

# RR KABEL

WIRED FOR GROWTH; INITIATE COVERAGE WITH BUY



# R R Kabel Ltd

## Wired for growth; initiate coverage with BUY

We initiate with BUY rating coverage on R R Kabel based on its commendable value prop including (i) noteworthy Certification and R&D investments, (ii) robust manufacturing capabilities and prudent capacity expansion, (iii) wide distribution and retail network, and (iv) improving margin trajectory.

**Certification and R&D investments:** R R Kabel, a prominent wires and cables industry player, derives more than 74% of revenue from B2C sales. It has 37 international products certifications, one of the highest amongst industry peers. RR Kabel is the first REACH-compliant Indian company, which is the European standard denoting high safety levels.

**Fastest growing among peers (FY24-26E):** R R Kabel is expected to clock 20% revenue CAGR in FY24-26E, which would make it the fastest growing cables and wires company in next 2 years. Other peers like Polycab, KEI and Finolex cables are expected to grow at 17%, 19% and 15% respectively during similar time frame. The key growth trigger for R R Kabel is the exceptionally buoyant housing wires market, estimated to grow at 14% CAGR during FY23-27E, and comprising as much as 70% of R R Kabel's total contribution, highest amongst peers.

**Product mix change, FMEG biz breakeven to boost margins:** The company has committed capex of Rs5bn over next couple of years focused on doubling its power cable capacity, expanding copper wire production, introducing an eBeam facility, and establishing a PVC compound manufacturing facility. This will result in favorable product mix towards power cables which commands higher margins. FMEG, currently a loss-making segment, is expected to breakeven by FY25 exit, which will further aid margin expansion. We expect a margin improvement of 80bps and 110bps in FY25E and FY26E respectively.

**W&C capacity expansion & B2C-focused portfolio to script spectacular growth:** R R Kabel is expanding capacities at a capex of Rs5bn. Expected to be completed by March'25, the expansion will double its power cable capacity, as also expand copper wire production including e-beam facility and PVC compound manufacturing facility. The company has current installed capacity for wires and cables of 4.2mn ckm across house wires, Industrial wires, Power cables and special cables. The company has also initiated project KaRRma; under phase 1, it would double its market share and retail outreach in house wires and under phase 2, it would increase its micro and nano market reach.

**Strategy in place to swell FMEG revenues at faster clip:** The company has a clearly defined strategy in place to grow FMEG revenues faster vis-a-vis industry peers. It is targeting 25% FMEG revenue growth focused on 1) Increasing manufacturing of value-added products across categories, 2) strengthening presence across economy, premium, mid-premium segments; 3) Building 'RR Signature' brand for premium FMEG products; 4) Realizing synergies across logistics, promotions, and manpower to optimize costs; 5) Expanding product portfolio; 6) Growing distribution network. We have modeled 22% CAGR revenue growth in FMEG, given expanding product portfolio and widening distribution network.

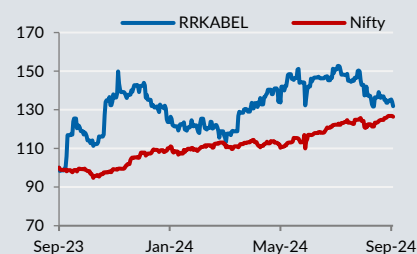
**Valuation outlook:** We expect Revenue/EBITDA/PAT growth of 20%/36%/40%, respectively over FY24-FY26E. Incrementally, the company would improve its margin by ~190bps by FY26. We stay bullish on the wires and cables space in the medium term led by factors like strong realty-infused demand, rural electrification initiative, growing share of organized sector, and Govt impetus towards production and export boost. The company's enviable value prop should help it outperform the industry in good time. We initiate coverage on the stock with the BUY rating an PT of Rs2,083, valuing the company at 40x FY26EPS.

Reco	: BUY
CMP	: Rs 1,580
Target Price	: Rs 2,083
Potential Return	: +31.6%

### Stock data (as on Sep 05, 2024)

Nifty	25,145
52 Week h/l (Rs)	1902 / 1137
Market cap (Rs/USD mn)	179867 / 2143
Outstanding Shares (mn)	113
6m Avg t/o (Rs mn):	231
Div yield (%):	0.3
Bloomberg code:	RRKABEL IN
NSE code:	RRKABEL

### Stock performance



	1M	3M	1Y
Absolute return	-4.0%	-3.1%	NA

### Shareholding pattern (As of Jun'23 end)

Promoter	61.9%
FII+DII	20.1%
Others	18.1%

### Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Net Revenue	65,946	79,523	95,428
YoY Growth	17.8	20.6	20.0
EBITDA	4617	6203	8493
EBITDA (%)	7.0	7.8	8.9
PAT	2981	4271	5874
YoY Growth	57.0	43.3	37.5
ROE	18.4	21.2	23.8
EPS	26.4	37.9	52.1
P/E	59.9	41.8	30.4
BV/Share	162.1	195.6	241.8
P/BV	39.1	29.1	21.1

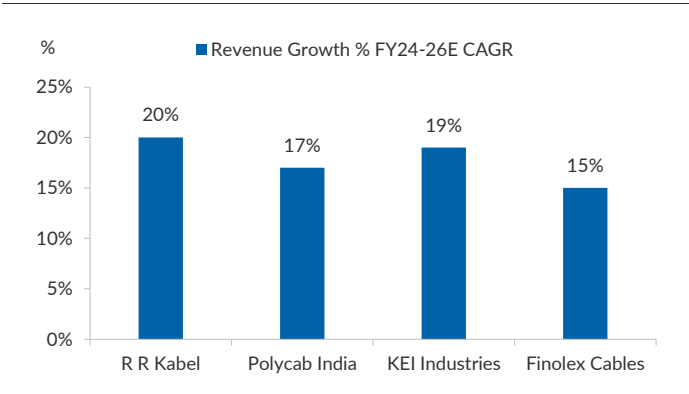
**AAKASH FADIA**  
Analyst  
aakash.fadia@ysil.in



