

Recommendation		Subscribe	BACKGROUND																																																															
Price Band		Rs. 983-1035	<p>Incorporated in 1995, R R Kabel Limited provides consumer electrical products used for residential, commercial, industrial, and infrastructure purposes. It has two broad segments:</p> <p>a) Wires and cables including house wires, industrial wires, power cables, and special cables; and</p> <p>b) FMEG including fans, lighting, switches, and appliances.</p> <p><b>Objects and Details of the Issue:</b></p> <ul style="list-style-type: none"> <li>• Total issue of ~Rs.1964 Cr (at upper price band) consists of fresh issue worth Rs.180 Cr and offer for sale worth Rs.1784 Cr</li> <li>• The Company proposes to utilise the Net Proceeds from the Fresh Issue towards Repayment or prepayment, in full or in part, of borrowings from banks and financial institutions.</li> </ul> <p><b>Investment Rationale:</b></p> <ul style="list-style-type: none"> <li>• Consumer Electrical Industry in India to grow at 10% CAGR (FY23-FY27)</li> <li>• Well-positioned for growth in FMEG segment</li> <li>• Expanding W&amp;C Product Portfolio</li> <li>• Extensive domestic and global distribution network</li> </ul> <p><b>Valuation and Recommendation:-</b></p> <p>RR Kabel is the fastest growing consumer electrical company among the peers in India, growing at a CAGR of 31.2 % (FY20-FY23). It is one of the leading players in the W&amp;C industry with approximately 89% of its revenue generated from the W&amp;C segment and now has a fast-growing FMEG segment, post-acquisition of Luminous. This provides for visibility of accelerated growth in coming years. It is being offered at reasonable valuations at 61.8x FY23 earnings, considering the future growth opportunities. We recommend subscribing to the issue from long term perspective.</p>																																																															
Bidding Date		13 <sup>th</sup> -15 <sup>th</sup> Sept																																																																
Book Running Lead Manager		Axis Capital, HSBC, Citigroup Global, JM Financial																																																																
Registrar		Link Intime India																																																																
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<b>Minimum Retail Application- Detail At Cut off Price</b>																																																																		
Number of Shares		14																																																																
Minimum Application Money		Rs. 14490																																																																
Payment Mode		ASBA																																																																
<b>Consolidated Financials (Rs Cr)</b>	<b>FY22</b>	<b>FY23</b>																																																																
Total Income	4386	5599																																																																
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Adj PAT	214	190																																																																
<b>Valuations(FY23)</b>	<b>Upper Band</b>																																																																	
Market Cap (Rs Cr)	11676																																																																	
Adj EPS	16.8																																																																	
PE	61.8																																																																	
EV/ EBITDA	37.8																																																																	
Enterprise Value (Rs Cr)	12175																																																																	
<b>Post Issue Shareholding Pattern</b>																																																																		
Promoters	62.8%																																																																	
Public	37.2%																																																																	
<b>Offer structure for different categories</b>																																																																		
QIB (Including Mutual Fund)	50%																																																																	
Non-Institutional	15%																																																																	
Retail	35%																																																																	
Post Issue Equity (Rs. in Cr)	56.40																																																																	
Issue Size (Rs in Cr)	1964																																																																	
Face Value (Rs)	5																																																																	
<p>Jehan Bhadha Research Analyst (+91 22 6273 8174) jehankersi.bhadha@nirmalbang.com</p> <p>Archi Jain Research Associate (+91 22 6273 8149) archi.jain@nirmalbang.com</p>			<table border="1"> <thead> <tr> <th>Financials (Rs Cr.)</th> <th>FY20</th> <th>FY21</th> <th>FY22</th> <th>FY23</th> </tr> </thead> <tbody> <tr> <td>Net Revenues</td> <td>2478.5</td> <td>2723.9</td> <td>4385.9</td> <td>5599.2</td> </tr> <tr> <td><b>Growth</b></td> <td><b>NA</b></td> <td><b>9.9%</b></td> <td><b>61.0%</b></td> <td><b>27.7%</b></td> </tr> <tr> <td>EBIDTA</td> <td>204.8</td> <td>230.1</td> <td>303.2</td> <td>322.3</td> </tr> <tr> <td><b>EBITDA Margins</b></td> <td><b>8.3%</b></td> <td><b>8.4%</b></td> <td><b>6.9%</b></td> <td><b>5.8%</b></td> </tr> <tr> <td>PBT</td> <td>157.7</td> <td>181.4</td> <td>284.4</td> <td>255.0</td> </tr> <tr> <td>Adjusted PAT</td> <td>122.4</td> <td>135.4</td> <td>213.9</td> <td>188.9</td> </tr> <tr> <td>EPS</td> <td>10.9</td> <td>12.0</td> <td>19.0</td> <td>16.7</td> </tr> <tr> <td>ROCE</td> <td>14.8%</td> <td>13.4%</td> <td>17.3%</td> <td>14.9%</td> </tr> <tr> <td>EV/Sales</td> <td>4.9x</td> <td>4.5x</td> <td>2.8x</td> <td>2.2x</td> </tr> <tr> <td>EV/EBITDA</td> <td>59.5x</td> <td>52.9x</td> <td>40.1x</td> <td>37.8x</td> </tr> <tr> <td>P/E</td> <td>95.4x</td> <td>86.2x</td> <td>54.6x</td> <td>61.8x</td> </tr> </tbody> </table> <p>Source: Company data, NBRR</p>				Financials (Rs Cr.)	FY20	FY21	FY22	FY23	Net Revenues	2478.5	2723.9	4385.9	5599.2	<b>Growth</b>	<b>NA</b>	<b>9.9%</b>	<b>61.0%</b>	<b>27.7%</b>	EBIDTA	204.8	230.1	303.2	322.3	<b>EBITDA Margins</b>	<b>8.3%</b>	<b>8.4%</b>	<b>6.9%</b>	<b>5.8%</b>	PBT	157.7	181.4	284.4	255.0	Adjusted PAT	122.4	135.4	213.9	188.9	EPS	10.9	12.0	19.0	16.7	ROCE	14.8%	13.4%	17.3%	14.9%	EV/Sales	4.9x	4.5x	2.8x	2.2x	EV/EBITDA	59.5x	52.9x	40.1x	37.8x	P/E	95.4x	86.2x	54.6x	61.8x
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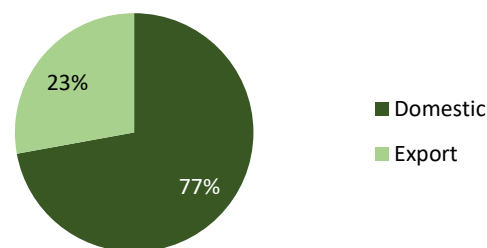
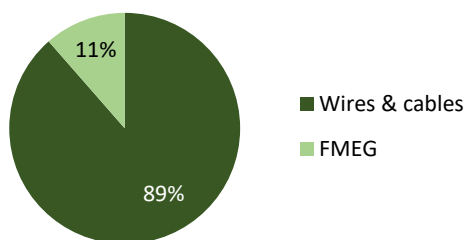
The company undertakes the manufacturing, marketing, and sale of wires and cable products under 'RR Kabel' brand, and fans and lights under the 'Luminous Fans and Lights' brand (Acquired 'Luminous Fans and Lights' HEB in May 2022 which gave presence on recognized e-commerce platforms).

