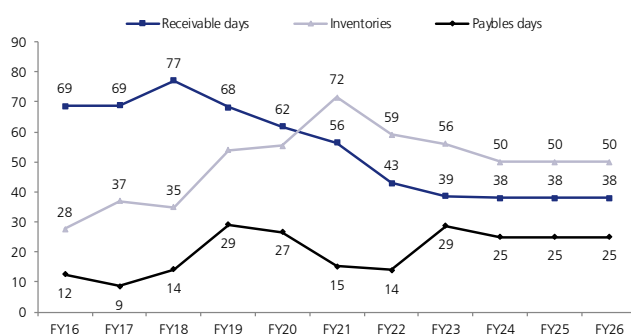
- **Excellent working capital management:** As shown in the following Exhibit, RRK’s working capital days went up to 113 days in FY21 (low revenue due to Covid-19 led lockdowns) but reduced to 66 days in FY23. We estimate networking capital days to remain broadly similar over the next 2-3 years as the company continues to keep its best inventory management practices intact, while improving on receivable days.

Exhibit 66. Net working capital (absolute) and days RHS



Source: Company, JM Financial

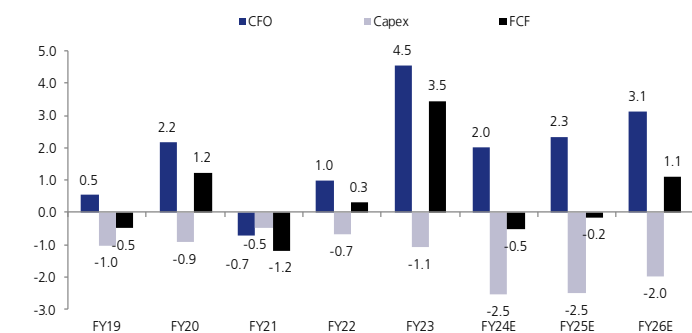
Exhibit 67. Receivable, inventories and payable days trend



Source: Company, JM Financial

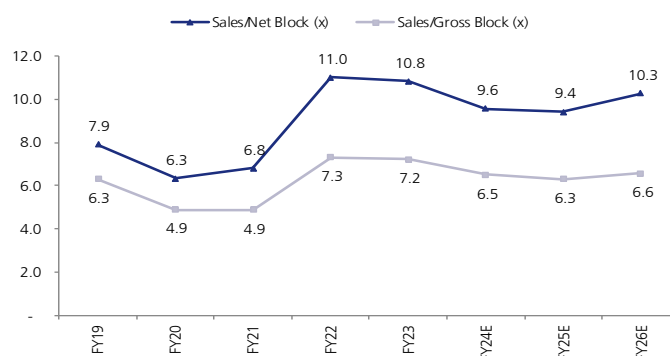
- **Strong OCF performance with robust return profile:** We estimate RRK to post cumulative OCF of INR 7.5bn in FY24/25/26 while it incurs cumulative capex of INR 7bn, mainly to augment its capacities in the W&C segment. We estimate RRK’s RoCE/RoE to improve from 15.5%/18.2% in FY23 to 19.4%/20.9% in FY26 respectively, largely on the back of improvement in operating margins and tight control over asset turns.

Exhibit 68. Free cash flow trend (INR bn)



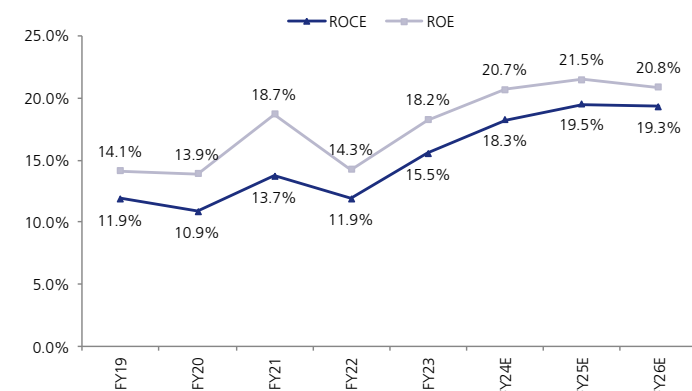
Source: Company, JM Financial

Exhibit 69. High asset turn



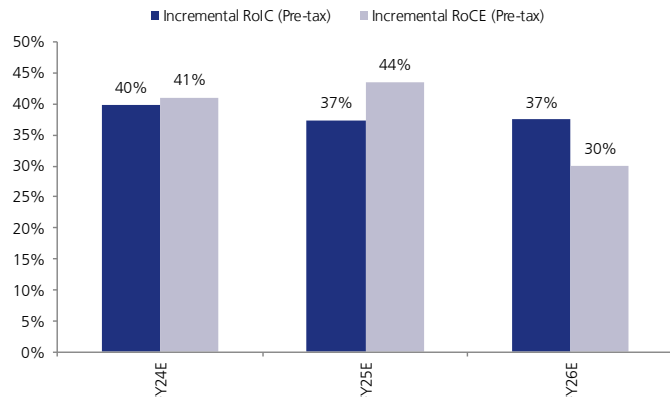
Source: Company, JM Financial

Exhibit 70. RoCE/RoE bottomed out



Source: Company, JM Financial

Exhibit 71. Incremental pre-tax RoCE/RoC > 40%



Source: Company, JM Financial

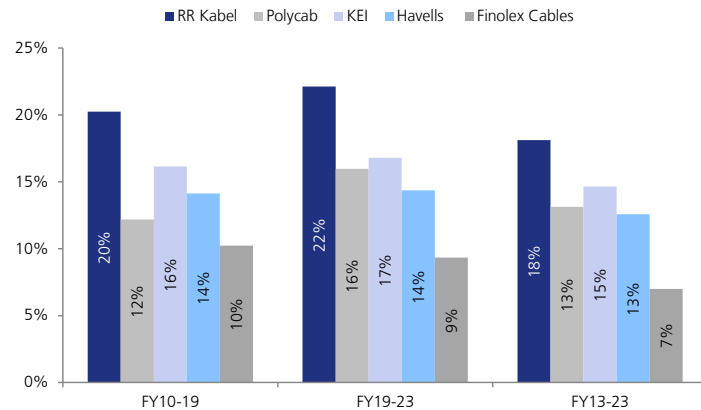
Valuation and recommendation

We estimate RRK to post Revenue/EBITDA/PAT CAGR of 20%/37%/44% respectively in FY23-26 respectively with median RoIC (post tax)/RoE of 20%/21% respectively in FY23-26.

We value RRK at 35x Dec'25EPS to arrive at a Dec'24TP of INR 1,650, a potential upside of 23% to CMP, and also believe that CMP offers 20% IRR potential over the next 3 years. We initiate coverage with a **BUY** rating. Our analysis indicates median average P/E for FMEG companies has been around 36.3/36.7x/37.4 over 3/5/10 year periods respectively.

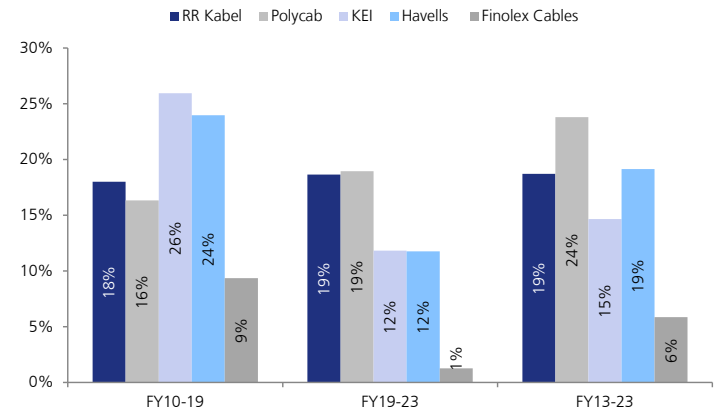
We believe RRK is well placed to ride on the growth given its long-term track record of consistent and superior growth compared to peers and has the potential to scale up its FMEG business well.

Exhibit 72. RRK's W&C revenue CAGR highest among peers



Source: Company, JM Financial;

Exhibit 73. RRK had one of the highest EBIT CAGR in W&C



Source: Company, JM Financial;

Exhibit 74. Valuation Comp

	CMP	Mkt Cap (INR bn)	P/E(x)			EV/EBITDA(x)			ROE(%)			FY23-26E CAGR		
			FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	Sales	EBITDA	EPS
ECD														
RR Kabel	1,345	152	50.1	34.5	26.9	32.7	23.8	18.8	19%	22%	24%	20%	37%	36%
Polycab	4,937	741	44.1	37.9	32.2	30.0	25.9	22.3	23%	22%	22%	18%	21%	24%
KEI Industries	2,472	223	36.7	30.0	24.1	25.0	20.4	16.4	20%	21%	21%	18%	23%	25%
Finolex Cables	921	141	23.3	19.2	17.7	19.7	16.2	14.1	14%	16%	17%	15%	21%	17%
Havells India (SA)	1,269	795	59.6	46.4	38.8	39.6	31.4	26.7	19%	21%	23%	13%	22%	23%
Crompton Consumer	283	181	34.5	27.5	23.4	23.1	19.2	16.9	18%	20%	20%	10%	13%	17%
Bajaj Electricals	1,035	119	40.3	29.3	23.7	26.5	19.6	16.0	14%	17%	19%	12%	26%	27%
V-Guard India	303	131	46.6	38.1	31.4	30.7	24.6	21.0	16%	18%	18%	14%	26%	27%
TTK Prestige	783	109	37.4	32.3	27.2	24.0	21.3	18.2	14%	15%	17%	10%	15%	14%
Stove Kraft	493	16	22.9	17.0	15.3	12.7	9.7	8.8	18%	17%	20%	14%	26%	29%
Symphony	846	58	37.8	28.8	23.6	29.4	22.6	18.7	18%	23%	25%	12%	29%	16%
Orient Electric	217	46	38.7	28.8	24.4	20.8	16.2	14.6	19%	23%	23%	12%	27%	25%
Median for sector			38.2	29.0	24.1	25.2	20.5	17.5	18%	19%	20%	12%	26%	24%