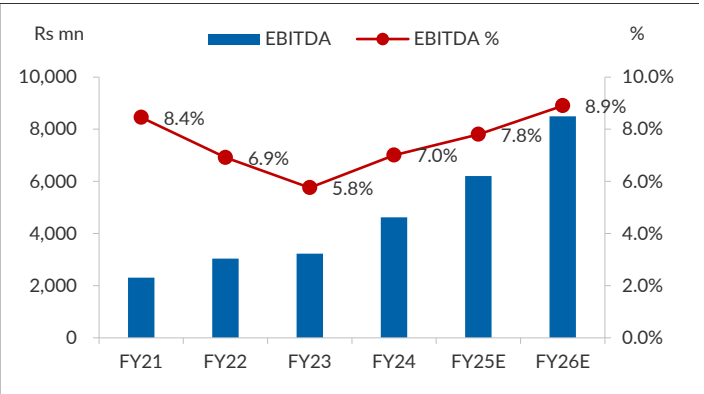
## STORY IN CHARTS

**Exhibit 1: R R Kabel is estimated to see fastest revenue CAGR from FY24-26E vs its peers**

**Exhibit 2: EBITDA margins to improve to 8.9% in FY26**



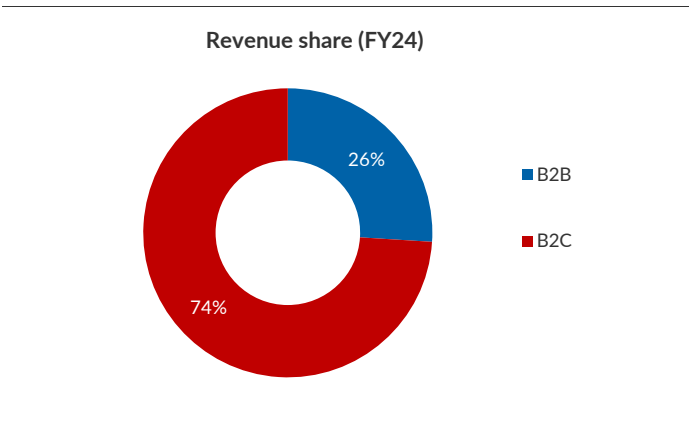
Source: YES Sec, Bloomberg consensus



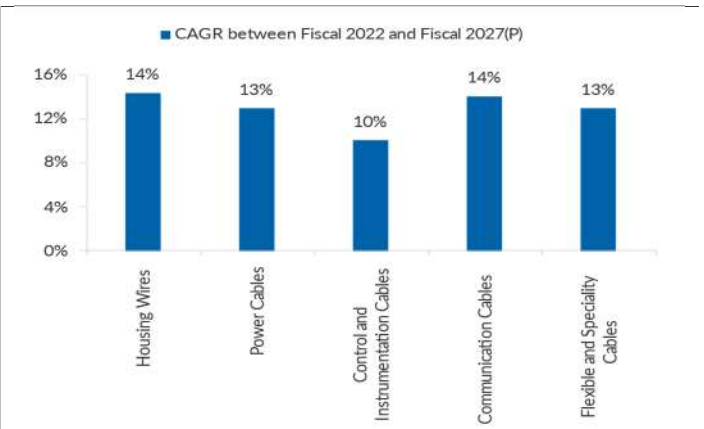
Source: Company, YES Sec

**Exhibit 3: Highest share of B2C revenue in Indian wires and cables industry**

**Housing wires to grow at faster clip**



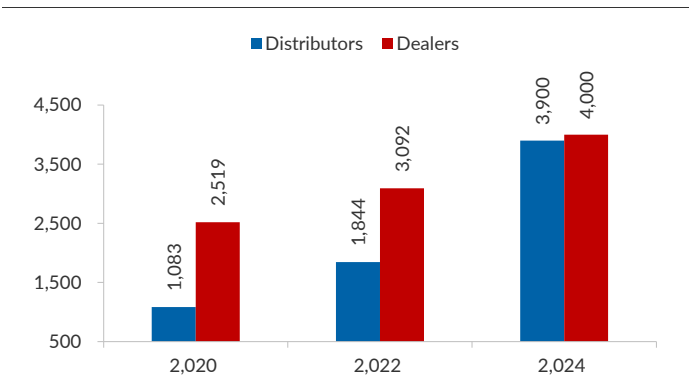
Source: RR Kabel RHP, Industry, YES Sec



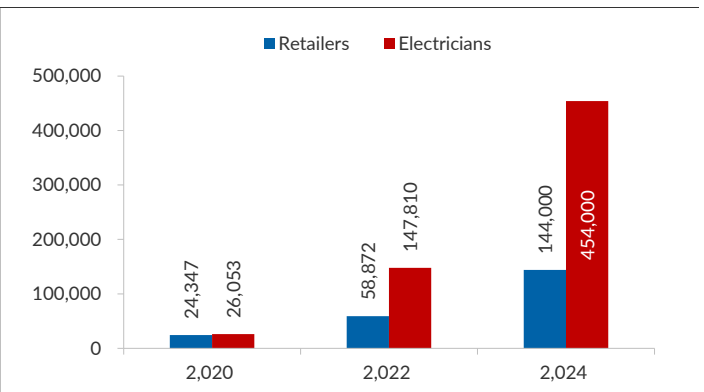
Source: RR Kabel RHP, Industry, YES Sec

**Exhibit 4: Company continues to add Dealers/Distributors at rapid pace**

**Exhibit 5: Company is focusing on adding electricians to its program which will enable higher brand influence**



Source: Company, YES Sec



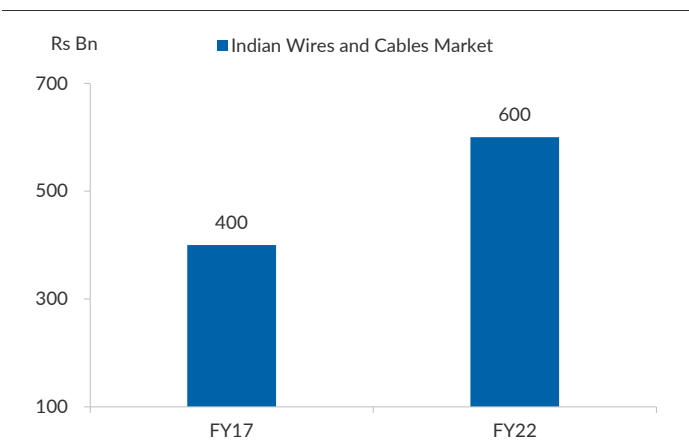
Source: Company, YES Sec

## Wires & Cables industry to grow by 13% CAGR

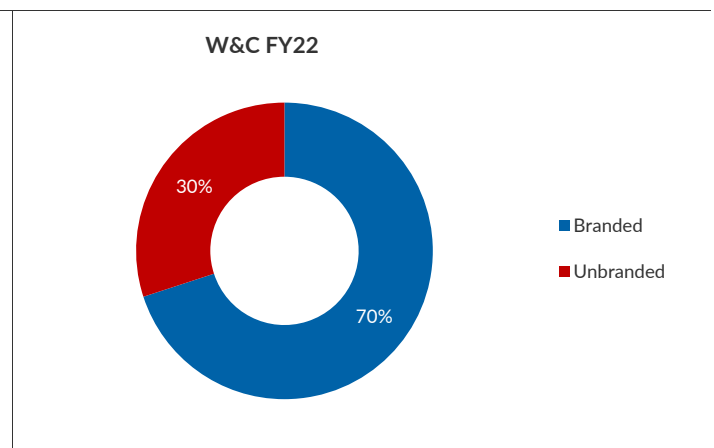
- Wires & Cables Industry was approximately estimated to be around Rs650bn in FY22 and is expected to grow at 13% CAGR to Rs1200bn.
- In past 5-Years, industry has witnessed steady growth of 10% CAGR largely on account of (i) Rural electrification; (ii) Increase in absorption of residential and commercial real estate and (iii) Government of India's ("GoI") infrastructure development support through increased capital outlay.
- Organized players like (R R Kabel, Polycab India, KEI Industries, Finolex Cables etc) witnessed higher demand Vs industry owing to (i) shift towards branded products; (ii) Rising Awareness among consumers towards safety and quality and iii) Technological interventions.
- Public and private investment outlay in infrastructure like NIP (National Infrastructure Pipeline), Capex by GOI and PMAY Schemes are likely to give fillip to demand for wires and cables going forward.

**Exhibit 6: Wires and Cables grew by 10% CAGR from FY17-22 ...**

**Exhibit 7: 70% of wires and cables is branded...**



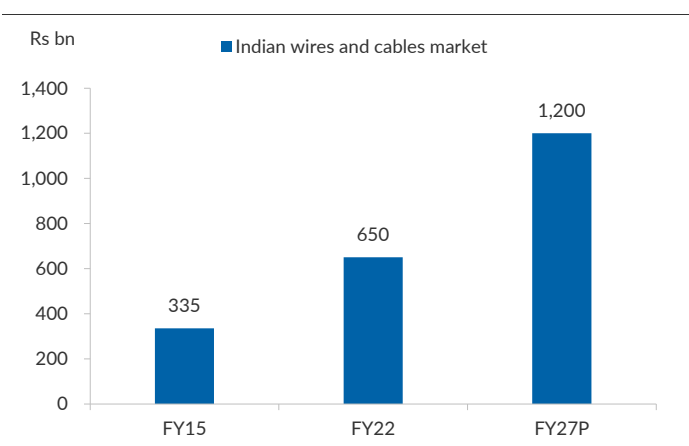
Source: RR Kabel RHP, Industry Reports, YES Sec



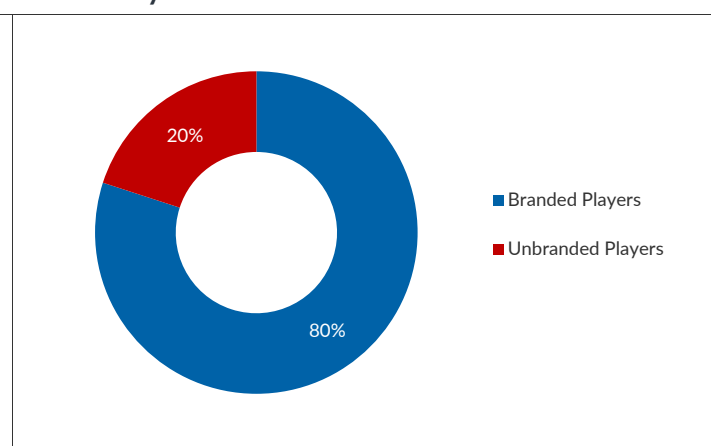
Source: RR Kabel RHP, Industry Reports, YES Sec

**Exhibit 8: Wires and Cables is expected to grow by 13% CAGR from FY22-27E...**

**Exhibit 9: 80% of wires and cables are expected to be branded by FY27...**



Source: RR Kabel RHP, Industry Reports, YES Sec



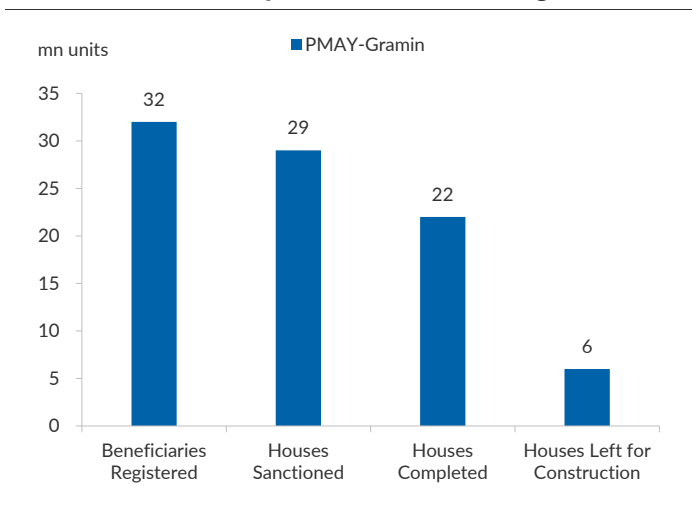
Source: RR Kabel RHP, Industry Reports, YES Sec

