

## Volatile RM impacted performance; B2B to led growth

RR Kabel (RRK) 1QFY25 results vs. JMFe saw inline revenue and miss on margins. Rev at INR 18bn up 13% yoy and 3% qoq. Gross margin at 17.4% vs 18.3% YoY and 18.4% QoQ. W&C rev at INR 15.7bn up 11% YoY (Havells W&C +2.4% YoY) and margin at 7.2% vs 8.8% YoY and 8.7% QoQ. (Havells margins at 11.2% down 14bps). RR Kabel EBIT growth down 9.3% YoY vs. Havells up 1% YoY. FMEG rev at INR 2.3bn up 24% YoY and margins at -9% vs -9.2% YoY and -8.4% QoQ. EBITDA at INR 949mn down 16% YoY. OPM at 5.3% vs 7.1% YoY and 6.6% QoQ. PAT at INR 644mn, down 13% YoY and down 18% QoQ.

- **Wires and Cables (W&C):** Mix: 70% wire and 30% cables. Volumes: Overall, c.13% growth despite elections. Geography wise: Domestic – c.20% (50% in cables and 7% in wires) and Export was flat due to container shortage (c.24% of revenue). Margins: impacted due to increase in RM price and mix change – higher growth from cables in domestic market. Healthy order book + expects to achieve c.20% volume growth on annual basis. Capacity utilization: 90-95% in cables and 65-70% in wires.
- **FMEG:** Growth driven by volume increase in fans, appliances and switches. Ad. spend had increased in 1QFY25 – incurred c.INR 120mn of additional ad. Cost – expect it to normalize going forward.
- **Demand:** W&C demand is much higher than capacity addition atleast for next 6/7 years. No oversupply position. In domestic, cable growth is outpacing wire. Growth levers include opportunity in (1) infrastructure, (2) railway, (3) defence and (4) solar.
- **Guidance:** In 2QFY25, expect c.15/20% w&c volume growth. In FY25, W&C: Cable volume to grow at c.30% and wire at c.13%. Expect W&C EBITDA margins to increase by 60/80bps YoY led by (1) volume growth (2) premiumization and (3) cost measures. FMEG: Revenue growth of c.25/30% and breakeven by 4QFY25. Capex: INR 5bn over FY24-25 to double up the capacity (INR 2bn incurred in FY24 and bal. INR 3b in FY25). New capex plans from 2QFY25 – shall expand capacity in power cable. WC days: 67 expect to improve further. Long Term: Expect c.20% volume growth in next 2/3 years incl. exports.
- **Outlook and valuation:** In the short term – we expect lower volume growth in B2C wires business, however, B2B to continue to see robust growth. Overall, RR Kabel has higher share of B2C and with ramping up of B2B + increasing share of cable, we expect overall value growth of c.17% yoy. Medium/long term – With stabilization of commodity prices, we expect B2C to lead the growth. Further, RR Kabel is focusing on expanding (1) its capacity (2) its global footprint by increasing exports and (3) margin by supply of value-added products. Overall we expect revenue/ earning CAGR of 18%/38% over FY24-FY26. At CMP, stock is trading at PE of 52x/36x on FY25/FY26 numbers. We value RR Kabel on FY26 earnings and maintain valuation of 40x based on its strong brand, distribution, capacity expansion, export opportunity and cash flow. **Our TP is INR 2,030. Maintain BUY.**

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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,030
Upside/(Downside)	13.1%
Previous Price Target	1,790
Change	13.4%

### Key Data – RRKABEL IN

Current Market Price	INR1,795
Market cap (bn)	INR202.5/US\$2.4
Free Float	26%
Shares in issue (mn)	114.6
Diluted share (mn)	112.8
3-mon avg daily val (mn)	INR485.5/US\$5.8
52-week range	1,903/1,137
Sensex/Nifty	81,741/24,951
INR/US\$	83.7