Source: Bloomberg, JM Financial estimates for RR Kabel

Competition Landscape

Exhibit 75. Wires & Cables industry competitive landscape

INR mn	R R Kabel	Polycab	KEI	Finolex	Havells	Comments
Revenue (INR mn)	55,862	141,078	69,123	44,811	168,684	
Product Mix						
W&C	49,448	127,775	65,090	42,626	55,326	
% of sales	89%	88%	94%	95%	33%	# RRK is 5th largest player in total W&C revenue. *Polycab is the largest player with INR128bn revenue.
FMEG	6,414	12,607	0	1,953	79,672	# W&C constitute 89% of FY23 revenue as compared to 91-95% for peers.
% of sales	11%	9%	0%	5%	47%	Lowest for Havells at 33% given its diversified portfolio and white goods foray.
Others	0	4,647	7,060	0	33,686	# FMEG is 11% of revenue for RRK vs 4%/9% for Finolex and Polycab, and NIL for KEI. 67% for Havells
% of sales	0%	3%	6%	0%	20%	
Geography Mix (C&W)						
Domestic C&W	36,858	113,928	58,160	42,177	NA	
% of Total Revenues	66%	81%	84%	94%	NA	
% of C&W revenue	75%	89%	89%	99%	NA	*RRK is 5th largest player in domestic C&W (given significant export mix). *Highest mix among peers. Exports is 25% of revenues vs 1-11% for peers
Exports C&W	12,590	13,847	6,930	448	NA	
% of Total Revenues	23%	10%	10%	1%	NA	
% of C&W revenue	25%	11%	11%	1%	NA	
EBIT (INR mn)						
W&C	3,516	16,724	5,899	4,705	5,247	*EBIT margins are at the lower end compared to peers on account of
% margins	7.1%	13.1%	9.1%	11.0%	9.5%	a) lower realisation (2-3% below peers) b) mix (higher share of exports) c) higher RM costs and d) scale disadvantage compared to peers like Polycab and KEI
FMEG	-695	(56)	0	22	10,362	
% margins	-10.8%	-0.4%	0	1.1%	9.1%	
Reported segmental Capital Employed (INR mn)						
W&C	13,083	38,921	17,743	10,745	4,499	
FMEG	2,447	5,034	-	362	43,040	
Others	0	2,176	3,223	79		
Unallocated	-1,333	20,554	4,924	25,911	18,606	
Total	14,197	66,685	25,890	37,096	66,145	
Segmental RoCE (Pre-tax)						
W&C	27%	43%	33%	44%	117%	
FMEG	-28%	-1%	0%	6%	24%	
NWC (INR mn)						
Inventory	7,363	29,514	11,023	6,746	37,085	
No of days	48	76	58	55	80	
Receivables	6,430	12,466	13,878	2,178	9,713	
No of days	42	32	73	18	21	*Net working capital is broadly in-line with peers. *Inventory management is the best amongst its peers
Payables	3,502	20,326	7,482	2,087	26,425	
No of days	23	53	40	17	57	
Net Working Capital	10,291	21,653	17,419	6,837	20,373	
No of days	67	56	92	56	44	
Ratios (Co Level)						
RoCE %	12.2%	21.5%	19.4%	14.4%	16.5%	
RoE %	14.7%	21.1%	20.2%	14.4%	16.8%	
Touch Points (for FY22)						
Retail Touch points	102,000	205,000	NA	150,000	222,000	
Distributors/dealers	11,000	4,600	1,900	5,000	17,000	
Retail points/distributor	9.27	44.57	NA	30.00	13.06	

Source: Industry, JM Financial

Company level comparison

- RRK is the fastest-growing company among its peers in various time periods.
- In our opinion, RRK's total EBITDA margin is the lowest among peers largely on product mix (higher W&C and exports mix within total revenue) and initial losses in FMEG segment due to investments.
- RRK's net working capital days are broadly in line with peers. Its inventory management is the best amongst peers while receivables are at the higher end on account of lesser extent of channel financing/bill discounting facilities.
- RRK has posted mid-teens RoCE/RoE in the past. Given the improvement in margins (on product mix and operating leverage), we estimate RoCE/RoE should be more than 20%, which may not be very different from peers.

Exhibit 76. Financial comps (1/2)

INR mn	FY10	FY19	FY22	FY23	FY24E	FY25E	FY26E	FY10-19	FY19-23	FY23-26E
Total Revenue										
RRK	4,264	23,881	43,859	56,604	66,998	80,773	97,396	21%	24%	20%
Havells	23,851	100,677	138,885	168,684	187,761	218,101	250,738	17%	14%	14%
V-Guard	4,541	25,940	34,982	41,260	49,745	56,011	63,515	21%	12%	15%
Crompton Consumer	16,120	44,789	53,941	68,696	74,908	83,688	93,023	12%	11%	11%
Finolex Cables	16,187	30,778	37,681	44,811	52,225	60,110	68,504	7%	10%	15%
Polycab	25,114	79,856	122,038	141,078	174,449	202,182	232,746	14%	15%	18%
KEI Industries	9,087	42,270	57,266	69,123	81,598	94,773	114,629	19%	13%	18%
Total	99,164	348,190	488,652	590,256	687,684	795,637	920,551	15%	14%	16%
Total EBITDA										
RRK	464	1,766	3,032	3,315	4,758	6,566	8,314	16%	17%	36%
Havells	3,191	11,838	17,576	16,030	17,757	22,413	28,789	16%	8%	22%
V-Guard	504	2,243	3,382	3,199	4,661	5,733	6,928	18%	9%	29%
Crompton Consumer	2,367	5,843	7,694	7,705	8,090	9,647	10,787	11%	7%	12%
Finolex Cables	1,947	4,515	4,152	4,956	6,423	7,837	9,000	10%	2%	22%
Polycab	2,261	9,528	12,652	18,521	24,162	28,008	32,574	17%	18%	21%
KEI Industries	620	4,422	5,887	7,062	8,763	10,729	13,363	24%	12%	24%
Total	11,353	40,155	54,376	60,787	74,614	90,933	109,754	15%	11%	22%
PAT										
RRK	253	856	2,139	1,931	3,031	4,398	5,637	14%	23%	43%
Havells	2,282	7,700	11,909	10,586	12,082	15,792	20,646	14%	8%	25%
V-Guard	255	1,672	2,277	1,891	2,777	3,705	4,529	23%	3%	34%
Crompton Consumer	NA	4,014	5,913	4,764	4,778	6,249	7,111		4%	14%
Finolex Cables	1,053	3,441	4,046	5,017	5,866	7,029	7,735	14%	10%	16%
Polycab	1,140	4,508	8,365	12,700	16,917	19,631	22,981	17%	30%	22%
KEI Industries	146	1,819	3,762	4,774	6,008	7,391	9,295	32%	27%	25%
Total	5,129	24,010	38,412	41,664	51,460	64,195	77,934	19%	15%	23%
EBITDA margin										
RRK	10.9%	7.4%	6.9%	5.9%	7.1%	8.1%	8.5%	8.4%	7.4%	7.6%
Havells	13.4%	11.8%	12.7%	9.5%	9.5%	10.3%	11.5%	13.1%	11.8%	9.9%
V-Guard	11.1%	8.6%	9.7%	7.8%	9.4%	10.2%	10.9%	9.2%	9.7%	9.8%
Crompton Consumer	14.7%	13.0%	14.3%	11.2%	10.8%	11.5%	11.6%	13.1%	13.3%	11.4%
Finolex Cables	12.0%	14.7%	11.0%	11.1%	12.3%	13.0%	13.1%	11.3%	12.8%	12.7%
Polycab	9.0%	11.9%	10.4%	13.1%	13.9%	13.9%	14.0%	8.9%	12.6%	13.9%
KEI Industries	6.8%	10.5%	10.3%	10.2%	10.7%	11.3%	11.7%	9.6%	10.3%	11.0%
Total	11.4%	11.5%	11.1%	10.3%	10.9%	11.4%	11.9%	11.2%	11.5%	11.1%

Source: Company, JM Financial

Exhibit 77. Financial comps (2/2)

INR mn	FY10	FY19	FY22	FY23	FY24E	FY25E	FY26E	FY10-19	FY19-23	FY23-26E
ROCE								Median	Median	Median
RRK	17%	11%	18%	14%	18%	21%	21%	12%	12%	19%
Havells	20%	19%	20%	17%	18%	21%	23%	19%	19%	19%
V-Guard	15%	20%	17%	11%	14%	18%	20%	20%	18%	16%
Crompton Consumer	264%	28%	19%	15%	17%	21%	23%	160%	28%	19%
Finolex Cables	13%	15%	13%	14%	14%	14%	14%	16%	14%	14%
Polycab	11%	16%	17%	22%	26%	26%	26%	11%	20%	26%
KEI Industries	9%	21%	18%	19%	21%	21%	21%	14%	19%	21%
Median	15%	19%	18%	15%	18%	21%	21%	17%	18%	19%
RoIC										
RRK	21%	10%	14%	13%	18%	20%	21%	13%	12%	19%
Havells	40%	27%	31%	24%	22%	27%	34%	42%	27%	25%
V-Guard	16%	22%	19%	11%	14%	18%	21%	20%	21%	16%
Crompton Consumer	NA	43%	32%	19%	17%	22%	25%	45%	43%	20%
Finolex Cables	22%	28%	14%	17%	NA	NA	NA	22%	17%	17%
Polycab	10%	17%	20%	27%	NA	NA	NA	10%	21%	27%
KEI Industries	7%	22%	20%	22%	NA	NA	NA	14%	22%	22%
Median	18%	22%	20%	19%	18%	21%	23%	18%	21%	20%
RoE										
RRK	31%	13%	18%	14%	18%	21%	21%	23%	14%	19%
Havells	21%	19%	21%	17%	17%	20%	23%	20%	19%	19%
V-Guard	19%	20%	17%	13%	16%	19%	21%	25%	18%	18%
Crompton Consumer	NA	43%	27%	19%	17%	21%	21%	56%	36%	20%
Finolex Cables	9%	15%	13%	14%	14%	16%	17%	17%	14%	15%
Polycab	16%	19%	16%	21%	23%	22%	22%	11%	20%	22%
KEI Industries	7%	26%	19%	20%	20%	21%	21%	11%	20%	20%
Median	17%	19%	18%	17%	17%	21%	21%	19%	18%	19%
Debtor days										
RRK		68	43	39	38	38	59	69	56	38
Havells		15	20	21	22	22	22	14	20	22
V-Guard		65	51	50	55	55	55	56	51	55
Crompton Consumer		46	42	36	36	36	36	46	37	36
Finolex Cables		25	17	18	NA	NA	NA	18	23	18
Polycab		67	39	32	NA	NA	NA	81	65	32
KEI Industries		95	89	73	NA	NA	NA	95	95	73
Median		65	42	36	37	37	45	63	47	37
Inventory days										
RRK		54	59	56	50	50	50	35	56	50
Havells		70	78	80	80	80	80	55	78	80
V-Guard		53	90	68	70	70	70	50	70	70
Crompton Consumer		29	49	40	40	40	40	27	39	40
Finolex Cables		70	63	55	NA	NA	NA	63	70	55
Polycab		91	66	76	NA	NA	NA	74	80	76
KEI Industries		60	69	58	NA	NA	NA	66	65	58
Median		60	66	58	60	60	60	55	66	60
Net working capital days										
RRK		93	88	67	63	63	63	93	91	63
Havells		28	36	44	47	47	47	28	36	47
V-Guard		67	89	75	65	65	75	69	73	70
Crompton Consumer		21	22	20	21	21	21	8	21	21
Finolex Cables		66	60	54	NA	NA	NA	63	66	54
Polycab		89	68	56	NA	NA	NA	91	89	56
KEI Industries		66	109	92	NA	NA	NA	86	92	92
Median		66	64	55	47	47	47	68	66	47

Source: Company, JM Financial

Segment comparison - Wires and Cables

As seen in the following exhibit, RRK has the highest revenue growth in the W&C segment among peers across various time zones.

We believe RRK's margins are lower than most of its peers on account of a) higher mix of exports (22-25% of revenue; exports are typically lower margin than domestic business), b) lower realisation, c) higher RM cost (more local sourcing vs. imports), and d) scale. We believe that pricing action (pass-on of cost inflation and reduction in gap against some of the peers) and operating leverage should help RRK improve margins in the coming years.