## Key Growth Drivers for Wires and Cables industry are

### Public and Private investment outlay in infrastructure

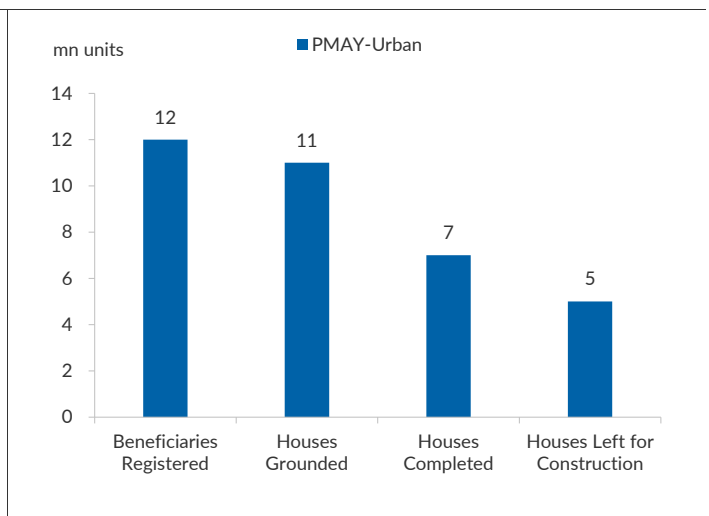
- National Infrastructure Pipeline ("NIP"):** GoI has announced an outlay of approximately Rs 1.1tn in the infrastructure sector between Fiscal 2020 and Fiscal 2025 to help make India a US\$ 5 trillion economy by Fiscal 2026. For FY24, the projected infrastructure investments under NIP are around Rs15.4tn.
- Capex by GoI:** Capital investment of approximately Rs10tn on infrastructure sector (approximately 3.3% of GDP) has been announced by GoI in the Indian union budget 2023-24. Additionally, a capital outlay of Rs2.4tn 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. 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.
- PMAY:** The GoI under the 'Housing for All' scheme, has aimed to build approximately 12 million houses for urban and approximately 28.5 million houses in the rural parts of India. Under PMAY (Urban), the total capital assistance committed by GoI to build approximately 12 million units of houses was approximately Rs2.02tn, of which approximately 7.4 million units of houses have been completed by releasing Rs1.14tn till April 2023 and the remaining approximately 4.6 million units of houses are expected to be completed by CY 2024. Under PMAY (Gramin), the total capital assistance transferred, or fund utilized by the government till April 2023 to build approximately 28.5 million units of houses is approximately Rs2.98tn, of which approximately 22.2 million units of houses have been completed and the remaining approximately 6.3 million units are expected to be completed by CY 2024. Approximately 11 lakh houses (approximately 4.6 lakh houses in urban and approximately 6.3 lakh houses in rural) are under construction or to be constructed in coming years under the PMAY by CY 2024. Further, the budget outlay for PMAY has been increased by 66% to over Rs0.79tn, in union budget 2023-24.

**Exhibit 10: 6mn houses under PMAY scheme are left to be constructed will spur demand for housing wires**



Source: PMAY, YES Sec

**Exhibit 11: 5mn houses are still to be constructed under PMAY-Urban scheme**



Source: PMAY, YES Sec

- **Urbanisation and Smart cities**

Smart City project was launched in June 2015 by Gol with a plan to build 100 smart cities across India, having an objective to promote cities that provide core infrastructure, good quality of life to its citizens, a clean and sustainable environment with application of 'Smart' solutions. As 2022 GOI has released approximately Rs346bn as part of Smart City project, of which approximately Rs304bn (88%) have been utilized in building smart cities across India. These initiatives are expected to generate demand for electrical products especially in the W&C, switches and switch gear segments in next 5-7 years.

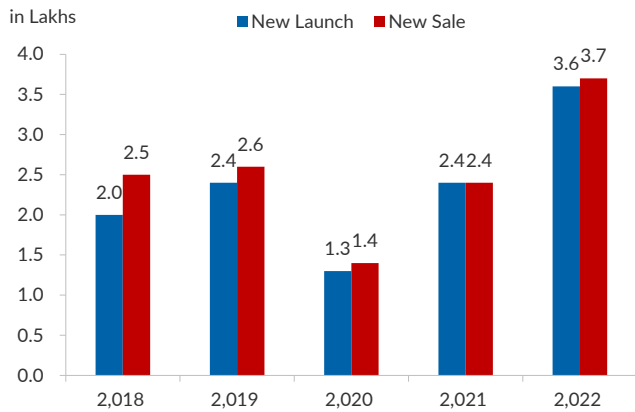
## Policy Reforms

**PLI Scheme:** Under PLI scheme, Gol aims to have large-scale electronics manufacturing in India. Rs1.97tn have been allocated for PLI in Indian union budget FY21 for next 5 years, which is expected to boost production by over \$500 billion by FY 26.

- **Capex by Gol:** Capital investment of approximately Rs10tn on infrastructure sector (approximately 3.3% of GDP) has been announced by Gol in the Indian union budget 2023-24. Additionally, a capital outlay of Rs2.4tn 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. 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.
- **PMAY:** The Gol under the 'Housing for All' scheme, has aimed to build approximately 12 million houses for urban and approximately 28.5 million houses in the rural parts of India. Under PMAY (Urban), the total capital assistance committed by Gol to build approximately 12 million units of houses was approximately Rs2.02tn, of which approximately 7.4 million units of houses have been completed by releasing Rs1.14tn till April 2023 and the remaining approximately 4.6 million units of houses are expected to be completed by CY 2024. Under PMAY (Gramin), the total capital assistance transferred, or fund utilized by the government till April 2023 to build approximately 28.5 million units of houses is approximately Rs2.98tn, of which approximately 22.2 million units of houses have been completed and the remaining approximately 6.3 million units are expected to be completed by CY 2024. Approximately 11 lakh houses (approximately 4.6 lakh houses in urban and approximately 6.3 lakh houses in rural) are under construction or to be constructed in coming years under the PMAY by CY 2024. Further, the budget outlay for PMAY has been increased by 66% to over Rs0.79tn, in union budget 2023-24.
- **Continued growth of residential real-estate sector**

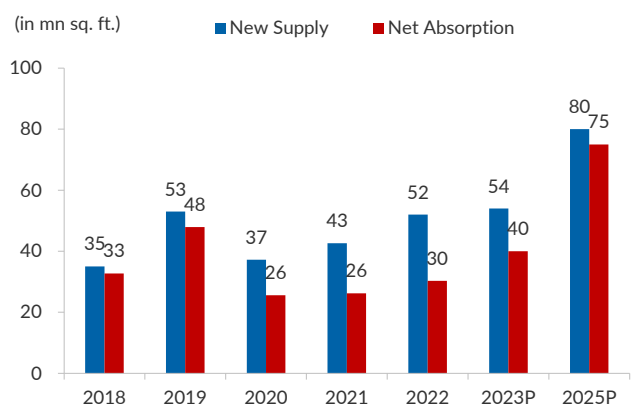
Every newly built residential unit implies not only increased demand for W&C and FMEG products like light, fans and switches, but also creates an installed base for replacement demand for these products. The growth in residential real estate market driven by both, the private sector led residential real estate and of government led aimed at affordable housing (PMAY and others). With the increase in demand for the residential space in both affordable and premium segments, India's residential market has witnessed a rapid growth in recent years. Residential sales volume across the major cities in India witnessed a 51% annual rise from approximately 2.4 lakhs units sold in CY 2021 to approximately 3.7 lakhs unit sold in CY 2022 signifying a healthy recovery in the sector, post COVID-19 pandemic. The top 7 Indian cities with the highest residential unit sales in CY 2022 are Mumbai, National Capital Region (NCR), Bengaluru, Pune, Chennai, Hyderabad, and Kolkata

**Exhibit 12: Launches and Sales of residential units has been increasing**



Source: Industry, YES Sec

**Exhibit 13: Absorption of commercial space is expected to increase in FY25**

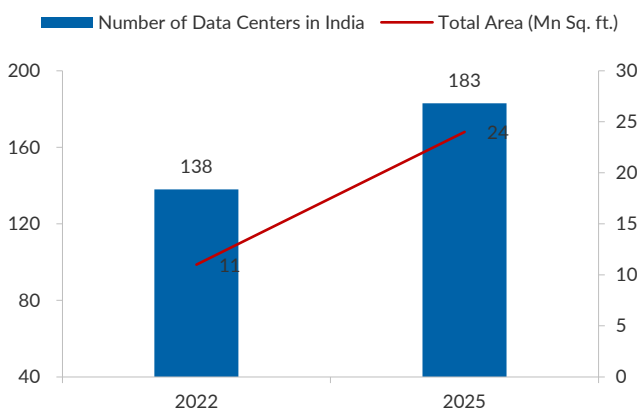


Source: Industry, YES Sec

▪ **Commercial real-estate absorption improves**

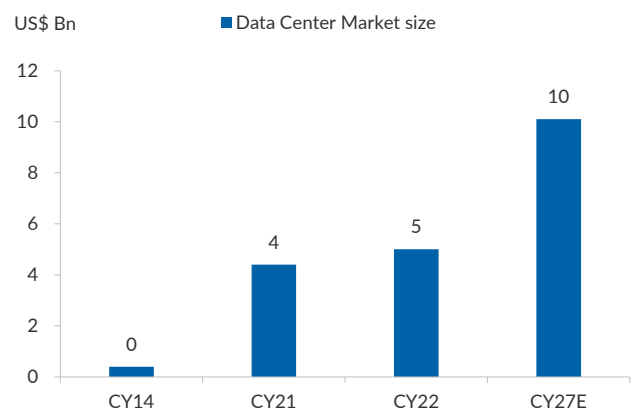
The commercial property market is estimated to expand at a CAGR of almost 13% from the projected period of the CY 2022 to CY 2027. Office spaces are a strong demand support for the consumer electrical industry, largely defined as institutional demand for various products offered by the consumer electrical industry. The incremental supply of office spaces that is projected to unfold in India in the next decade, therefore provides a strong support for the consumer electrical industry. Indian office market witnessed new supply of 42.6 million sq. ft. in CY 2021, out of which 26.2 million sq. ft. area was absorbed. In CY 2022, the new supply was estimated at 50-52 million sq. ft. out of which 30.3 million sq. ft. was absorbed during period January 2022 to September 2022 and is projected to offer a new supply of around 53-54 million sq. ft. in CY 2023.