It is the 5th largest player in W&C and branded W&C market in India, with approx. 5% and 7% market share by value in FY23. It has one of the largest network of electricians, covering 271,264 electricians across India as on FY23.

It owns and operates 2 integrated manufacturing facilities which are located at Waghodia, Gujarat and Silvassa, Dadra and Nagar Haveli, which primarily carry out manufacturing operations in respect of wire and cables and switches. Additionally, it has three integrated manufacturing facilities which are located at Roorkee, Bengaluru and Gagret, which carry out manufacturing operations in respect of FMEG products.

**Product-wise revenue mix**

**Geography-wise revenue mix (FY23)**



Source: RHP

Source: RHP

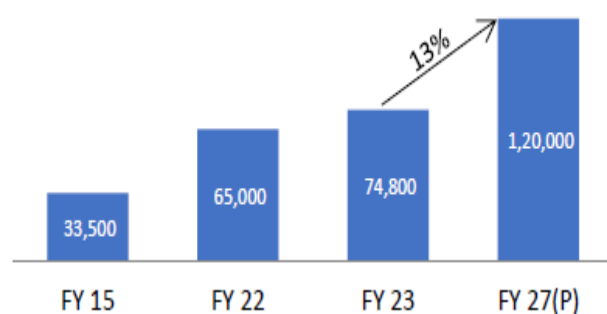
## Investment Rationale

### Consumer Electrical Industry in India to grow at 10% CAGR (FY23-FY27)

The wires and cables industry is the largest part of the consumer electrical industry, accounting approximately 41% of the industry. At the same time, the FMEG industry has also evolved rapidly on the back of structural drivers such as changes in demography, consumer behavior, technology and rising disposable incomes. The Indian consumer electrical industry consisting of W&C and FMEGs was estimated at Rs 181150 Cr in FY23 and is expected to grow at CAGR of 10% till FY27 to reach a market value of approx Rs 266500 Cr. The total domestic market for W&C industry and FMEG industry is expected to grow at a CAGR of 13% and 8% respectively (FY23-FY27).