Exhibit 78. W&C - Segmental performance comparison with peers

INR mn	FY10	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY10-19	FY19-23	FY10-23
Copper prices (INR/kg)	289	341	346	418	444	415	490	720	687	5%	12%	7%
YoY		-15%	2%	21%	6%	-6%	18%	47%	-5%			
Aluminium prices (INR/kg)	90	105	114	133	143	125	131	206	202	5%	9%	6%
YoY		-10%	8%	17%	8%	-12%	5%	57%	-2%			
C&W Revenue												
RRK	4,264	14,727	16,982	18,617	22,405	22,846	25,203	41,118	49,849	20%	22%	21%
Polycab	25,114	52,024	56,079	63,170	70,643	75,898	75,911	107,938	127,775	12%	16%	13%
KEI	9,087	21,787	23,858	28,448	34,976	41,199	37,159	53,488	65,090	16%	17%	16%
Havells	9,843	22,081	23,794	26,834	32,346	29,942	31,802	46,451	55,326	14%	14%	14%
Finolex Cables	12,415	24,816	25,932	27,831	29,833	27,701	26,315	35,730	42,626	10%	9%	10%
Total	60,723	135,435	146,644	164,900	190,203	197,586	196,389	284,724	340,666	14%	16%	14%
C&W EBIT (Reported)												
RRK	408	1,394	1,489	1,983	1,811	1,990	2,269	3,227	3,516	18%	18%	18%
Polycab	2,138	3,800	3,979	6,407	8,351	9,309	9,069	10,545	16,724	16%	19%	17%
KEI	473	2,313	2,732	3,027	3,772	4,491	4,229	5,001	5,899	26%	12%	21%
Havells	486	1,755	2,059	2,828	3,363	3,321	4,038	5,403	5,247	24%	12%	20%
Finolex Cables	1,999	3,713	4,524	4,229	4,474	4,035	3,490	3,918	4,705	9%	1%	7%
Total	5,504	12,974	14,784	18,474	21,771	23,146	23,094	28,093	36,090	17%	13%	16%
C&W EBIT (%)												
RRK	9.6%	9.5%	8.8%	10.7%	8.1%	8.7%	9.0%	7.8%	7.1%	7.8%	8.1%	8.0%
Polycab	8.5%	7.3%	7.1%	10.1%	11.8%	12.3%	11.9%	9.8%	13.1%	7.2%	11.9%	7.9%
KEI	5.2%	10.6%	11.4%	10.6%	10.8%	10.9%	11.4%	9.3%	9.1%	10.6%	10.8%	10.6%
Havells	4.9%	7.9%	8.7%	10.5%	10.4%	11.1%	12.7%	11.6%	9.5%	7.7%	11.1%	8.3%
Finolex Cables	16.1%	15.0%	17.4%	15.2%	15.0%	14.6%	13.3%	11.0%	11.0%	14.0%	13.3%	13.2%
Total	9.1%	9.6%	10.1%	11.2%	11.4%	11.7%	11.8%	9.9%	10.6%	9.1%	11.4%	9.7%
Capital Employed (INR mn)												
RR Kabel	1,508	4,365	5,591	6,580	9,326	9,368	10,850	12,122	13,167	22%	9%	18%
Polycab	19,878	25,784	23,728	22,323	24,450	30,079	31,635	39,115	38,921	2%	12%	5%
KEI	5,546	7,211	9,168	7,623	5,597	7,558	11,590	16,152	17,743	0%	33%	9%
Havells	2,236	4,377	4,946	2,289	2,854	3,874	7,080	3,835	7,404	3%	27%	10%
Finolex Cables	5,809	5,048	7,896	8,503	9,774	10,110	11,899	10,440	13,432	6%	8%	7%
Total	33,469	42,421	45,738	47,317	52,000	60,988	73,053	81,664	90,667	5%	15%	8%
C&W RoCE % (Pre-tax)												
RR Kabel	27%	32%	27%	30%	19%	21%	21%	27%	27%	22%	21%	23%
Polycab	11%	15%	17%	29%	34%	31%	29%	27%	43%	13%	31%	16%
KEI	9%	32%	30%	40%	67%	59%	36%	31%	33%	29%	36%	30%
Havells	22%	40%	42%	124%	118%	86%	57%	141%	71%	41%	86%	48%
Finolex Cables	34%	74%	57%	50%	46%	40%	29%	38%	35%	42%	38%	38%
Total	16%	31%	32%	39%	42%	38%	32%	34%	40%	28%	38%	31%

Source: Company, JM Financial

Segment comparison - FMEG:

RRK entered into FMEG in 2017 and has been growing organically and inorganically.

As seen in the following exhibit, RRK is relatively small in size compared to leading players like Crompton, and Havells. RRK had FMEG revenue of INR 6.4bn in FY23 as compared to some of the large players like Crompton and Havells and Polycab. Finolex and KEI are smaller than RRK in this segment. Even in FY25, FMEG revenue will be lower than most of the peers and will constitute c.13% of its revenue.

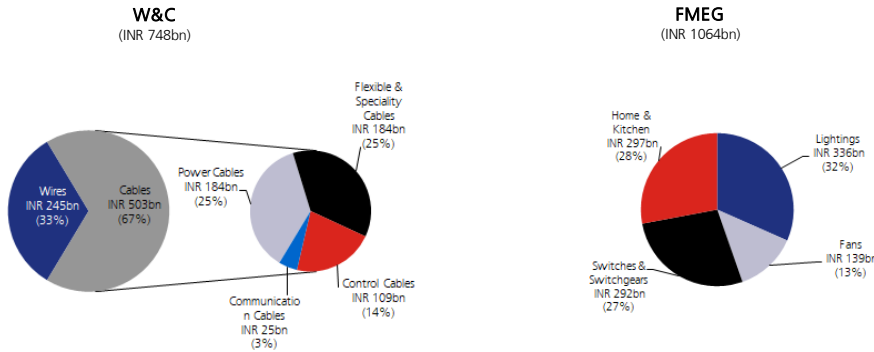
Exhibit 79. FMEG segment comparison						
INR mn	FY16	FY19	FY22	FY23	FY19-23	FY16-19
FMEG Revenue						
RRK	705	1,602	2,978	6,414	41%	31%
Havells (Excl Wires and lloyd)	30,097	58,741	76,436	95,595	13%	25%
V-Guard	10,306	14,378	18,796	23,272	13%	12%
Crompton Consumer	17,907	44,789	53,941	58,138	7%	36%
Finolex Cables	387	710	1,764	1,953	29%	22%
Polycab	1,981	6,433	12,544	12,607	18%	48%
Total	61,383	126,653	166,458	197,980	12%	27%
FMEG EBIT						
RRK	-2	-55	-298	-695		
Havells (Excl Wires and lloyd)	1,850	4,890	7,577	6,920	9%	38%
V-Guard	NM	1,271	1,539	1,388	2%	NM
Crompton Consumer	4,630	7,230	9,545	8,898	5%	16%
Finolex Cables	-86	-120	19	22	NM	12%
Polycab	160	75	196	-56	NA	-23%
Total	6,552	13,291	18,577	16,476	6%	19%
FMEG EBIT (%)					median	median
RRK	-0.3%	-3.4%	-10.0%	-10.8%	-10.0%	-1.6%
Havells (Excl Wires and lloyd)	6.1%	8.3%	9.9%	7.2%	8.3%	8.4%
V-Guard	NM	8.8%	8.2%	6.0%	8.8%	NM
Crompton Consumer	25.9%	16.1%	17.7%	15.3%	16.5%	21.2%
Finolex Cables	-22.2%	-16.9%	1.1%	1.1%	1.1%	-19.6%
Polycab	8.1%	1.2%	1.6%	-0.4%	1.6%	1%
Total	10.7%	10.5%	11.2%	8.3%	10.7%	10.8%

Source: Company, JM Financial

Industry Analysis

India is the third largest producer and the second largest consumer of electricity in the world. Consumer electrical industry is one of the important aspects of India’s economy, contributing approximately 8% to the country’s manufacturing production and approximately 1.5% to GDP. The consumer electrical industry entails heavy electrical products such as Wire & Cables and light electrical products such as FMEG.

Exhibit 80. W&C and FMEG market size (INR bn)



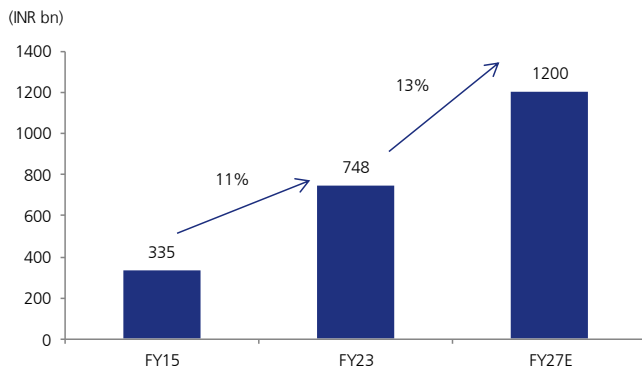
Source: Company RHP, JM Financial

A wire is a single conductor, whereas a cable is a group of conductors used for, among other things, transmitting electricity and telecommunication signals. FMEG includes electrical goods and appliances such as fans, lightings, electric heaters, and other household appliances.

The consumer electrical industry (W&C+FMEG) was estimated at approximately INR 1.8trln in FY23 and is expected to grow at a CAGR of approximately 11% till FY27 to reach a market value of approximately INR 2.61trln. The industry is highly competitive with the presence of many national and regional players, competing on the basis of factors such as products, price, customer service, post sales services, quality and delivery.

In FY23, the total domestic market for W&C industry was estimated at approximately INR 748bn, which is expected to grow at a CAGR of 13% till FY27 to reach a market value of approximately INR 1.2trln. In FY23, the total domestic market for FMEG industry was estimated at approximately INR 1,064bn, representing approximately 59-60% of the total consumer electrical industry. This is expected to grow at a CAGR of 8% till FY27 to reach a market value of approximately INR 1,465bn.

Exhibit 81. India’s Wires & Cables market size (INR bn)

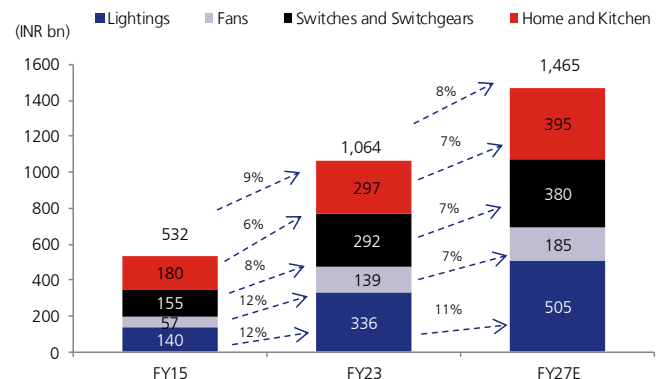


Source: Company RHP, JM Financial

The domestic W&C and FMEG industry is pivoting towards branded play. The share of branded play has grown from 60% in FY15 to approximately 72% in FY23 and is projected to reach approximately 82% by FY27.

This consolidation of branded play is driven both by demand and supply side factors: Demand side factors - rising awareness among consumers towards safety and quality; and supply side factors - GST regime and technological interventions.