**Exhibit 14: Data centers to see strong expansion**



Source: Industry, YES Sec

**Exhibit 15: Market size of data centers is estimated to reach 10.1bn USD by 2027**

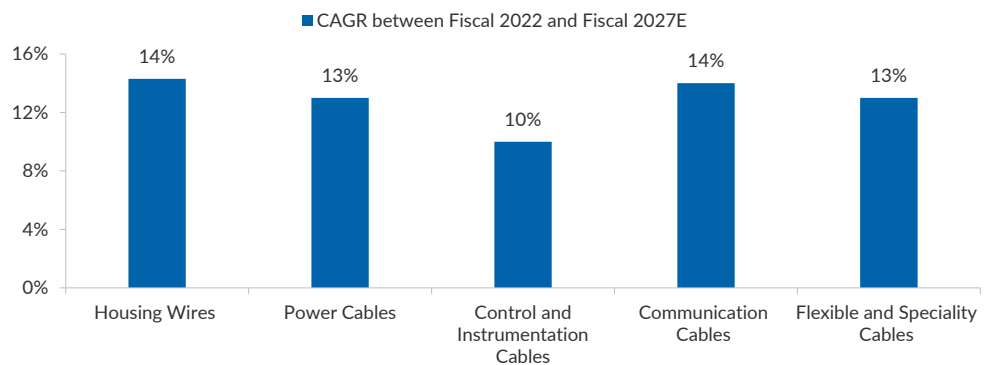


Source: Industry, YES Sec

- **Growing data centers to drive demand for C&W**

As of March 2022, the number of data centers in India were 138 with 11 million sq. ft. area and is projected to reach 183 by CY 2025, comprising approximately 24 million sq. ft. area. The data center industry in India was valued at US\$ 400 million in CY 2014, which has grown to US\$ 4.4 billion in CY 2021 and is projected to reach US\$ 10.1 billion by CY 2027, growing at a CAGR of approximately 15% between CY 2022 and CY 2027. Data center capacity is expected to exceed 1.7 GW levels by CY 2025 from approximately 900 MW in CY 2022.

**Exhibit 16: Housing wires set to outperform other categories**



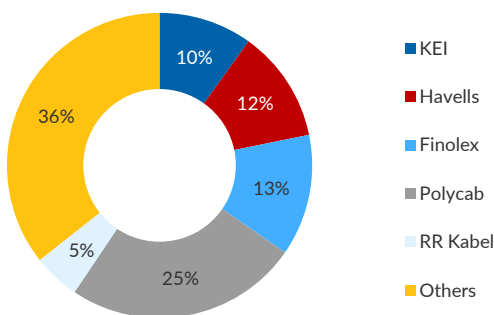
Source: RR Kabel RHP, Industry, YES Sec

- **Housing wires set to outperform other categories:** Demand for wires and cables at the current juncture have been led by cables viz. Power cables, specialty cables and other industrial cables. We now expect demand for housing wires to be higher on back of strong residential real-estate sales and government push for affordable housing. As per the industry report housing wires is expected to grow 14.3% CAGR from FY22-27E.

**Exhibit 17: R R Kabel's market share in FY15 stood at 5%**

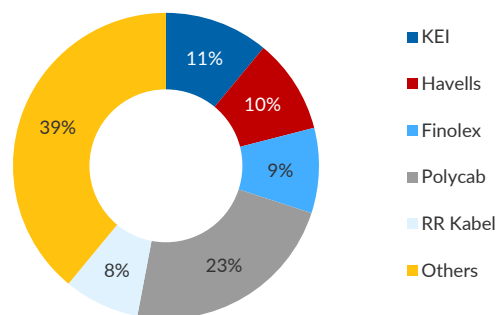
**Exhibit 18: Market share of R R Kabel has increased to 8% in FY23**

Market share of players in domestic branded W&C market in India-FY15



Source: RR Kabel RHP, Industry, YES Sec

Market share of players in domestic branded W&C market in India-FY23



Source: RR Kabel RHP, Industry, YES Sec

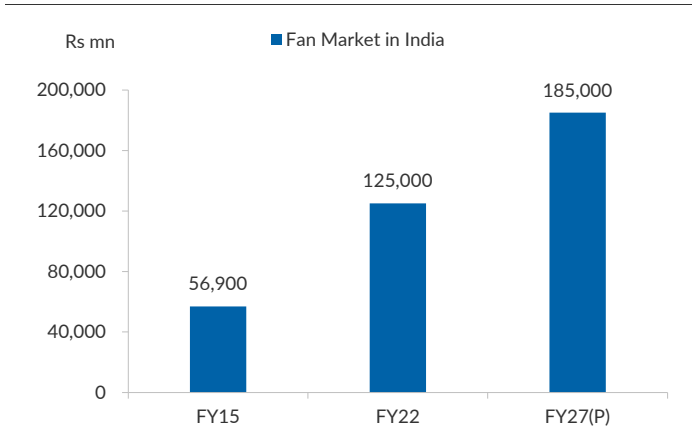


## INDIAN FMEG INDUSTRY

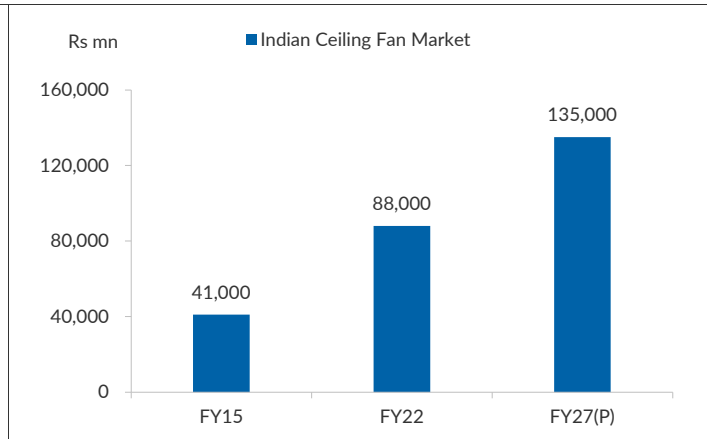
### Fans

**Exhibit 19: Fans market in India is expected to grow 10.3% CAGR from FY23-27**

**Exhibit 20: Ceiling Fans market is estimated to grow at 11.3% CAGR in similar period**



Source: RR Kabel RHP, Industry, YES Sec

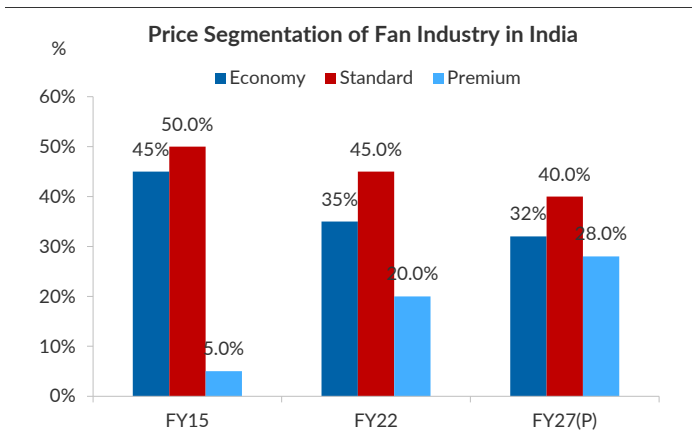


Source: RR Kabel RHP, Industry, YES Sec

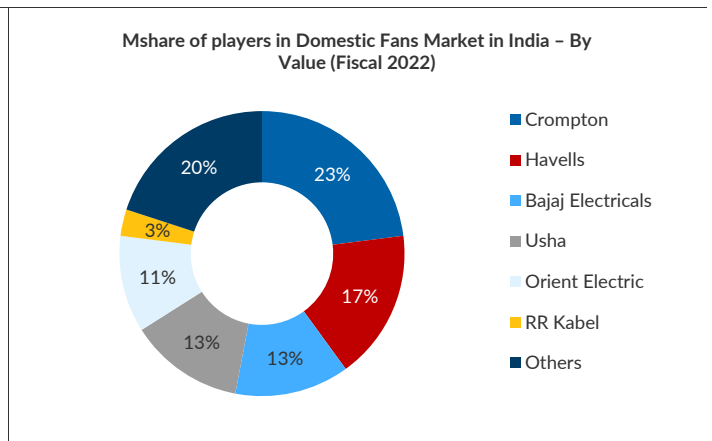
The total market for fans has grown at a CAGR of approximately 12% from Rs 56.9bn in FY15 to Rs 138bn in FY23 and is further expected to grow at a CAGR of approximately 7% till Fiscal 2027 to reach a market value of Rs 185bn