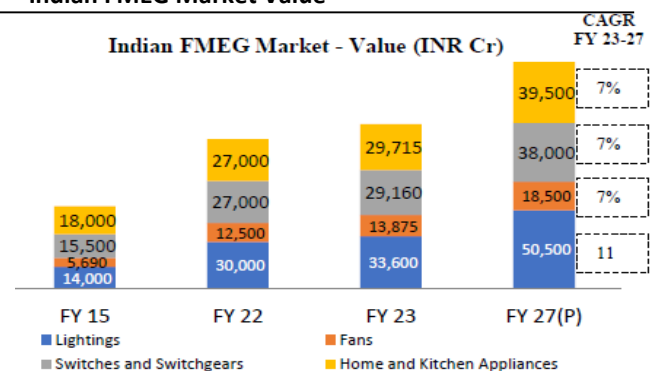
RR Kabel is expanding into FMEG segment because of its high adjacency with established W&C segment. It seeks to grow and strengthen its market position in FMEG market in India and abroad by leveraging the brand's recall and existing distribution network, including electricians.

#### Indian Wire and Cables market value



Source: Company

#### Indian FMEG Market Value



### Well-positioned for growth in FMEG segment

The total domestic market for FMEG industry is expected to grow at a CAGR of 8% (FY23-FY27). It has a wide portfolio of FMEG products including fans, lighting & switches and appliances such as room heaters, irons, water heaters and coolers, and which covers approximately 77% of the FMEG industry by value in India by FY23. It intends to focus on manufacturing value-added FMEG that enjoy higher profit margins such as premium decorative fans and downlight panels ensuring presence across price points, namely economy, mid-premium and premium segments and increase the contribution of premium FMEG products to FMEG portfolio. Company has licensed 'Luminous Fans and Lights' brand for premium FMEG products and subsequently, aims to develop and establish 'RR Signature' brand for premium FMEG products in replacement of the 'Luminous Fans and Lights' brand by FY24.

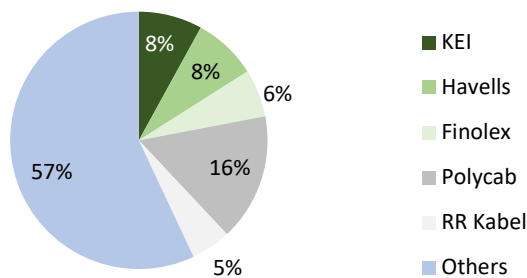
### Expanding W&C Product Portfolio

The company has 15 W&C products under development. It has been investing in global trends and has built capabilities to cater to the growing demand for products such as cables used by telecom operators which rollout 5G capabilities, electric vehicle ("EV") charging cables, smart fans and designer lights.

**Extensive domestic and global distribution network**

To strengthen the distribution network, the company has undertaken several initiatives. It has launched an initiative 'Project KaRRma' in FY20 in two phases to achieve a higher market share in housing wires by expanding retail outlets, electricians, sales force and product portfolio. It intends to double the market share and retail outreach in domestic house wires, by increasing micro and nano market reach.

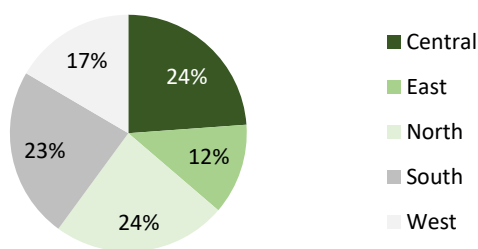
**Market share of players in domestic W&C market in India (FY23)**