Exhibit 82. India’s FMEG market (INR bn)



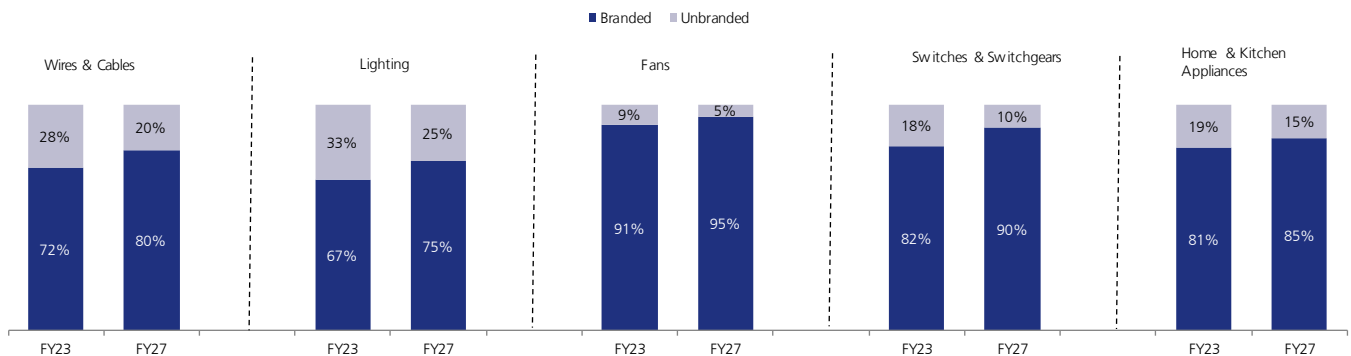
Source: Company RHP, JM Financial

- **Rising awareness among consumers towards safety and quality:** There has been a growing awareness among consumers on the need for safety and quality in electrical products. Given that products' interface involves electricity and electricals, there is heightened consumer awareness about branded play being a proxy for trust, quality, and safety. Thus, customers across income segments have increasingly started to prefer branded products over unbranded products. This consumer behaviour has led to the electrical products market pivoting towards branded play
- **Goods and service tax (GST) Regime:** With the advent of the GST regime, complete transparency of the entire go-to-market value chain (from manufacturer to retailers) has become a key imperative. This has disincentivised trade practices like under-reporting of production and sales, non-billed transactions and non-compliant behaviour. Furthermore, the input tax credit for taxes paid at different stages of the value chain has made trade of branded play acceptable and GST compliance has increased the input cost for unbranded players. These factors have narrowed the price gap between branded and unbranded products, consequently creating favourable market conditions for branded players to increase their share in the overall market.

Exhibit 83. Consumer electrical market size (INR bn)

(INR bn) Category	FY23			FY27			CAGR FY23-27 (branded market)
	Total market	Branded market	share of branded	Total market	Branded market	Share of branded	
W&C Wires and Cables	748	539	72%	1200	960	80%	15.5%
Lighting	336	225	67%	505	379	75%	13.9%
Fan	139	126	91%	185	176	95%	8.6%
FMEG Switches and Switchgears	292	239	82%	380	342	90%	9.4%
Home and Kitchen appliances	297	241	81%	395	336	85%	8.7%

Source: Company RHP, JM Financial

Exhibit 84. Share of branded vs. unbranded in W&C and FMEG industry

Source: Company RHP, JM Financial

Key growth drivers of consumer electrical industry in India

There are six key factors supported by a positive macro environment that are expected to provide growth in the W&C and FMEG industry between FY23 and FY32:

- ✓ Public and private investment outlay in infrastructure
- ✓ Continued growth of residential real estate sector
- ✓ Resilient commercial real estate sector
- ✓ Transition of automobiles and transport towards electric vehicles (EVs)
- ✓ Rural electrification
- ✓ Push towards renewable energy

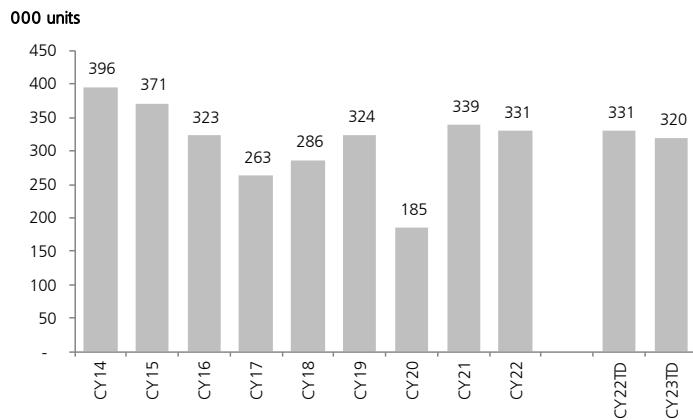
Policies undertaken by the Gol in the Infrastructure sector

- ✓ **National Infrastructure Pipeline (NIP):** Government of India (Gol) has announced an outlay of approximately INR 111trln in the infrastructure sector between FY20 and FY25 to help make India a USD 5trln economy by FY26. For FY24, the projected infrastructure investments under NIP are around INR 15.4trln.
- ✓ **Capex by Gol:** Capital investment of approximately INR 10trln on infrastructure sector (approximately 3.3% of GDP) was announced by Gol in Union Budget 2023-24. Additionally, a capital outlay of INR 2.4trln has been provided for railways. The principal areas identified for capital expenditures include roads, railways and metros, which require high supplies of W&C and FMEG products. With the expansion of transport infrastructure, Technopak expects there to be a corresponding increase in demand for electrical goods such as W&C, lighting and switchgears, thereby creating a market opportunity for W&C and FMEG manufacturers.
- ✓ **Pradhan Mantri Awas Yojana (PMAY):** Gol, under the 'Housing for All' scheme, aims to build approximately 12.3mn houses in urban and approximately 29mn houses in rural areas. Approximately 1.16mn houses (approximately 0.5mn houses in urban and approximately 0.66mn houses in rural) are under construction or to be constructed in the coming years under PMAY by CY24. Gol plans to spend INR 100bn per year for the urban infrastructure development fund. Further, the budget outlay for PMAY has been increased by 66% to over INR 790bn, as per Union Budget 2023-24.

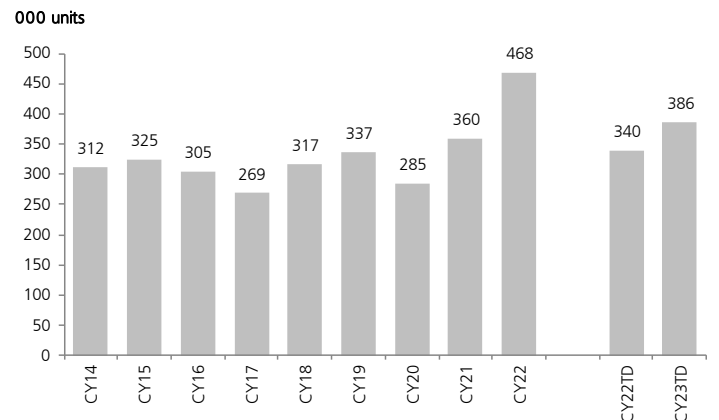
Continued growth of residential real estate sector

The demand for residential real estate in India depends on various factors such as population growth, economic conditions, and lifestyle changes. With the rise in population and urbanisation, demand for houses is likely to increase. India is expected to witness growth in residential real estate market driven by both private sector-led residential real estate and government-led affordable housing (PMAY and others) initiatives.

With the increase in demand for the residential space in both affordable and premium segments, India's residential market has witnessed rapid growth in recent years. Residential sales volume across the major cities in India witnessed a 51% annual rise from approximately 0.23mn sold in CY21 to approximately 0.35mn unit sold in CY22, signifying healthy recovery in the sector post the Covid-19 pandemic.

Exhibit 85. New launches in Tier 1 cities

Source: Prop equity, JM Financial ; Calendar year quarters

Exhibit 86. Net absorption in Tier 1 cities

Source: Prop equity, JM Financial ; Calendar year quarters

Resilient commercial real estate sector

The commercial property market is estimated to expand at a CAGR of almost 13% during CY22 to CY27. The commercial real estate sector mainly comprises office space, retail space, and data centre space in both owned and leased premises.

Office spaces are a strong demand driver for the consumer electrical industry, largely defined as institutional demand for various products offered by the consumer electrical industry.

Retail shops, either as standalone units or as part of a controlled space such as malls or mixed used buildings represent the second driver of commercial real estate. India's consumption basket for the overall retail market in CY22 was USD 844bn and is expected to reach USD 1,162bn by CY25. Of this, traditional share of retail is expected to be approximately 80% and the share of brick-led modern retail is expected to be approximately 11% by CY25. The share of e-commerce was approximately 6% in CY22 and is expected to reach approximately 9% by CY25.

Exhibit 87. India market for office space (in mn sqft)

Source: Company RHP; 2022 figures are actual till Sept'22

Transition of automobiles and transport towards EVs

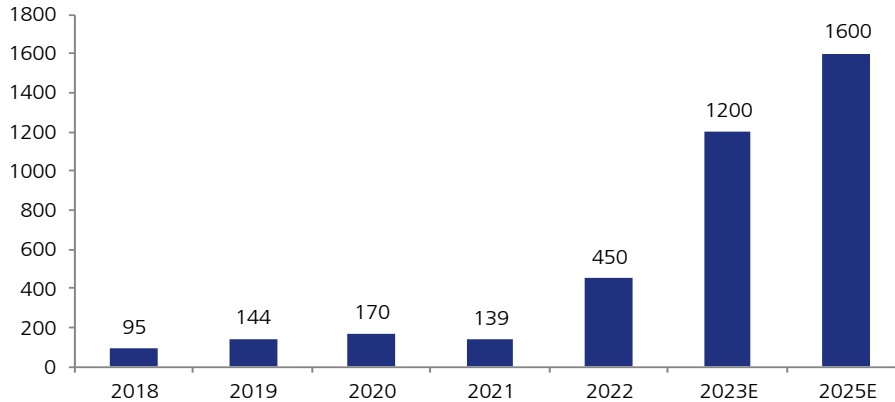
EVs use electricity to charge their batteries, which requires proper setup of wiring cables and switches to ease the process of plug-in/out at the charging stations or at home. With the increase in transition of automobiles and transport vehicles towards EVs, there is increased demand for supply of charging stations, thus enabling the supply of more electrical products. Therefore, it is an important demand driver for the W&C industry.

The GoI has a target to achieve 30% electrification of India's vehicle fleet by CY30 and has introduced several incentives and policies to support the growth of the EV industry. EV sales

are estimated to grow four times by CY25 and go up further to over 10 million units by CY30. It is estimated that India's domestic electric vehicle market will see a 47% CAGR between CY22 and CY30, with 10mn annual sales by CY30. Further, the EV market in India is expected to grow from USD 3.2bn in CY22 to approximately USD 110bn in CY29.

Exhibit 88. EV units sold in India (CY)

('000 units)



Source: Company RHP, JM Financial

Rural electrification

Better road connectivity between villages/rural areas and towns/cities has improved the standard of living of rural households. With this, the demand for basic electricity needs has also grown over time in rural areas, thus increasing the demand for electrical goods.

The Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) introduced by Gol was launched on 3rd Dec'14 with the objective of providing electricity supply to rural India and electrifying non-electrified villages in India. Further, the Pradhan Mantri Sahaj Bijli Har Ghar Yojana – Saubhagya (Saubhagya) was launched in Oct'17 by Gol for electrification of rural and urban poor households in India. As per the report by Ministry of Power, Gol, a total 2.9crore households have been electrified till Mar'23, out of which seven states, namely, Assam, Chhattisgarh, Jharkhand, Karnataka, Manipur, Rajasthan, and Uttar Pradesh reported 100% household electrification as on 31st Mar'21. More than 11.8 lakh households still remain to be electrified, which is expected to be completed over the next few years.