**Exhibit 21: Premium fans share is expected to grow to 28% by FY27**

**Exhibit 22: R R Kabel is the challenger brands in Fans category**



Source: RR Kabel RHP, Industry, YES Sec



Source: RR Kabel RHP, Industry, YES Sec

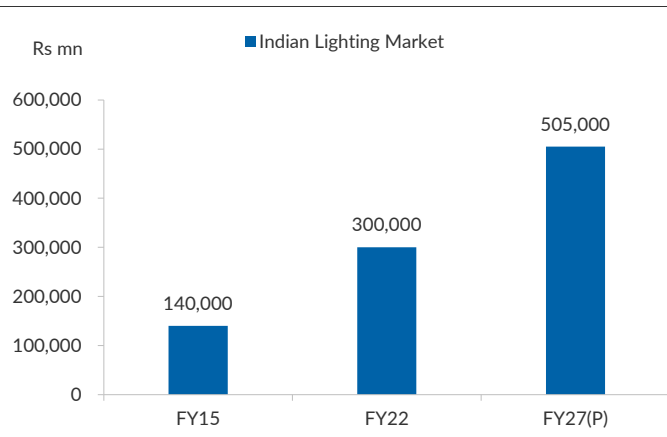
- The Fan industry in India is steadily shifting towards premium segment, with approximately 20% market share in FY23, as compared to approximately 5% market share in FY15. Production of smart and IoT- enabled ceiling fans, enhanced design in terms of color and aesthetics of ceiling fans, feature reinforcement through air purification and bladeless features are expected to serve as the key drivers of premiumization in the Indian fan market. The fan market is benefiting from the drivers of premiumization, which can be evidently witnessed 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. All the brands have launched higher number of ceiling fans in the premium segment.

## Lighting

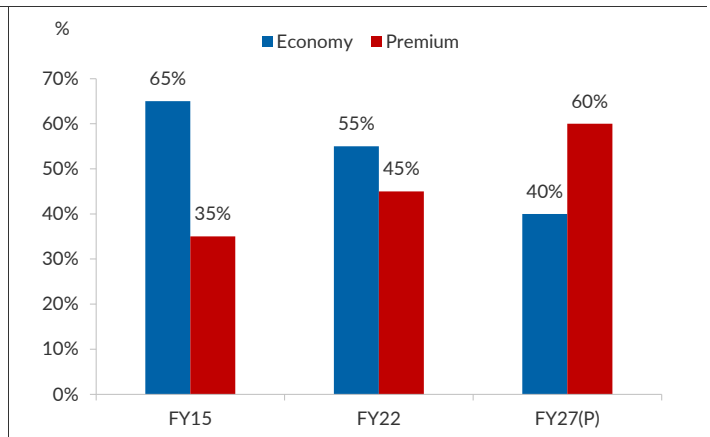
- The total market for lighting in India was estimated at approximately Rs336bn in FY23 that grew at a CAGR of approximately 12% from Rs140bn in FY15. This market is expected to grow at a CAGR of approximately 11% till Fiscal 2027 to reach nearly to approximately Rs500bn in annual sales.

**Exhibit 23: Lighting is estimated to grow at 11% CAGR from FY22-27E**

**Exhibit 24: 60% of the market is expected to be premium by FY27**



Source: RR Kabel RHP, Industry, YES Sec

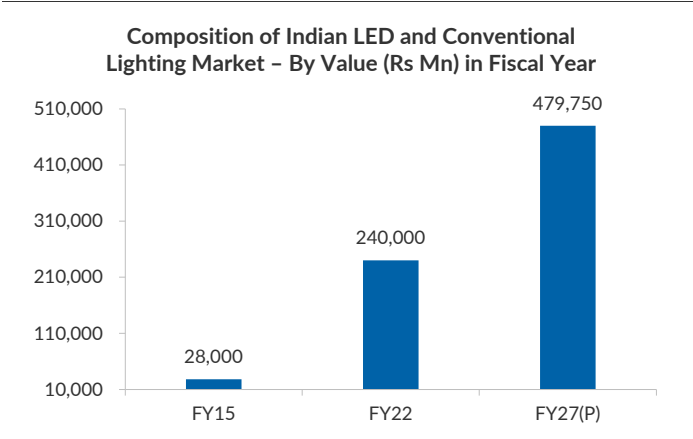


Source RR Kabel RHP, Industry, YES Sec

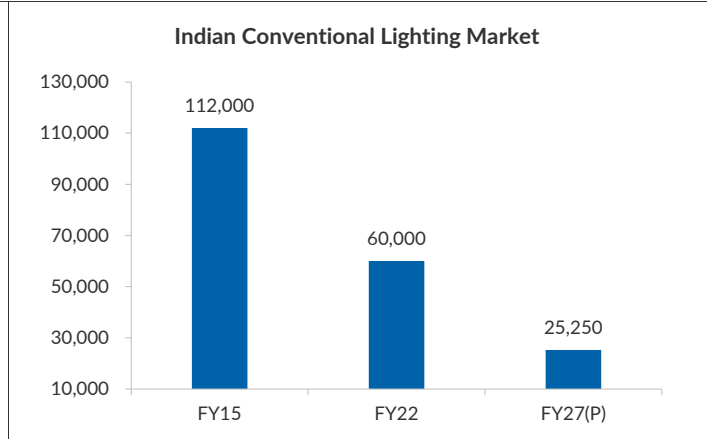
- The lighting industry is sub-divided into LED and conventional lighting. LED makes up 84% of this industry (up from approximately 20% in FY15) as of FY22 and it is projected to reach 95% by FY27. This is largely due to awareness of consumers towards, among other things, energy efficiency, longer life span of LEDs and reliability. Eventually, the LED segment is expected to completely replace conventional lighting.

**Exhibit 25: LED lighting market to grow at 14% CAGR from FY22-27E**

**Exhibit 26: Conventional lighting market is eroding at the rapid pace**



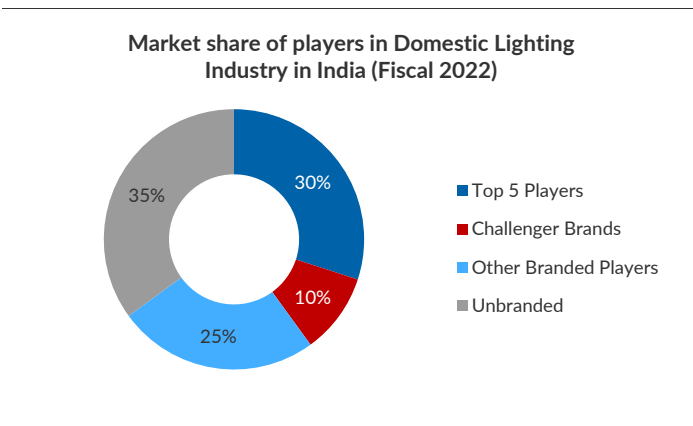
Source: RR Kabel RHP, Industry, YES Sec



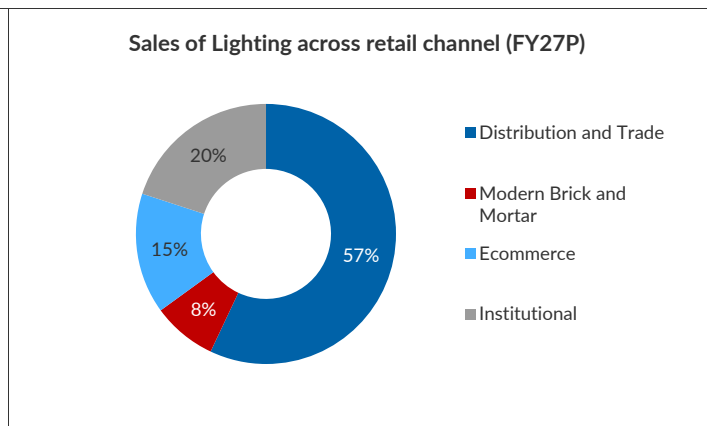
Source RR Kabel RHP, Industry, YES Sec

**Exhibit 27: Unbranded share is higher in lighting category**

**Exhibit 28: General trade dominates lighting sales**



Source: RR Kabel RHP, Industry, YES Sec



Source: RR Kabel RHP, Industry, YES Sec

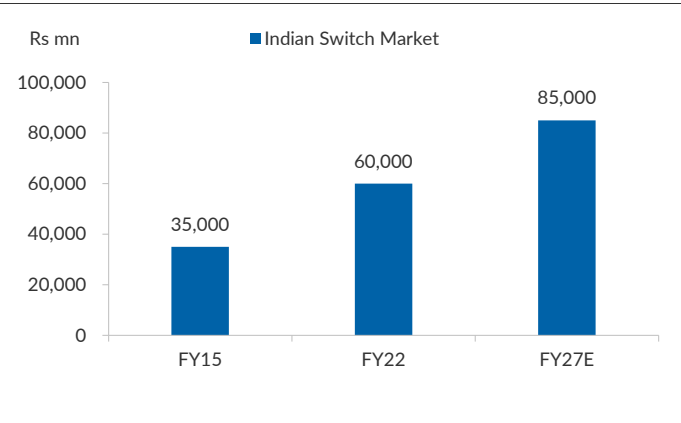
- The leading players in the lighting industry include Philips, Havells, Crompton Greaves, Surya and Syska. Philips is the leader in Indian market with approximately 9% market share, followed by Havells and Syska. Lighting market is a distribution led retailer driven category. A typical value chain involves manufacturing brands, distributors, retailers and customers.