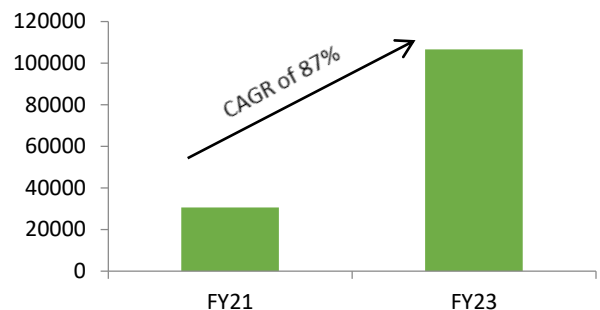
Source: Company

The global distribution footprint encompasses both domestic sales within India and export sales across the world. It has an extensive pan-India distribution presence with 3296 distributors, 3444 dealers and 106626 retailers in FY23. It also has presence on recognized e-commerce platforms. It has 21 warehouses across 17 states and union territories in India. The company sells the majority of the W&C products under the brand 'RR Kabel' and manufactures under private labels for select customers. It has long-standing relationships with 10 distributors in global markets who cover majority of the exports. It intends to leverage its suite of globally accredited products to grow the exports business.

**Number of distributors & dealers across India (%)**



**Retail Outlets Growth**



Source: Company

## Concerns

**Trademark issue relating to key brand:** The application of laws governing intellectual property rights in India is uncertain, evolving and could involve substantial risks. As of June 30, 2023, 9 trademarks in relation to the company's 'RR Kabel' brand have been opposed. The company cannot assure that there will not be similar instances where its applications for trademarks may be opposed, which may have a material adverse effect to its business.

**Slowdown in global growth can impact the company:** Company's exports (23% of revenue) are mainly to developed countries like UK, US, UAE, Austria, NZ, Belgium, Australia and others. In the event of a slowdown in global economic growth, the exports of the company could take a hit in coming years.

## Valuation and Recommendation

RR Kabel is the fastest growing consumer electrical company among peers in India, growing at a CAGR of 31.2% (FY20-FY23). It is one of the leading players in the W&C industry with approximately 89% of its revenue generated from the W&C segment and now has a fast-growing FMEG segment, post-acquisition of Luminous. This provides for visibility of accelerated growth in coming years. RR Kabel is being offered at reasonable valuations at 61.8x FY23 earnings, considering the future growth opportunities. We recommend subscribing to the issue from long term perspective.

### Listed Comparable Peers

FY23 Figures	Havells	Polycab	KEI	Finolex	V Guard	Crompton	Bajaj	Avg	RR Kabel
Revenue	16,911	14,108	6,912	4,481	4,050	6,870	5,418	8,393	5,599
W&C share (as % of revenue)	33%	87%	92%	95%	44%	0%	0%		89%
FMEG share (as % of revenue)	42%	9%	0%	4%	31%	100%	88%		11%
Others (as % of revenue)	25%	4%	8%	1%	25%	0%	12%		0%
B2C sales (as % of total sales)	75%	33%	44%	4%	NA	100%	NA		75%
B2B sales (as % of total sales)	25%	67%	56%	96%	NA	0%	NA		25%
CAGR (FY21-23)	27%	27%	29%	27%	22%	20%	9%	23%	43%
CAGR (FY20-23)	21%	17%	12%	15%	18%	15%	3%	14%	31%
Gross Margin	27%	21%	25%	25%	24%	30%	28%	26%	18%
EBITDA Margin	10%	13%	10%	11%	7%	11%	7%	10%	5.8%
Asset Turns	2.5x	2.1x	2.5x	1.2x	1.9x	1.9x	2.6x	2.1x	2.8x
ROCE	22%	27%	26%	19%	15%	19%	19%	21%	15%
Working Cap Cycle	26	62	87	120	65	11	31	57	66
EV/EBITDA	48%	35%	29%	23%	43%	26%	30%	33%	37.8%
P/E	81.6x	53.7x	45.9x	32.1x	77.0x	43.2x	59.8x	56.2x	61.8x