Push towards renewable energy

As a part of the Paris Agreement under the United Nations Framework Convention on Climate Change, many countries have committed to hold the increase in global average temperature to well below 2°C above pre-industrial levels. Japan, South Korea, and European Union have announced net zero emissions by CY50. India has also announced to achieve net zero emission by CY70.

Such commitments of different nations towards building a cleaner, greener, and sustainable environment have resulted in increased adoption of renewable energy projects such as solar and wind energy, which, in turn, is expected to serve as a key growth driver for W&C and FMEG industry in India as well as the global market. India is planning to install 500GW of renewable energy capacity by CY30, which is expected to involve an investment of at least INR 2.4trln.

India's energy demand is expected to increase more than that of any other country in the coming decades due to its sheer size and enormous potential for growth and development. India's renewable energy capacity reached 168.96GW by Feb'23 and is expected to achieve 500GW of installed renewable energy capacity by 2030, out of which 280GW is expected from solar energy.

India has installed capacity of around 62GW of solar power plants as on 30th Nov'22, of the total target installation of 100GW grid-connected solar power plants for the National Solar

Mission (NSM) launched in Jan'10 by Gol. This includes 52GW from ground-mounted solar projects, 7.8GW from rooftop solar projects, and 2.1GW from off-grid solar projects. Further, new developments in solar projects are being approved in different states to generate electricity, which is scaling up demand for electrical goods to connect long-distance grids with each other.

To facilitate largescale grid-connected solar power projects, a scheme for "Development of Solar Parks and Ultra Mega Solar Power Projects" is under implementation with a target capacity of 40GW capacity by Mar'24. Better road connectivity between villages/rural areas and towns/cities has improved the standard of living of rural households. With this, the demand for basic electricity needs has also grown over time in rural areas, thus increasing demand for electrical goods.

Exhibit 89. Impact of key drivers on the W&C and FMEG industry

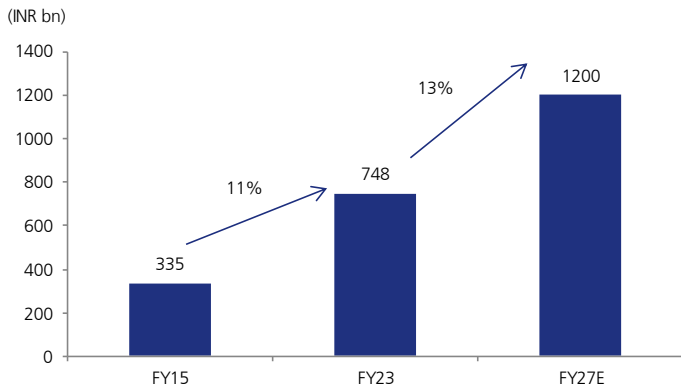
Key growth drivers of W&C and FMEG industry	W&C	Lights	Fans	Switches and Switchgears
Public and private investment outlay in infrastructure	High	Medium	Medium	Medium
Urbanization and smart cities	High	Medium	Medium	Medium
Urbanization and smart cities	High	High	High	High
Continued growth of residential real estate sector	High	High	High	High
Resilient commercial real estate sector	High	High	High	High
Transition of automobiles and transport towards electric vehicles	High	NA	NA	NA
Policy reforms promoting production, exports and ease of doing business	High	Medium	Medium	Medium
Digitalization	High	NA	NA	NA
Safety standards	High	High	High	High
Rural electrification	High	Medium	Medium	Medium
Push towards renewable energy	High	NA	NA	NA

Source: Company, JM Financial

A. India Wires and Cable Market

The W&C market constitutes approximately 42% of India’s W&C and FMEG industry. It has grown at a CAGR of approximately 11% from INR 335bn in FY15 to INR 748bn in FY23 and is further expected to grow at a CAGR of approximately 13% till FY27 to reach a market value of INR 1.2trln.

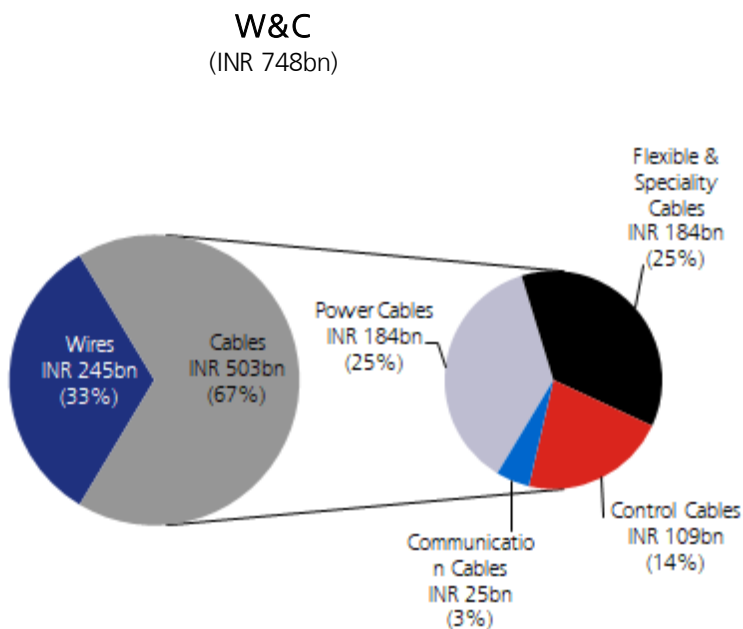
Exhibit 90. Indian wires and cable market (INR bn)



Source: Company DRHP; Note-this doesn’t include exports

Housing wires constitute approximately 32.8% (INR 245bn) of the wires and cables industry in India, followed by power cables and flexible and specialty cables accounting for approximately 24.6% of the industry each. RRK is one of the leading consumer electrical companies in the housing wire segment in India, representing approximately 10.4% market share by value in FY23.

Exhibit 91. W&C- Market sizing

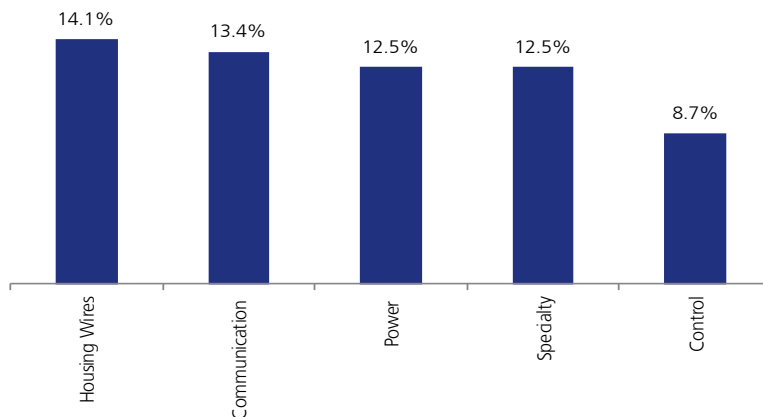


Source: Company RHP, JM Financial

Exhibit 92. Sub-categories of Wires and Cables

Sub-category of W&C	Sectors in which pre-dominantly used
Housing Wires	<ul style="list-style-type: none"> • Wiring of residential and commercial buildings such as apartments, shopping complexes and offices.
Power Cables	<ul style="list-style-type: none"> • Power transmission and distribution • Solar and wind energy
Control and instrumentation cables	<ul style="list-style-type: none"> • Chemical and fertilizers • Automotive • Steel • Oil and gas
Communication cables	<ul style="list-style-type: none"> • Service sector • Industrial sector such as steel, automotive etc. • Residential buildings for internet, intercom purpose
Flexible and specialty cables	<ul style="list-style-type: none"> • Consumer appliances • Railways • Mining • Marine, oil and gas facilities offshore / onshore

Source: Company DRHP, JM Financial

Exhibit 93. FY23-27 CAGR of sub-categories of Wires and Cables

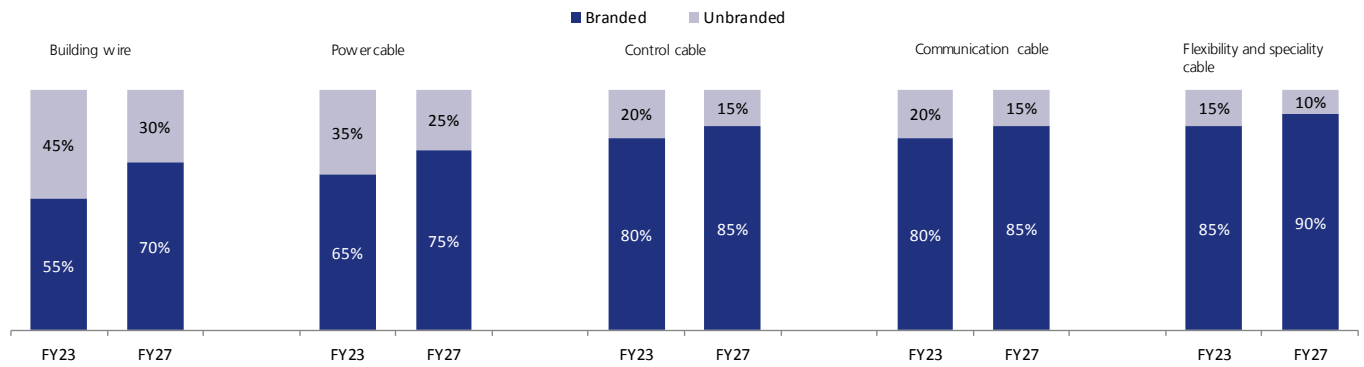
Source: Company RHP, JM Financial

Shift towards branded play

As of FY23, branded players have nearly 72% of the market share (approximately INR 538bn) of the W&C market in India. Within this 72%, five leading players namely Polycab, KEI, Havells, Finolex and RRK, have approximately 60-62% market share and the balance 38-40% is controlled by challenger brands like Syska and V-Guard. Branded players are estimated to capture approximately 80% (approximately INR 960bn) market share by FY27.

The W&C market in India has steadily moved from largely unbranded play towards branded play, including regional and national players, because of reasons such as rising awareness among consumers towards safety and quality and advent of GST regime, etc.

Exhibit 94. Share of branded play within sub categories of India's W&C market



Source: Company RHP, JM Financial

New technological interventions

Increasing technological interventions in the W&C industry with the objective of achieving more safety and energy efficiency are pivoting the market towards branded players.

- LSOH:** Low smoke zero halogen wires and cables have cable jacketing and insulation, made up of materials that produce low smoke and non-toxic halogens on being exposed to fire or high temperatures. Such materials are used in poorly ventilated areas such as aircraft and rail carriages. In fire incidents, low smoke factor of the cable would help in maintaining visibility and reducing respiratory damages, while zero halogen inhibits the production of toxic halogen gas. All the five leading players in the industry namely Polycab, KEI, Havells, Finolex and RRK manufacture LSOH wires and cables. RRK is the first company in India to introduce LSOH insulation technology in W&C products.
- UCT:** W&C with UCT helps in saving space because of high density wiring. These have negligible chances of breakage while stripping the insulation, facilitating perfect contacts with compact bunching, enabling better conductivity and savings. Additionally, the increased mechanical strength of W&C minimises breakage of strands, thereby enhancing safety. RRK is the first company in India to introduce UCT (heat resistant and flame retardant) products.
- E-beam (electron beam):** E-beam cross-linking technology protects wire and cable insulation from the heat of short-circuits because of high-temperatures. The processing improves a range of properties of W&C such as tensile strength especially at elevated temperatures, abrasion-resistance, thermal-resistance, cut through-resistance and shear and compressive strength. Electron beam cross-linked wires and cables are green and eco-friendly in nature. Among leading players, Polycab manufactures e-beam wires and cables in the industry along with certain other players such as Apar Industries and Vindhya Telelinks.