**Switches**

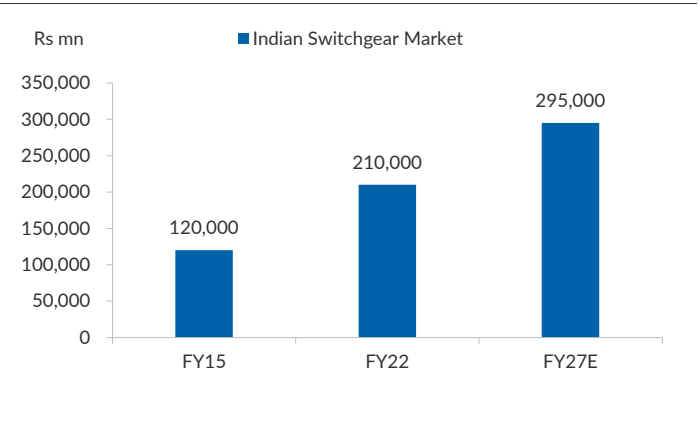
- The total market size of switch and switchgears industry in India was collectively estimated at approximately Rs291bn in FY23. This has grown at a CAGR of approximately 8% from FY15, when its size was at Rs155bn. Going forward, the collective market (of switches and switchgears) is expected to grow at a CAGR of approximately 7% till FY27 and reach approximately Rs380bn.

**Exhibit 29: Domestic switch market is estimated to grow at 7% CAGR from FY22-27E...**

**Exhibit 30: ...so is the switchgear market**



Source: RR Kabel RHP, Industry, YES Sec

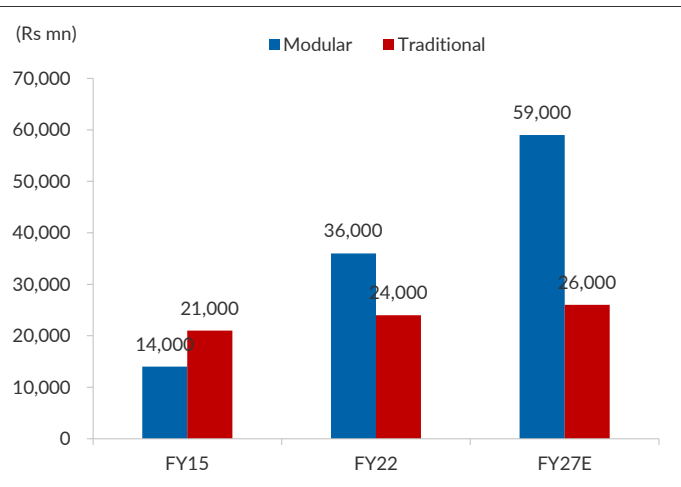


Source: RR Kabel RHP, Industry, YES Sec

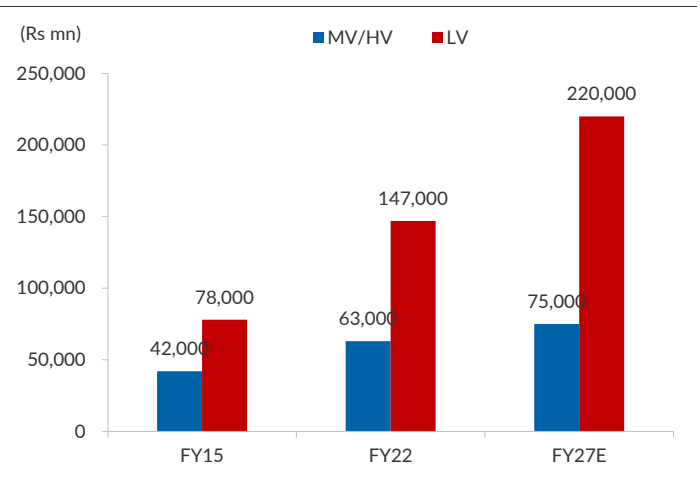
- The switch industry consists of two key segments - traditional and modular switches. 38% of the switch market is made up of traditional switches and the balance 62% of the market comprises modular switches in value terms. Modular switches are four to five times more expensive than traditional switches and thus, hold a higher share in the market by value. The switchgear industry consist of three key segments - low voltage ("LV"), medium voltage ("MV") and high voltage ("HV"). The LV switchgear market is largely formed by product use cases in residential and commercial real estate sectors. The MV and HV switchgears are largely deployed in industries and power utilities. LV switchgear market accounts for approximately 71% of the total switchgear and the balance 29% of the market is made up of MV and HV put together as in FY23. This structure is expected to continue in the future.

**Exhibit 31: Modular switches market is expected to grow at rapid pace**

**Exhibit 32: LV switchgear is estimated to grow at 8.4% CAGR from FY22-27E as compared to 3.5% growth in MV/HV in similar period**



Source: RR Kabel RHP, Industry, YES Sec

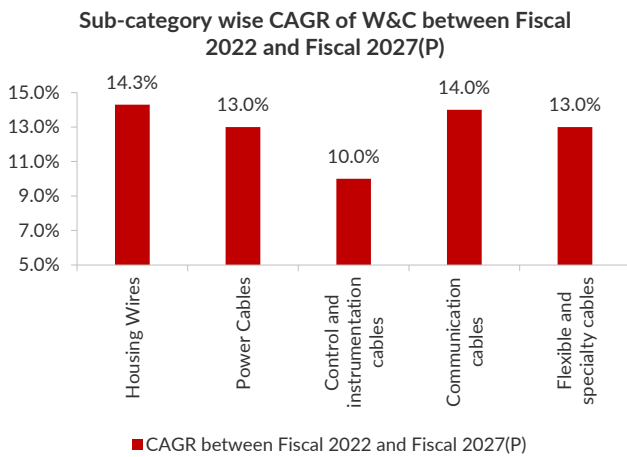


Source: RR Kabel RHP, Industry, YES Sec

## INVESTMENT RATIONALE

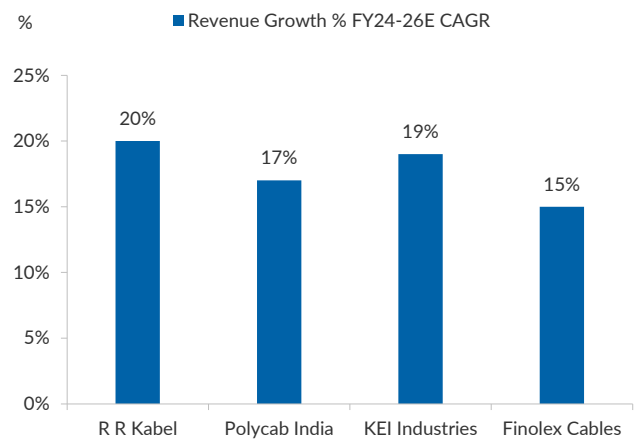
Fastest growing wires and cables company (FY24-26E)

**Exhibit 33: Housing wires to grow at faster clip**



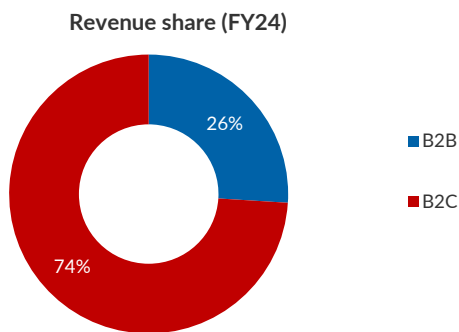
Source: RR Kabel RHP, Industry, YES Sec

**Exhibit 34: R R Kabel to outperform industry and peers**



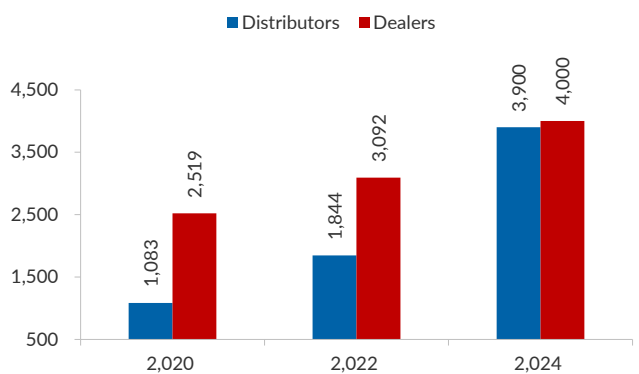
Source: Bloomberg consensus, YES Sec

**Exhibit 35: R R Kabel's B2C revenue share is significantly higher than the peers**



Source: Company, YES Sec

**Company is continuing to add dealers/distributors at rapid pace**



Source: Company, YES Sec

## Certification and R&D investments:

RR Kabel wires are REACH compliant which is the European standard to provide for a high level of protection to human health and the environment from the use of chemicals. Its products have 37 international product certifications, which is one of the highest in number among the peers in the Indian consumer electrical segment as of Fiscal 2023.