### Price Performance

%	1M	6M	12M
Absolute	3.1	25.2	0.0
Relative*	0.3	9.8	0.0

\* To the BSE Sensex

### Financial Summary

Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	43,859	55,992	65,946	77,523	91,850
Sales Growth (%)	61.0	27.7	17.8	17.6	18.5
EBITDA	3,032	3,223	4,617	5,805	8,168
EBITDA Margin (%)	6.9	5.8	7.0	7.5	8.9
Adjusted Net Profit	2,139	1,899	2,981	3,908	5,705
Diluted EPS (INR)	27.4	19.8	26.4	34.6	50.6
Diluted EPS Growth (%)	58.0	-27.5	33.2	31.1	46.0
ROIC (%)	13.8	13.0	18.3	20.0	23.7
ROE (%)	28.7	20.5	21.0	19.9	25.0
P/E (x)	65.6	90.5	67.9	51.8	35.5
P/B (x)	16.6	17.1	11.1	9.7	8.2
EV/EBITDA (x)	71.1	66.7	45.1	35.9	25.5
Dividend Yield (%)	0.2	0.2	0.4	0.6	1.0

Source: Company data, JM Financial. Note: Valuations as of 31/Jul/2024

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

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

## Exhibit 1. Change in estimates

Consolidated (INR mn)	Actual	Revised Estimates		Old Estimates		% Change	
	FY24	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
<b>Revenue</b>	<b>65,946</b>	<b>77,409</b>	<b>91,736</b>	<b>80,168</b>	<b>93,908</b>	<b>-3%</b>	<b>-2%</b>
W&C	58,296	68,207	80,484	71,122	83,212	-4%	-3%
FMEG	7,764	9,317	11,366	9,161	10,810	2%	5%
<b>EBITDA</b>	<b>4,617</b>	<b>5,805</b>	<b>8,168</b>	<b>6,292</b>	<b>8,499</b>	<b>-8%</b>	<b>-4%</b>
% margin	7.0%	7.5%	8.9%	7.8%	9.1%	-30 bps	-10 bps
<b>EBIT</b>	<b>4,357</b>	<b>5,527</b>	<b>7,824</b>	<b>6,014</b>	<b>8,155</b>	<b>-8%</b>	<b>-4%</b>
W&C	5,043	5,900	7,767	6,472	8,155	-9%	-5%
% margin	8.6%	8.7%	9.7%	9.1%	9.8%	-50 bps	-20 bps
FMEG	-685	-373	57	-458	0	-19%	NA
% margin	-8.8%	-4.0%	0.5%	-5.0%	0.0%	100 bps	50 bps
Other income	231	220	300	280	350	-21%	-14%
Interest	539	490	450	500	450	-2%	0%
<b>PBT</b>	<b>4,061</b>	<b>5,267</b>	<b>7,689</b>	<b>5,804</b>	<b>8,070</b>	<b>-9%</b>	<b>-5%</b>
<b>PAT</b>	<b>2,981</b>	<b>3,908</b>	<b>5,705</b>	<b>4,307</b>	<b>5,988</b>	<b>-9.2%</b>	<b>-4.7%</b>
Number of shares	112.0	112.8	112.8	112.8	112.8	0%	0%
<b>EPS</b>	<b>26.6</b>	<b>34.6</b>	<b>50.6</b>	<b>38.2</b>	<b>53.1</b>	<b>-9.2%</b>	<b>-4.7%</b>