Distribution channel

The W&C industry is a distribution-led traditional retailer-driven category. A typical value chain involves manufacturing brands, distributors, retailers and customers. In case of housing wires, electricians form the major segment of customers in the value chain. In certain instances, manufacturers sell directly to institutions. There are also direct dealers in the market who buy the products from brand manufacturers and sell those, either to retailers or directly to the customers. Contractors, architects, institutional buyers and end-consumers form the customer base of the W&C market.

The distributor buys W&C from brand manufacturers usually at a discount of approximately 35-40%. The distributor can garner additional discount linked to turnover and cash discount. The distributor further sells the product to retailers and retains a margin of approximately 4-5%. Retailers sell the product to end consumers with a retained margin of approximately 5-6%. In instances where manufacturing brands sell directly to institutions, they give a discount of approximately 40-45% on the price. Where manufacturing brands sell their products to

direct dealers, they give a discount of approximately 35-40% and additional turnover / cash discounts of approximately 5-6%. Direct dealers retain a margin of approximately 3-4% while selling to retailers and approximately 4-5% while selling directly to end-consumers.

B2B sales means direct sales by manufacturing brands to large institutions, government projects and OEMs, whereas B2C sales means sale of wires and cables by manufacturing brands through distributors and dealers to customers (such as small projects and contractors, architect and consumers). B2C sales provide higher gross margins as compared to B2B sales.

Competitive landscape of Wires & Cables Industry

India's W&C industry has been gradually moving from largely unbranded players towards branded players as a result of increasing technological and product complexities, as well as growing marketing and branding activities by branded players.

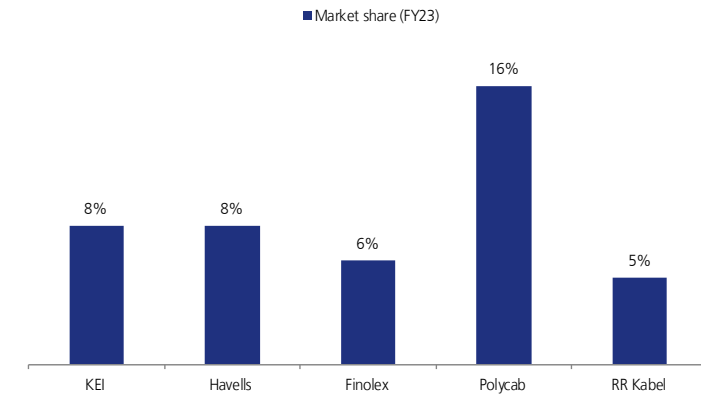
RRK's share in the domestic W&C market has increased from 3% in FY15 to 5% in FY23. W&C is a distribution-led category wherein the role of distributors and retail touchpoints is critical for capturing the market. For instance, RRK has approximately 7,106 distributors spread across pan-India and approximately 114,851 retail touch points as of Jun'23.

Exhibit 95. Presence of leading players in various sub-categories in W&C market

Players	Power Cable (LT/HT/EHV)	Control and Instrumentation Cable	Communication Cable	Housing Wires	Flexible and Specialty cables
KEI	✓✓	✓	✓	✓	✓
Havells	✓	✓	✓	✓	✓✓
Finolex	✓	✓	✓	✓✓	✓
Polycab	✓✓	✓	✓	✓	✓
RR Kabel	✓*	✓	✓	✓✓	✓

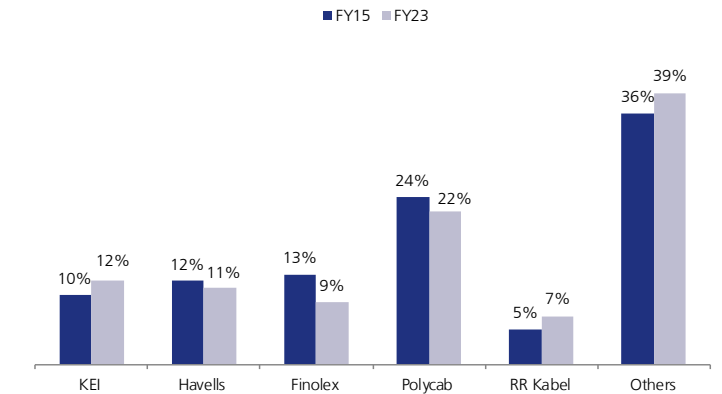
Source: Secondary research and Technopak Analysis; ✓ - Presence, ✓✓ - Primary sub category

Exhibit 96. Market share of players in domestic W&C market



Source: Company RHP, JM Financial

Exhibit 97. Market share of branded players (% of branded market)



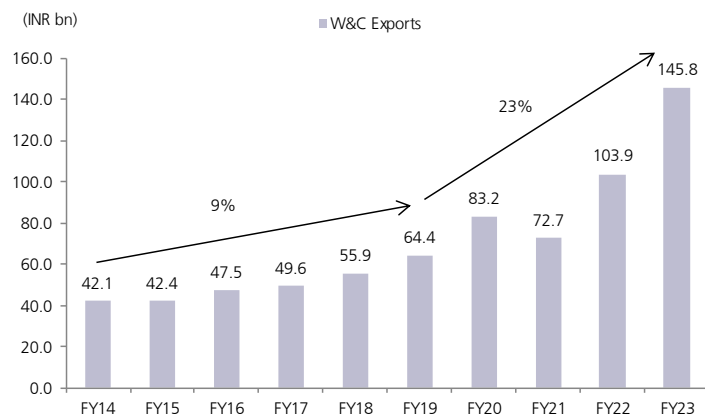
Source: Company RHP, JM Financial

Exports of Wires and Cables:

As per industry sources, global wire and cable market was valued at \$213.6 billion in 2022, and is projected to reach \$323.8 billion by 2032, growing at a CAGR of 4.6% from 2023 to 2032. Rise in government initiatives to improve manufacturing and electrification activity and surge in demand for higher bandwidth network by different industries drive the growth of the market. Moreover, an upsurge in trend of renewable energy generation across the globe drives the growth of the global cables market. In addition, an increase in deployment of new power grid infrastructure boosts growth in demand for the cables. Moreover, an upsurge in demand for power across the globe creates lucrative growth opportunities for market growth.

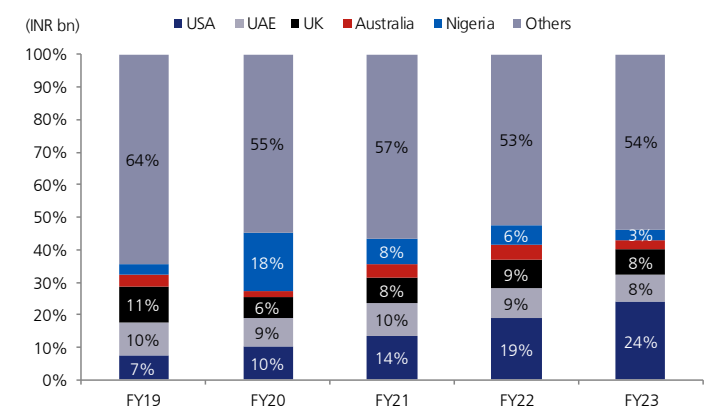
India's W&C industry exported products valued at approximately INR 145.8bn in FY23. It majorly exports to the US (approximately 24% of exports), followed by UAE (8%) and UK (8%). In FY23, Polycab surpassed RRK to become largest exporter of wires and cables from India, in terms of value, with approximately 9.3% market share of India's W&C exports (RRK market share at 8.7%).

Exhibit 98. Exports trend



Source: Ministry of trade and statistics

Exhibit 99. Export share by countries (FY23)



Source: Ministry of trade and statistics

Exhibit 100. Exports trend of leading W&C players

Players	Exporting no of countries	Revenue (INR mn)				FY20-23
		FY20	FY21	FY22	FY23	
Polycab	70+	10,950	7,470	8,420	13,830	8%
RRK	63	5,020	5,830	10,070	12,700	36%
KEI	60+	8,790	6,270	5,850	6,930	-8%
Havells	70+	3,170	3,610	5,040	2,940	-2%
Finolex	USA and UAE	260	310	280	430	18%

Source: Company RHP, Industry, Company

The W&C exports market has grown at a CAGR of 9% from FY14 to FY23 and is expected to grow positively in future. This growth would be driven primarily by three factors –

- **China + 1 strategy:** In the 1990s, many global manufacturing entities in geographies such as US and Europe shifted their production facilities to China owing to favourable factors of production, which made China the centre of the global supply chain. But in CY21, when there was a surge in demand across the world post the Covid-19 pandemic, China's zero Covid policy and supply chain disruption issues made it difficult for these manufacturing entities to meet demand. As a result, many companies began efforts to diversify their business and investment out of China to alternative destinations.
- **Export incentives:** Various policy interventions by Gol to promote export of goods and services is expected to further boost the W&C exports market for Indian players. For instance, AAS and the EPCG Scheme are being implemented to enable duty free import

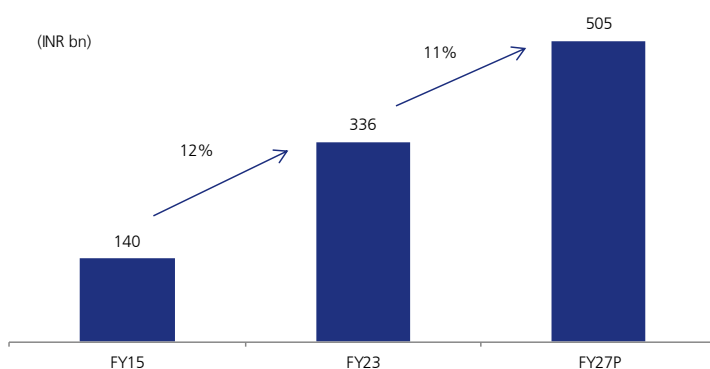
of raw materials and capital goods for export production. The RoDTEP scheme, which offers rebates on various central, state, and local duties/ taxes on exported products, has also been introduced.

- Technical and Regulatory compliance: Many countries have stringent technical standards and compliances for wires and cables products. For example, Europe has laid out regulatory compliances such as REACH, ROHS and CPR.
- Transition towards clean and green energy: Commitment of various countries towards achieving a cleaner and greener environment, for instance, the Paris agreement, and net zero emission have resulted in increasing adoption of renewable projects across the globe. These are expected to increase demand for W&C in the global market, which, in turn, will provide a great opportunity for India's exports.

B. India Lighting Market

The total market for lighting in India was an estimated INR 336bn in FY23, growing at a CAGR of approximately 12% from INR 140bn in FY15. This market is expected to grow at a CAGR of approximately 11% till FY27 to approximately INR 505bn in annual sales.