### Exhibit 36: R R Kabel has one off the highest certification

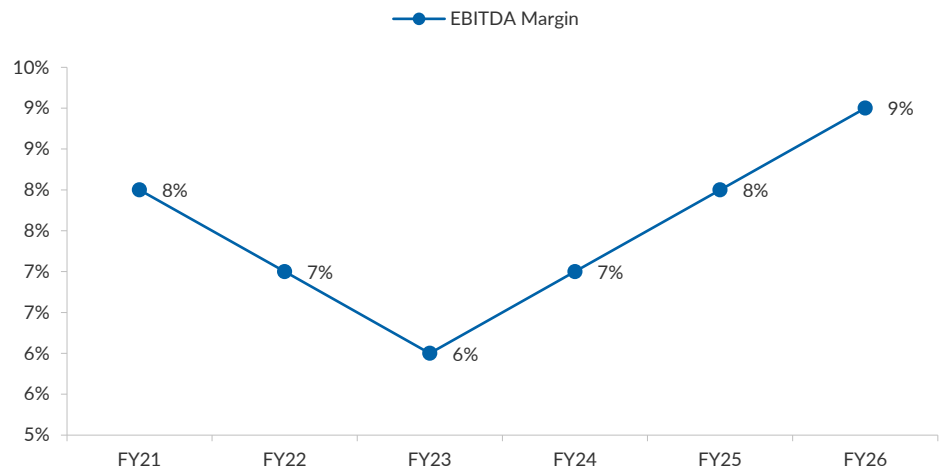
Players	Certifications
RR Kabel	ISO 9001, 14001, 45001, BASEC (UK), UL (USA), CSA (Canada), VDE (Germany), Intertek, CE (Europe) and TUV Rheinland (Germany), REACH (Europe), RoHS (Europe), CPR (Europe)
Finolex Cables	ISO 9001, 14001, 14000
Polycab	ISO 9001, 14001, OHSAS 18001
KEI Industries	ISO 9001, 14001, 45001, 17025, NABL, Achilles UVDB, CEOC, KEMANGCP, DNV-TAE00003U5, DNV-TAE00003U6, DNV-TAE00003U7, DNV-TAE00003U8
Havells	ISO 9001, 14001, 45001, 50001, OHSAS 18001
Bajaj Electricals	SABS, SASO, UL (USA), SIRIM, SLS, KBS, SONCAP, CE (Europe), ESMA, KUCAS, ISO 27001, 10002, 9001, 14001, OHSAS 18001
Crompton	ISO 9001, 14001, 45001
V-Guard	ISO 21702, 9001, 14001, 694, 12615, 8472, OHSAS 18001, JIS Z 2801, QCFI-JUSE, BIS

Source: RR Kabel RHP, Industry, YES Sec

## Margin Expansion

R R Kabel's margin is estimated to see from 7% in FY24 to 8.9% in FY26. Margin expansion will be on two counts 1) 120bps margin expansion in wires and cables business and 2) Breaking even of FMEG by FY26 and further improve going ahead.

### Exhibit 37: EBITDA margin set to improve



Source: Company, YES Sec

## Capacity expansion in W&C

A critical element of RR Kabel's strategy in 2023-24 was its focus on capacity expansion and infrastructure development through its Capex plan of ~INR 5bn. These investments will double its power cable capacity and its expanding copper wire production including e-beam facility and PVC compound manufacturing facility. This will result in lowering the costs resulting in higher margins.

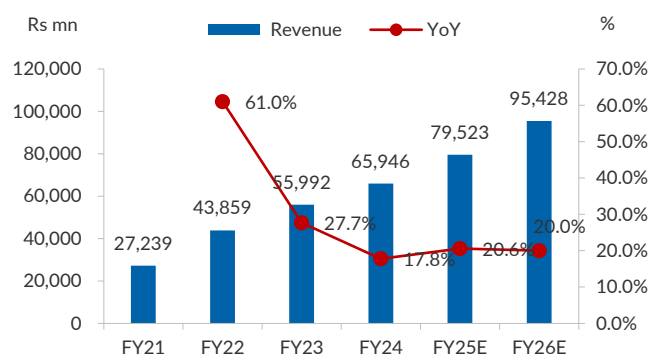
### Exhibit 38: Company to double its cables capacity

Players	Manufacturing Facilities	Category	Units	Capacity per annum
RR Kabel	Silvassa, Gagret, Waghodia, Roorkee, Bangalore	Fans	Mn	3.2
		Switches and Switchgears	Mn	9.9
		Wires & Cables	Mn CKM	4.2
		PVC	MT	51600
		Lights	Mn	1.9
Finolex Cables	Roorkee, Urse, Pimpri, Verna, Ponda	Wires & Cables	-	NA
		Switches & Switchgears	-	NA
		Copper Rods	-	NA
Polycab	23 across Gujarat (W&C), Maharashtra (Switchgears), Uttarakhand (Fans), Daman (W&C)	Wires & Cables	Mn Kms	5.2
		Switchgears	Mn	10.9
		Fans	Mn	4.2
KEI Industries	Bhiwadi, Chopanki, Pathredi, Rakholi, Chinchpada	Cables	Mn Kms	0.125
		House Wires	Mn Kms	1.3
		Communication Cables	Kms	28,800
		Stainless Steel Wires	MT	9000
		Wires & Cables	-	NA
Havells	Alwar, Baddi, Faridabad, Haridwar, Neemrana, Sahibabad, Ghiloth	Switches and Switchgears	-	NA
		Lightings	-	NA
		Fans	-	NA
		AC	-	NA
		Bulbs	Units(Lakhs)	84
		Panel Lights	Mn Units	0.24
Bajaj Electricals	Pune (40,000MT/yr), Chakan, Nashik, Aurangabad (Nirlep Appliances)	Industrial Lights	Units	8400-12000
		Fans	Mn	1.5
		LED	Mn	0.7
Crompton	Goa, Vadodra, Ahmednagar, Baddi	Starlite Lighting	Mn	4
		Lightings	-	NA
V-Guard	Coimbatore, Kashipur, Kala Amb, Perundai, Roorkee, Sikkim	Fans	-	NA
		Wires & Cables	-	NA
		Switches and Switchgears	-	NA