Source: JM Financial, Company

## Exhibit 2. Quarterly performance

INR mn; Y/E March	1Q24	1Q25E	YoY	4Q24	QoQ	JMFe 1QFY25	Var
<b>Net Sales (Incl Operating Income)</b>	<b>15,973</b>	<b>18,081</b>	<b>13%</b>	<b>17,541</b>	<b>3%</b>	<b>18,586</b>	<b>-3%</b>
Raw Material Cost	13,055	14,942	14%	14,314	4%		
<b>Gross Profit</b>	<b>2,918</b>	<b>3,139</b>	<b>8%</b>	<b>3,227</b>	<b>-3%</b>		
<b>Gross Margin</b>	<b>18.3%</b>	<b>17.4%</b>	<b>-90 bps</b>	<b>18.4%</b>	<b>-100 bps</b>		
Employee Costs	768	887	16%	780	14%		
% of Sales	4.8%	4.9%	10 bps	4.4%	50 bps		
Other Expenses	1,021	1,303	28%	1,294	1%		
% of Sales	6.4%	7.2%	80 bps	7.4%	-20 bps		
Total Expenditure	14,844	17,132	15%	16,388	5%		
<b>EBITDA</b>	<b>1,129</b>	<b>949</b>	<b>-16%</b>	<b>1,153</b>	<b>-18%</b>	<b>1,375</b>	<b>-31%</b>
<b>EBITDA Margin</b>	<b>7.1%</b>	<b>5.3%</b>	<b>-180 bps</b>	<b>6.6%</b>	<b>-130 bps</b>	<b>7.4%</b>	<b>-210 bps</b>
Other Income	163	185	14%	193	-4%		
Depreciation	161	162	1%	163	-1%		
<b>EBIT</b>	<b>1,131</b>	<b>973</b>	<b>-14%</b>	<b>1,183</b>	<b>-18%</b>		
Interest Expenses	144	116	-19%	128	-9%		
<b>PBT</b>	<b>987</b>	<b>857</b>	<b>-13%</b>	<b>1,055</b>	<b>-19%</b>		
Taxes	250	218	-13%	270	-19%		
Tax Rate	25%	25%	NA	26%	NA		
Share of profit/(loss) from associates	7	5	-27%	2	95%		
<b>Reported Net Profit</b>	<b>743</b>	<b>644</b>	<b>-13%</b>	<b>787</b>	<b>-18%</b>	<b>933</b>	<b>-31%</b>
Reported EPS	6.69	6.69	0%	7.01	-5%	8.30	-19%
<b>Adjusted Net Profit</b>	<b>743</b>	<b>644</b>	<b>-13%</b>	<b>787</b>	<b>-18%</b>	<b>933</b>	<b>-31%</b>
Adjusted EPS	6.69	5.71	-15%	7.01	-19%	933.00	-99%

Source: JM Financial, Company

**Exhibit 3. Segmental Performance**

INR mn	1Q24	1Q25E	YoY	4Q24	QoQ
<b>Total revenue</b>	<b>15,973</b>	<b>18,081</b>	<b>13%</b>	<b>17,541</b>	<b>3%</b>
Wires and cables	14,231	15,782	11%	15,231	4%
FMEG	1,851	2,300	24%	2,310	0%
<b>Total EBIT</b>	<b>1,077</b>	<b>924</b>	<b>-14%</b>	<b>1,126</b>	<b>-18%</b>
Wires and cables	1,246	1,130	-9%	1,320	-14%
FMEG	-170	-207	22%	-194	7%
Unallocated finance Income	55	49	-11%	57	-15%
Finance Costs	144	116	-19%	128	-9%
Share of gains of joint venture (net of taxes)	7	5	-27%	2	95%
<b>PBT</b>	<b>994</b>	<b>861</b>	<b>-13%</b>	<b>1,057</b>	<b>-19%</b>
<b>EBIT margin</b>					
<b>Total EBIT margin</b>	<b>6.7%</b>	<b>5.1%</b>	<b>-160 bps</b>	<b>6.4%</b>	<b>-130 bps</b>
Wires and cables	8.8%	7.2%	-160 bps	8.7%	-150 bps
FMEG	-9.2%	-9.0%	20 bps	-8.4%	-60 bps

Source: JM Financial, Company

**Other call highlights continued..**

- **Channel feedback:** Positive as (1) strong revenue growth (2) new launches in Q4FY24 contributed c.18% in revenue in Q1FY25.
- Margins are affected in short term due to sharp fluctuation in RM cost as price hikes comes with lag – Q1FY25 is a classic example.
- No royalty payment is done in Luminous.
- In export, major market is Europe and in domestic, North and West are the strongest.