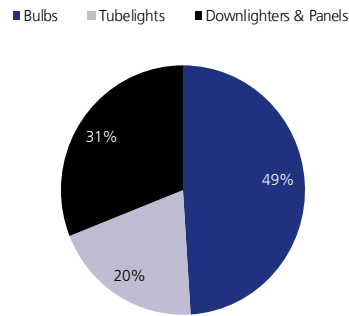
Exhibit 101. India's lighting industry market size (INR bn)



Source: Company RHP, JM Financial

By source type, the lighting industry is sub-divided into LED and conventional lighting. LED makes up 85% of this industry (up from approximately 20% in FY15) as of FY23 and is projected to reach 95% by FY27. This is largely due to awareness of consumers towards, among other things, energy efficiency, longer life span of LEDs and reliability. Eventually, the LED segment is expected to completely replace conventional lighting.

By product type, the lighting industry can be sub-divided into three key segments - bulbs, tube lights, and downlights and panels. Bulbs account for approximately 50% of the lighting industry in India, followed by downlights and panels at approximately 30%; the balance of approximately 20% is contributed by tube lights. While bulbs and tube lights are primarily used in households and restaurants (including for decorative purpose), downlights and panels are primary installed in commercial establishments and workplaces.

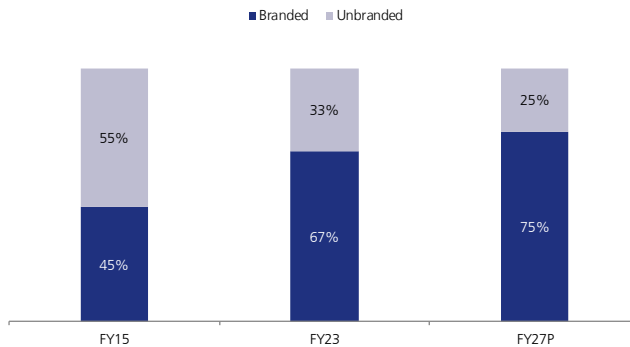
Exhibit 102. Break-up of lighting industry (FY23)

Source: Company RHP, JM Financial

Basis price points, the lighting market can be categorised into four price segments, namely, economy, standard, premium and super premium.

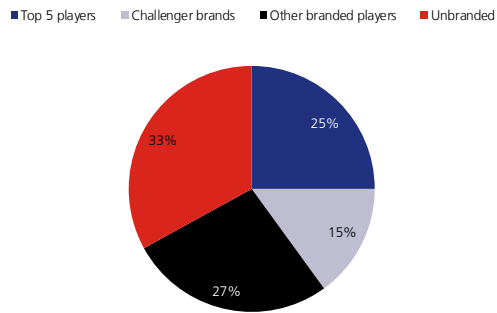
The lighting industry in India is steadily shifting towards the premium segment, with approximately 45% market share in FY23, as opposed to approximately 35% market share in FY15. Many leading and challenger players are launching the premium category in lighting. Havells has launched a Glamax smart batten, Aurom smart downlighter that can be operated using smartphone (to alter the brightness or change colours as well). The premium category is expected to contribute approximately 60% to the lighting market by FY27.

Branded players vs unbranded: As of FY23, India's lighting market is disproportionately distributed between branded and unbranded players with branded players occupying approximately 67% of the market (up from approximately 45% in FY15). The top 5 branded players including Philips, Havells, Crompton Greaves, Surya and Syska contributed INR 90bn to the overall market. Branded players are estimated to capture approximately 75% market share by FY27.

Exhibit 103. Share of branded vs. unbranded in India's lighting market

Source: Company RHP, JM Financial

Competitive scenario: The leading players in the lighting industry include Philips, Havells, Crompton Greaves, Surya and Syska. Philips is the leader in India's market with approximately 10% market share, followed by Havells and Crompton.

Exhibit 104. Market share of players in domestic lighting industry in India (FY23)

Source: Technopak Analysis ; Note – leading players include Phillips, Havells, Crompton, Surya, Bajaj Electricals and Syska. Challenger brands include players like Wipro, Panasonic, and RR Kabel.

C. India Fans market

The total market for fans has grown at a CAGR of approximately 12% from INR 56.9bn in FY15 to INR 139bn in FY23 and is further expected to grow at a CAGR of approximately 8% till FY27 to reach a market value of INR 185bn.

The fan market in India can be sub-divided into three key segments: ceiling fans, table, pedestal and wall (collectively TPW) fans, and industrial and exhaust fans (Other fans). Ceiling fans account for approximately 72% of the fan industry in India followed by TPW fans at approximately 20% and Other fans at 8%.

Ceiling fans are primarily used in households and commercial establishments whereas table fans are primary installed in small shops and workplaces. The total market for ceiling fans has grown at a CAGR of approximately 12% from INR 41bn in FY15 to INR 100bn in FY23 and is further expected to grow at a CAGR of approximately 8% till FY27 to reach a market value of INR 135bn.

Construction of new houses, replacement demand in existing households, increase in installation ratio of fan per household and successful execution of energy efficiency norms are expected to provide the required impetus for increase in demand of fans in India. Additionally, the growth in fan exports because of global requirements is also expected to drive the production of fans in India.

Price segmentation - ceiling fans

As per price points, the entire ceiling fan market can be categorised into three price segments, namely, economy, standard and premium.

Exhibit 105. Price segmentation of ceiling fans (FY23)

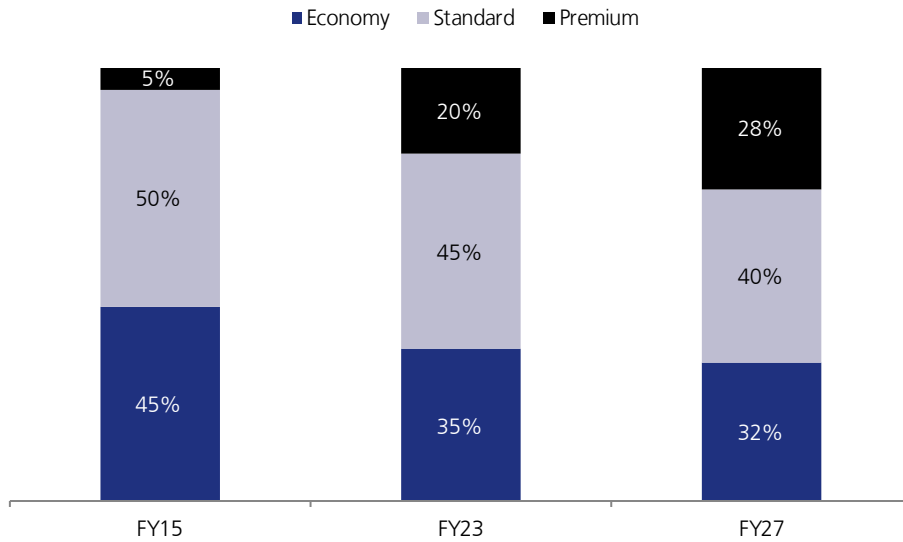
Segment	Price range	Examples
Economy	<INR 1500	Luminous Morpheus 1200mm 3 Blade Ceiling Fan, Crompton Jura 1200mm 3 Blades Ceiling Fan, Oriental-Stellar 600mm Stylish Fan, Havells SS390 1200 mm 3 Blade Ceiling Fan
Standard	INR 1500 – INR 4000	RR Kabel White Ceiling Fan with Remote, Standard Zinger 1200 mm 3 Blade Ceiling Fan by Havells, Crompton Alpha Broz 1200 mm 3 Blade Ceiling Fan, Crompton Gianna 900 mm 3 Blade Ceiling Fan
Premium	>INR 4000	Luminous Lucrezia 1320mm Remote 5 Blade Ceiling Fan, Havells Stealth Puro Air 1250mm 3 Blades Ceiling Fan, Orient Stallion-1 1200 mm 4 Blade Ceiling Fan, Orient Electric Aero slim 1200mm 3 Blades Ceiling Fan, Crompton Nebula 4-Blade Ceiling Fan

Source: Company RHP, JM Financial

The fan industry in India is steadily shifting towards the premium segment, with approximately 20% market share in FY23, as compared to approximately 5% market share in FY15. Higher disposable income has enhanced the purchasing power of people, which has resulted in increased demand for technologically advanced and aesthetic fan products. Production of smart- and IoT-enabled ceiling fans, enhanced design in terms of colour and aesthetics of ceiling fans, feature reinforcement through air purification and bladeless features are expected to serve as the key drivers of premiumisation in the Indian fan market.

The fan market is absorbing the drivers of premiumisation, as is evidenced in the rising share of premium products in the overall fan market. The premium segment is expected to garner approximately 28% market share by FY27. Many leading and challenger players are launching premium and decorative fans.

Exhibit 106. Price segmentation of fans industry in India

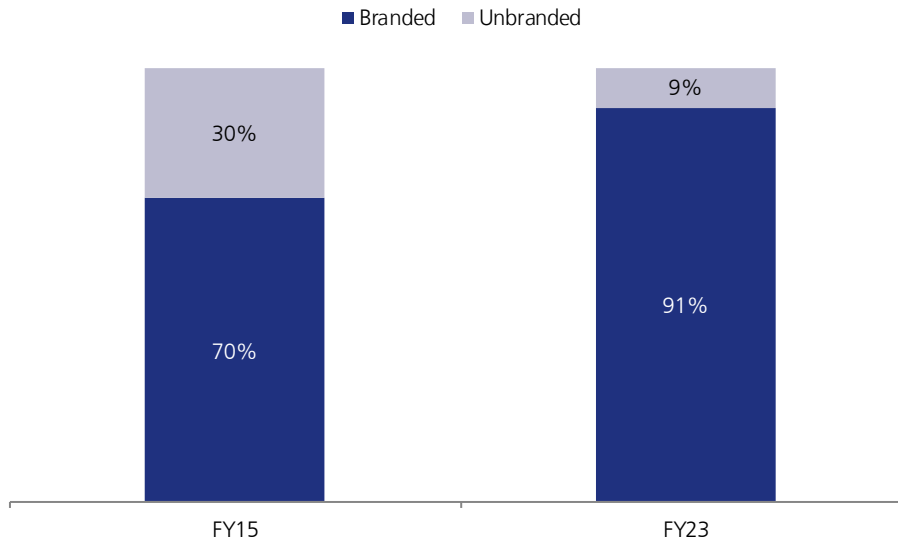


Source: Company RHP, JM Financial

Key trends shaping the fans industry

Shift towards branded play: India's ceiling fan market is primarily dominated by branded players, who control close to 91% of the market, out of which the 4-5 top players garner approximately 80% market share. These leading players include Crompton Greaves, Havells, Orient Electric, Bajaj Electricals, and Usha. The remaining share of branded play market is controlled by challenger brands like RR Kabel and V-Guard. Branded players are estimated to capture approximately 95% market share by FY27.