Source: NBRR

## Financials

P&L (Rs. Cr)	FY20	FY21	FY22	FY23	Balance Sheet (Rs. Cr)	FY20	FY21	FY22	FY23
Net Revenue	2479	2724	4386	5599	Share Capital	423	439	439	463
<i>% Growth</i>		10%	61%	28%	Reserve & Surplus	481	608	811	957
Raw Materials	1925	2149	3608	4576	<b>Networth</b>	<b>904</b>	<b>1,047</b>	<b>1,250</b>	<b>1,420</b>
<i>% of Revenues</i>	77.7%	78.9%	82.3%	81.7%	<b>Total Loans</b>	<b>400</b>	<b>507</b>	<b>533</b>	<b>580</b>
Employee Cost	136	148	189	264	Other non-curr liab.	17	14	20	31
<i>% of Revenues</i>	5.5%	5.4%	4.3%	4.7%	Trade payable	181	114	168	440
Other expenses	213	196	286	437	Other Current Liab	44	34	80	162
<i>% of Revenues</i>	8.6%	7.2%	6.5%	7.8%	<b>Total Equity &amp; Liab.</b>	<b>1,545</b>	<b>1,715</b>	<b>2,051</b>	<b>2,634</b>
<b>Adj EBITDA</b>	<b>205</b>	<b>230</b>	<b>303</b>	<b>322</b>	Fixed Assets & CWIP	395	393	426	492
<b>EBITDA Margin</b>	<b>8.3%</b>	<b>8.4%</b>	<b>6.9%</b>	<b>5.8%</b>	RoU & Intangible Assets	11	14	15	68
Depreciation	38.8	44.8	46.1	59.6	Financial Assets	17	17	22	20
Other Income	27	23	50	34	Other non Curr. assets	15	21	22	49
Interest	35	27	23	42	Inventories	375	534	710	860
Exceptional item	0	0	0	0	Cash	11	8	12	31
<b>Adj PBT (excl. excep.)</b>	<b>158</b>	<b>181</b>	<b>284</b>	<b>255</b>	Bank	0	0	0	50
Tax	35	46	70	66	Debtors	419	420	517	592
<i>Tax rate</i>	22%	25%	25%	26%	Investments	204	219	246	343
Non controlling Interest	0	0	0	0	Other Current assets	98	88	80	128
<b>Adj. PAT (norm. Tax)</b>	<b>122</b>	<b>135</b>	<b>214</b>	<b>189</b>	<b>Total Assets</b>	<b>1,545</b>	<b>1,715</b>	<b>2,051</b>	<b>2,634</b>
<i>% Growth</i>		11%	58%	-12%					
<b>EPS (Post Issue)</b>	<b>10.9</b>	<b>12.0</b>	<b>19.0</b>	<b>16.7</b>					
					<b>Cash Flow (Rs. Cr)</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>
<b>Ratios &amp; Others</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	EBITDA	205	230	303	322
EBITDA Margin (%)	8.3%	8.4%	6.9%	5.8%	Provisions & Others	31	24	44	36
PAT Margin (%)	4.9%	5.0%	4.9%	3.4%	<b>Op. profit before WC</b>	<b>236</b>	<b>254</b>	<b>347</b>	<b>359</b>
ROE (%)	14%	13%	17%	13%	Change in WC	14	(284)	(175)	153
ROCE (%)	15%	13%	17%	15%	Less: Tax	(33)	(42)	(73)	(58)
					<b>CF from operations</b>	<b>216</b>	<b>(71)</b>	<b>98</b>	<b>454</b>
<b>Turnover Ratios</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	Addition to assets	(92)	(46)	(64)	(108)
Debtors Days	62	56	43	39	(Purchase)/Sale of invst.	(43)	37	(0)	(228)
Inventory Days	55	72	59	56	Int & Div Received	7	4	1	3
Creditor Days	27	15	14	29	<b>CF from Investing</b>	<b>(128)</b>	<b>(6)</b>	<b>(63)</b>	<b>(333)</b>
Asset Turnover (x)	1.9	1.8	2.5	2.8	Proceeds from borrowing	60	121	34	32
					Repayment of borrowing	(66)	(15)	(11)	(38)
<b>Valuation Ratios</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	Increase in share capital	-	-	-	-
Price/Earnings (x)	95.4	86.2	54.6	61.8	Repayment of lease obligat	-	(3)	(4)	(10)
EV/EBITDA (x)	59.5	52.9	40.1	37.8	Dividend & Interest paid	(77)	(29)	(50)	(86)
EV/Sales (x)	4.9	4.5	2.8	2.2	<b>CF from Financing</b>	<b>(82)</b>	<b>74</b>	<b>(32)</b>	<b>(102)</b>
Price/BV (x)	12.9	11.2	9.3	8.2	<b>Net Change in cash</b>	<b>5</b>	<b>(3)</b>	<b>4</b>	<b>19</b>
					Cash at beginning	6	11	8	12
					Cash at end	11	8	12	31

Source: Company Data, NBRR

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