## Financial Tables (Consolidated)

Income Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Sales	43,859	55,992	65,946	77,523	91,850
Sales Growth	61.0%	27.7%	17.8%	17.6%	18.5%
Other Operating Income	0	0	0	0	0
<b>Total Revenue</b>	<b>43,859</b>	<b>55,992</b>	<b>65,946</b>	<b>77,523</b>	<b>91,850</b>
Cost of Goods Sold/Op. Exp	36,080	45,757	53,489	62,971	73,962
Personnel Cost	1,889	2,642	3,169	3,612	4,118
Other Expenses	2,859	4,370	4,671	5,136	5,603
<b>EBITDA</b>	<b>3,032</b>	<b>3,223</b>	<b>4,617</b>	<b>5,805</b>	<b>8,168</b>
EBITDA Margin	6.9%	5.8%	7.0%	7.5%	8.9%
EBITDA Growth	31.8%	6.3%	43.2%	25.7%	40.7%
Depn. & Amort.	461	596	655	728	894
EBIT	2,572	2,627	3,962	5,077	7,274
Other Income	463	344	626	670	850
Finance Cost	233	421	539	490	450
PBT before Excep. & Forex	2,802	2,550	4,050	5,257	7,674
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	2,802	2,550	4,050	5,257	7,674
Taxes	704	661	1,080	1,359	1,984
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	0	0	0
Reported Net Profit	2,097	1,889	2,970	3,898	5,690
<b>Adjusted Net Profit</b>	<b>2,139</b>	<b>1,899</b>	<b>2,981</b>	<b>3,908</b>	<b>5,705</b>
Net Margin	4.9%	3.4%	4.5%	5.0%	6.2%
Diluted Share Cap. (mn)	78.2	95.7	112.8	112.8	112.8
<b>Diluted EPS (INR)</b>	<b>27.4</b>	<b>19.8</b>	<b>26.4</b>	<b>34.6</b>	<b>50.6</b>
Diluted EPS Growth	58.0%	-27.5%	33.2%	31.1%	46.0%
Total Dividend + Tax	217	386	838	1,216	1,946
Dividend Per Share (INR)	2.8	4.0	7.4	10.8	17.3

Source: Company, JM Financial

Cash Flow Statement		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profit before Tax	2,844	2,560	4,061	5,267	7,689
Depn. & Amort.	461	596	655	728	894
Net Interest Exp. / Inc. (-)	343	390	499	-180	-400
Inc (-) / Dec in WCap.	-1,754	1,534	-641	-1,958	-2,701
Others	-179	40	-219	0	0
Taxes Paid	-733	-582	-965	-1,359	-1,984
<b>Operating Cash Flow</b>	<b>982</b>	<b>4,537</b>	<b>3,390</b>	<b>2,498</b>	<b>3,498</b>
Capex	-682	-1,078	-1,875	-2,864	-2,000
Free Cash Flow	299	3,459	1,515	-366	1,498
Inc (-) / Dec in Investments	-2	-1,602	982	1,500	0
Others	58	-654	58	670	850
<b>Investing Cash Flow</b>	<b>-627</b>	<b>-3,335</b>	<b>-835</b>	<b>-694</b>	<b>-1,150</b>
Inc / Dec (-) in Capital	0	0	1,702	0	0
Dividend + Tax thereon	-278	-500	-838	-1,216	-1,946
Inc / Dec (-) in Loans	224	-382	-2,259	0	-500
Others	-262	-133	-655	-490	-450
<b>Financing Cash Flow</b>	<b>-316</b>	<b>-1,015</b>	<b>-2,050</b>	<b>-1,706</b>	<b>-2,896</b>
<b>Inc / Dec (-) in Cash</b>	<b>39</b>	<b>187</b>	<b>505</b>	<b>98</b>	<b>-548</b>
Opening Cash Balance	85	123	811	988	1,086
Closing Cash Balance	124	310	1,315	1,086	537