Exhibit 107. Share of branded play in Indian ceiling fan market

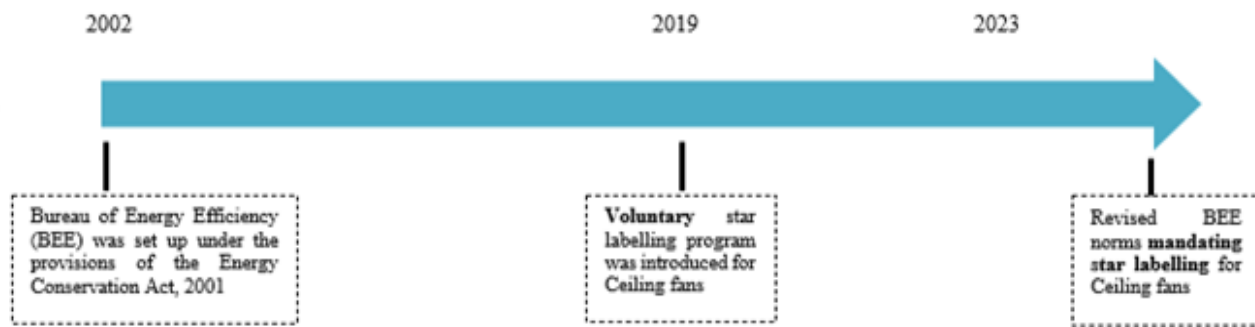


Source: Secondary research and Technopak Analysis

Energy efficiency labelling system: Voluntary star labelling for ceiling fans was introduced by BEE in CY19 and star labelling has been mandated from 1st Jan'23 by Gol. The evolution of this category with good practices around energy efficiency is pivoting the market towards branded play. Unbranded players do not focus on energy efficiency, safety practices, standardisation, etc. and the only leverage they have is price. Owing to the energy efficiency rating system, it will be difficult for them to compete in the market and eventually they will be crowded out by branded play. The overall Indian ceiling fan market will eventually converge into all fans being star rated.

Demand for energy efficient fans has been rising as Indian consumers are increasingly aware of the advantages of having energy efficient appliances. On average, a ceiling fan constitutes 20% of the electricity consumed by an Indian household. Brushless Direct Current (BLDC) technology makes ceiling fan highly energy efficient by reducing energy consumption to almost one-third of a regular induction motor fan. These fans are rated as 5-star energy efficient fans. Cost of BLDC fans are typically on a higher side because of the complex technology and electronics involved. Owing to the shift in consumer mindset towards energy efficient fans, leading fan manufacturers such as Crompton Greaves, Orient Electric and challenger brands like RRK and new entrants like Atom Berg, Halonix Technologies have been extensively manufacturing BLDC fans over the past few years.

Exhibit 108. Evolution of energy efficiency in Fans



Source: Secondary research

Competitive landscape in domestic fans market

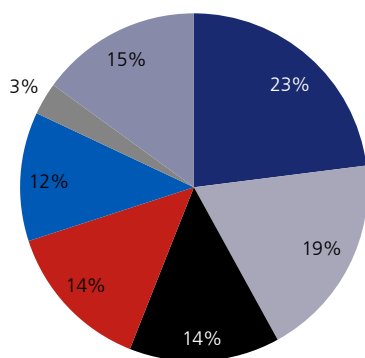
India’s fan market is primarily dominated by branded players, who control close to 90% of the market; 4-5 leading players account for close to 80% of the market. These leading players include Crompton Greaves, Havells, Bajaj Electricals, Usha and Orient Electric.

Crompton Greaves is the market leader having approximately 23% market share by value, followed by Havells (approximately 17% market share), Bajaj Electricals (approximately 13% market share), Usha (approximately 13% market share) and Orient Electric (approximately 11% market share). The remaining share of branded play market is controlled by challenger brands like V-Guard, RR Kabel (approximately 3% market share), etc.

Fan segment is a distribution-led category wherein the role of distributors and retail touchpoints are critical for capturing the market. Leading players like Havells have close to 14,000 distributors spread across India and have approximately 2,05,000 retail touchpoints. In the premium segment, Havells has captured approximately 45% of the market. Fan segment serves as an important category for some of the leading players in the electrical consumer durables industry, contributing close to 45-50% of their total revenue. Fans contribute approximately 62% of the total revenue of Orient Electric, and approximately 45% of the total revenue for Crompton Greaves and Usha.

Exhibit 109. Market share of players in domestic fans market (FY23) by value

■ Crompton ■ Havells ■ Bajaj ■ Usha ■ Orient ■ RR Kabel ■ Others



Source: Company RHP

Annexure

Exhibit 110. RRK's global certifications

Manufacturing Facility	Name of certification	Issuing Authorities
Waghodia Facility	CSA 22.2	CSA (Canada)
	UL 1015	UL (USA)
	UL 1007	UL (USA)
	UL 1275	UL (USA)
	UL 1569	UL (USA)
	UL 11562	UL (USA)
	UL 2586	UL (USA)
	UL 2587	UL (USA)
	UL 2464	UL (USA)
	UL 2576	UL (USA)
	UL 2598	UL (USA)
	UL 3289	UL (USA)
	UL 3321	UL (USA)
	UL 3173	UL (USA)
	UL 3271	UL (USA)
	UL 3344	UL (USA)
	BS 5467:2016	BASEC (UK)
	BS EN 50525-2-31:2011	BASEC (UK)
	BS EN 50525-2-11:2011	BASEC (UK)
	BS 6004:2012, 6181Y	BASEC (UK)
BS 6231:2006	BASEC (UK)	
BS EN 50525-3-41:2011	BASEC (UK)	
EN 50618, SOLAR CABLE	TUV Rheinland (Germany)	
ETL approval for Sprinkler cable For USA & CANADA	Intertek (Etl) (USA)	
Silvassa Facility	DIN EN 50525-2-31 (VDE 0285-525-2-31):2012-01 ; EN 50525-2-31:2011	VDE (Germany)
	DIN EN 50525-2-11 (VDE 0285-525-2-11):2012-01 ; EN 50525-2-11:2011	VDE (Germany)
	CE Certification (2014/35/EU and 2014/30/EU)-Certificate No. 11846	UK Certification and Inspection Limited
Roorkee Facility	CB Certification (2014/35/EU and 2014/30/EU)	IEC
	Gulf Type Examination certificate	Bureau Veritas Saudi Arabia Testing Services
	EMI/EMC test Report	AA Electro Magnetic Test Laboratory P. Ltd.
	CE Certification (2014/35/EU and 2014/30/EU)-Certificate No. 2188	UK Certification and Inspection Limited

Source: Company, JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	43,859	55,992	66,998	80,773	97,396	
Sales Growth	61.0%	27.7%	19.7%	20.6%	20.6%	
Other Operating Income	0	0	0	0	0	
Total Revenue	43,859	55,992	66,998	80,773	97,396	
Cost of Goods Sold/Op. Exp	36,080	45,757	54,269	65,184	78,111	
Personnel Cost	1,889	2,642	3,302	3,797	4,557	
Other Expenses	2,859	4,370	4,670	5,226	6,414	
EBITDA	3,032	3,223	4,758	6,566	8,314	
EBITDA Margin	6.9%	5.8%	7.1%	8.1%	8.5%	
EBITDA Growth	31.8%	6.3%	47.6%	38.0%	26.6%	
Depn. & Amort.	461	596	722	924	1,104	
EBIT	2,572	2,627	4,035	5,642	7,209	
Other Income	463	344	400	490	588	
Finance Cost	233	421	380	240	240	
PBT before Excep. & Forex	2,802	2,550	4,055	5,892	7,557	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	2,802	2,550	4,055	5,892	7,557	
Taxes	704	661	1,054	1,529	1,960	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	2,097	1,889	3,001	4,363	5,597	
Adjusted Net Profit	2,139	1,899	3,031	4,398	5,637	
Net Margin	4.9%	3.4%	4.5%	5.4%	5.8%	
Diluted Share Cap. (mn)	78.2	95.7	112.8	112.8	112.8	
Diluted EPS (INR)	27.4	19.8	26.9	39.0	50.0	
Diluted EPS Growth	58.0%	-27.5%	35.4%	45.1%	28.2%	
Total Dividend + Tax	217	386	667	1,099	1,578	
Dividend Per Share (INR)	2.8	4.0	5.9	9.7	14.0	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	8,450	10,045	18,362	21,661	25,719	
Share Capital	391	478	564	564	564	
Reserves & Surplus	8,059	9,567	17,798	21,097	25,155	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	9,202	9,310	3,890	3,390	3,290	
Def. Tax Liab. / Assets (-)	131	149	149	149	149	
Total - Equity & Liab.	17,783	19,504	22,401	25,199	29,158	
Net Fixed Assets	4,414	5,607	7,428	9,004	9,900	
Gross Fixed Assets	5,993	7,753	10,303	12,803	14,803	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	2,008	2,581	3,304	4,228	5,332	
Capital WIP	429	436	429	429	429	
Investments	2,624	3,627	3,627	3,627	3,627	
Current Assets	13,416	17,102	18,437	20,692	25,001	
Inventories	7,096	8,602	9,178	11,065	13,342	
Sundry Debtors	5,171	5,919	6,975	8,409	10,140	
Cash & Bank Balances	123	811	165	-1,337	-1,561	
Loans & Advances	1,025	1,771	2,119	2,555	3,081	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	2,670	6,832	7,091	8,124	9,370	
Current Liabilities	1,679	4,401	4,589	5,532	6,671	
Provisions & Others	992	2,431	2,502	2,591	2,699	
Net Current Assets	10,745	10,270	11,346	12,568	15,631	
Total - Assets	17,783	19,504	22,401	25,199	29,158	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	2,844	2,560	4,085	5,927	7,597	
Depn. & Amort.	461	596	722	924	1,104	
Net Interest Exp. / Inc. (-)	343	390	-20	-250	-348	
Inc (-) / Dec in WCap.	-1,754	1,534	-1,722	-2,724	-3,287	
Others	-179	40	0	0	0	
Taxes Paid	-733	-582	-1,054	-1,529	-1,960	
Operating Cash Flow	982	4,537	2,012	2,348	3,106	
Capex	-682	-1,083	-2,543	-2,500	-2,000	
Free Cash Flow	299	3,454	-531	-152	1,106	
Inc (-) / Dec in Investments	-2	-1,602	0	0	0	
Others	58	-649	400	490	588	
Investing Cash Flow	-627	-3,335	-2,143	-2,010	-1,412	
Inc / Dec (-) in Capital	0	0	1,801	0	0	
Dividend + Tax thereon	-278	-500	-667	-1,099	-1,578	
Inc / Dec (-) in Loans	224	-382	-1,269	-500	-100	
Others	-262	-133	-380	-240	-240	
Financing Cash Flow	-316	-1,015	-515	-1,839	-1,918	
Inc / Dec (-) in Cash	39	187	-646	-1,501	-224	
Opening Cash Balance	85	123	811	165	-1,337	
Closing Cash Balance	124	310	165	-1,337	-1,561	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
Net Margin		4.9%	3.4%	4.5%	5.4%	5.8%
Asset Turnover (x)		2.6	3.0	3.2	3.4	3.6
Leverage Factor (x)		2.2	2.0	1.5	1.2	1.1
RoE		28.7%	20.5%	21.3%	22.0%	23.8%

Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
BV/Share (INR)		108.0	105.0	162.8	192.0	228.0
ROIC		13.8%	13.0%	17.9%	20.3%	21.5%
ROE		28.7%	20.5%	21.3%	22.0%	23.8%
Net Debt/Equity (x)		1.1	0.8	0.2	0.2	0.2
P/E (x)		49.2	67.8	50.1	34.5	26.9
P/B (x)		12.4	12.8	8.3	7.0	5.9
EV/EBITDA (x)		54.0	50.6	33.3	24.3	19.2
EV/Sales (x)		3.7	2.9	2.4	2.0	1.6
Debtor days		43	39	38	38	38
Inventory days		59	56	50	50	50
Creditor days		15	30	27	27	27

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com

Compliance Officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: sahil.salastekar@jmfl.com

Grievance officer: Mr. Sahil Salastekar | Tel: +91 22 6224 1073 | Email: instcompliance@jmfl.com

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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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