Source: Company, JM Financial

Balance Sheet		(INR mn)			
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Shareholders' Fund	8,450	10,045	18,285	20,977	24,736
Share Capital	391	478	564	564	564
Reserves & Surplus	8,059	9,567	17,721	20,413	24,172
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	9,202	9,310	2,890	2,890	2,390
Def. Tax Liab. / Assets (-)	131	149	247	247	247
<b>Total - Equity &amp; Liab.</b>	<b>17,783</b>	<b>19,504</b>	<b>21,422</b>	<b>24,114</b>	<b>27,373</b>
Net Fixed Assets	4,414	5,607	6,982	9,119	10,225
Gross Fixed Assets	5,993	7,753	8,582	11,082	13,082
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	2,008	2,581	3,236	3,964	4,858
Capital WIP	429	436	1,636	2,000	2,000
Investments	2,624	3,627	3,415	1,915	1,915
Current Assets	13,416	17,102	18,296	21,432	24,644
Inventories	7,096	8,602	8,978	10,554	12,505
Sundry Debtors	5,171	5,919	6,412	7,538	8,931
Cash & Bank Balances	123	811	988	1,086	537
Loans & Advances	1,025	1,771	1,918	2,255	2,671
Other Current Assets	0	0	0	0	0
Current Liab. & Prov.	2,670	6,832	7,271	8,352	9,411
Current Liabilities	1,679	4,401	4,292	5,310	6,291
Provisions & Others	992	2,431	2,979	3,042	3,120
Net Current Assets	10,745	10,270	11,025	13,080	15,233
<b>Total - Assets</b>	<b>17,783</b>	<b>19,504</b>	<b>21,422</b>	<b>24,114</b>	<b>27,373</b>

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Net Margin	4.9%	3.4%	4.5%	5.0%	6.2%
Asset Turnover (x)	2.6	3.0	3.2	3.4	3.6
Leverage Factor (x)	2.2	2.0	1.4	1.2	1.1
RoE	28.7%	20.5%	21.0%	19.9%	25.0%

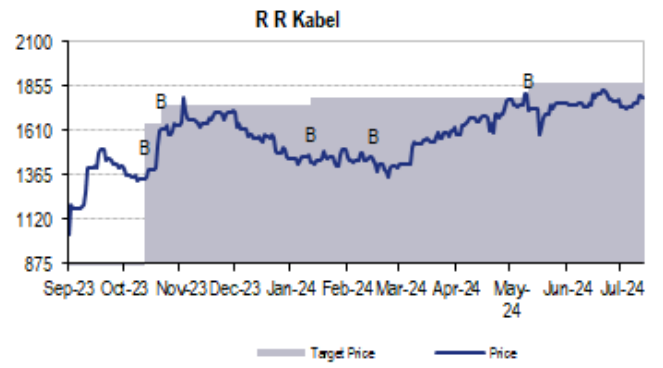
Key Ratios					
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
BV/Share (INR)	108.0	105.0	162.1	185.9	219.3
ROIC	13.8%	13.0%	18.3%	20.0%	23.7%
ROE	28.7%	20.5%	21.0%	19.9%	25.0%
Net Debt/Equity (x)	1.1	0.8	0.1	0.1	0.1
P/E (x)	65.6	90.5	67.9	51.8	35.5
P/B (x)	16.6	17.1	11.1	9.7	8.2
EV/EBITDA (x)	71.1	66.7	45.1	35.9	25.5
EV/Sales (x)	4.9	3.8	3.2	2.7	2.3
Debtor days	43	39	35	35	35
Inventory days	59	56	50	50	50
Creditor days	15	30	26	27	27

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
31-Oct-23	Buy	1,650	
9-Nov-23	Buy	1,750	6.1
30-Jan-24	Buy	1,790	2.3
5-Mar-24	Buy	1,790	0.0
29-May-24	Buy	1,870	4.5

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

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

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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.
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\* REITs refers to Real Estate Investment Trusts.

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