Source: RR Kabel RHP, Industry, YES Sec

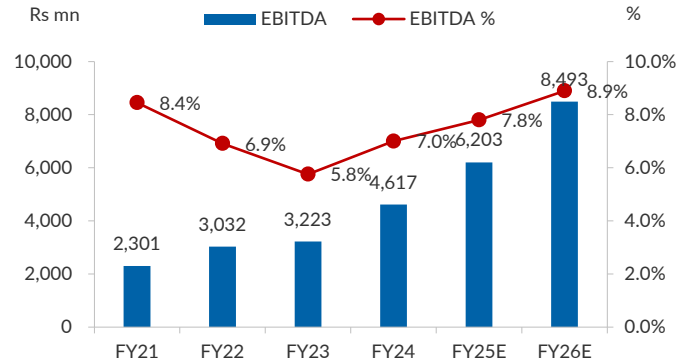
**FINANCIAL ANALYSIS**

**Exhibit 39: R R Kabel revenue is estimated to grow at 20% CAGR over FY24-26E**



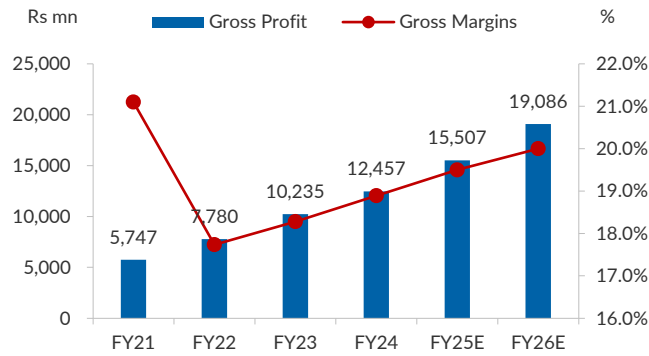
Source: Company, YES Sec

**Exhibit 40: EBITDA margins is expected to improve ~190bps over similar period**



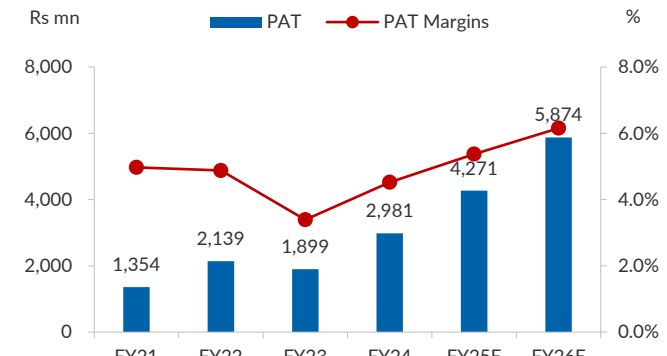
Source: Company, YES Sec

**Exhibit 41: Gross margin is estimated to see steady improvement**



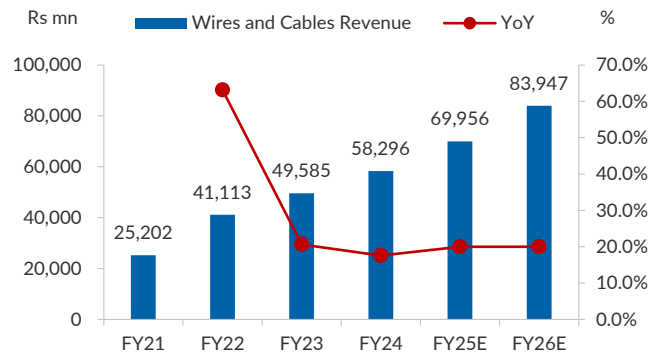
Source: Company, YES Sec

**Exhibit 42: PAT margin to improve in line with EBITDA**



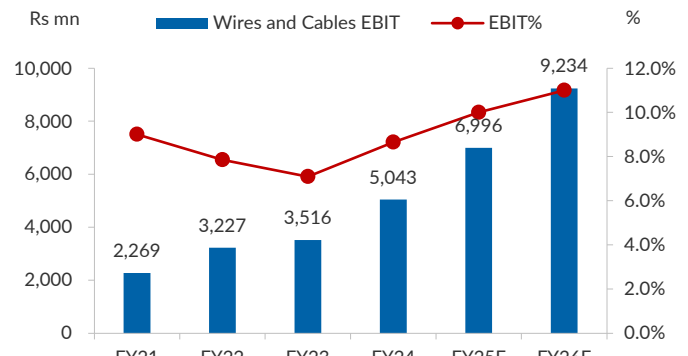
Source: Company, YES Sec

**Exhibit 43: Wires and cables revenue to grow 20% CAGR on capacity expansion**



Source: Company, YES Sec

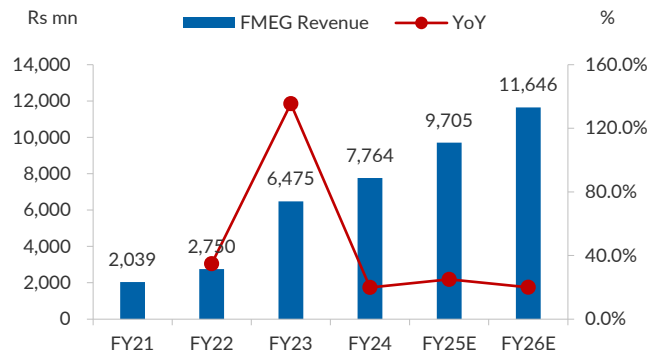
**Exhibit 44: In-house manufacturing and increasing PVC compounding facility to result in margin improvement**



Source: Company, YES Sec

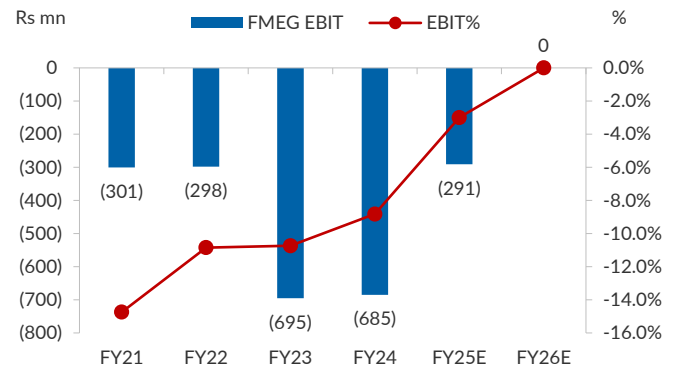


**Exhibit 45: FMEG is estimated to grow at 22% CAGR over FY24-26E**



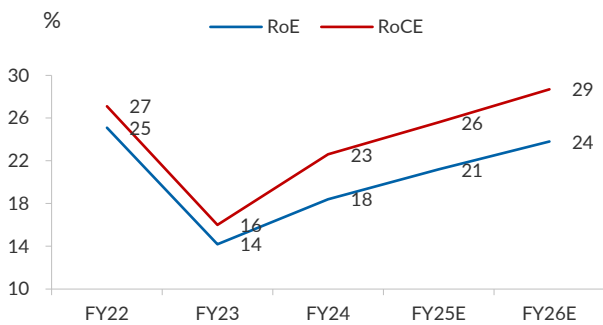
Source: Company, YES Sec

**Exhibit 46: FMEG is expected to break-even in FY26E**



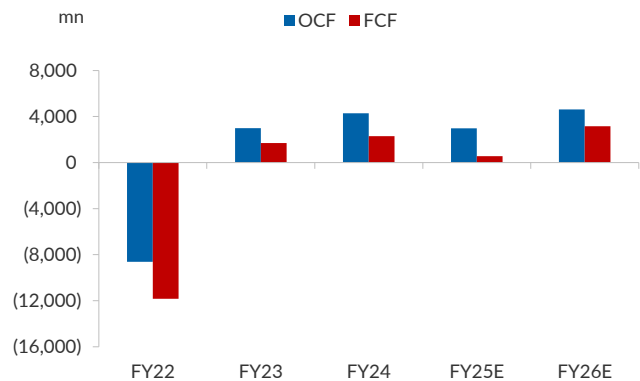
Source: Company, YES Sec

**Exhibit 47: Return ratios set to expand**



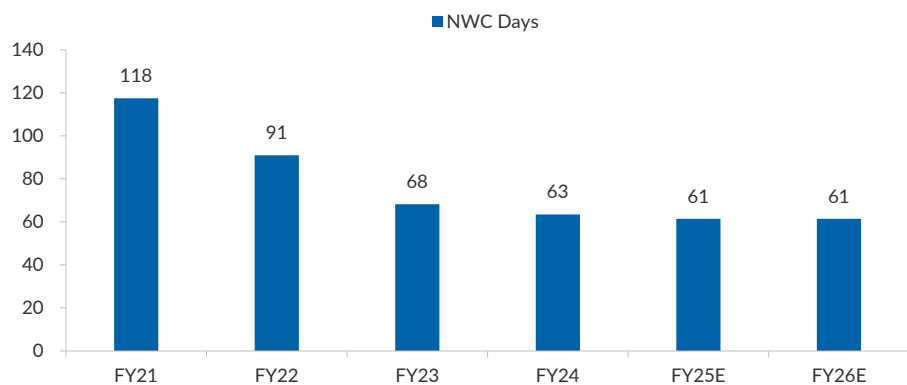
Source: Company, YES Sec

**Exhibit 48: Cashflow generation is expected to be robust going forward**



Source: Company, YES Sec

**Exhibit 50: NWC is on declining trend**



Source: Company, YES Sec

## PEER COMPARISON

Company	Revenue (Rs mn)			Revenue CAGR FY24-26E	EBITDA Margins			PAT (Rs mn)			PAT CAGR FY24-26E
	FY24	FY25E	FY26E		FY24	FY25E	FY26E	FY24	FY25E	FY26E	
Polycab India	180,394	213,840	248,785	17.4%	13.8%	13.7%	13.9%	17,840	20,599	24,180	16.4%
Kei Industries	81,041	96,105	114,101	18.7%	10.3%	11.0%	11.5%	5,807	7,266	9,020	24.6%
<b>RR Kabel</b>	<b>65,946</b>	<b>78,667</b>	<b>93,453</b>	<b>19.0%</b>	<b>7.0%</b>	<b>7.9%</b>	<b>8.8%</b>	<b>2,981</b>	<b>4,179</b>	<b>5,583</b>	<b>36.9%</b>
Finolex Cables	50,144	57,246	66,520	15.2%	14.6%	12.3%	12.9%	6,517	7,891	9,510	20.8%

Company	PE			EV/EBITDA			ROE			ROCE		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Polycab India	55.5	48.2	41.5	40.1	34.3	28.5	24.3	23.1	22.6	32.8	31.3	30.5
Kei Industries	50.2	55.5	45.4	35.5	38.2	30.8	20.2	20.6	20.4	19.9	27.2	28.4
<b>RR Kabel</b>	<b>59.5</b>	<b>41.8</b>	<b>30.4</b>	<b>39.1</b>	<b>29.1</b>	<b>21.1</b>	<b>18.4</b>	<b>21.2</b>	<b>23.8</b>	<b>22.6</b>	<b>25.6</b>	<b>28.7</b>
Finolex Cables	29.3	26.3	24.3	22.2	28.0	23.1	14.0	14.4	15.1	14.0	18.5	19.2

## ABOUT THE COMPANY

### Company Profile

RR Kabel Limited stands out as a key player in India's consumer electrical industry, specializing in wires, cables, and fast-moving electrical goods (FMEG) with over 20 years of industry experience. The company has achieved a remarkable 34% compound annual growth rate (CAGR) in revenue from FY21 to FY24, showcasing its robust expansion trajectory. RR Kabel holds a strong position with 10% market share in the domestic branded wires and cables segment and 12% in export markets, highlighting its significant presence both in local and global markets.

What distinguishes RR Kabel is its predominant focus on the Business-to-Consumer (B2C) segment, where it leads with a substantial 74% revenue share, emphasizing its dedication to meeting consumer needs. The company's extensive distribution network includes over 3900 distributors, 4000 dealers, and serves 144,000 retailers, supported by 454,000 electricians across India. This expansive reach positions RR Kabel uniquely to cater effectively to diverse customer demands nationwide.

Operational excellence is central to RR Kabel's strategy, with five manufacturing facilities having an annual installed capacity of approximately 4.2 million cubic kilometers (ckm) for wires and cables, alongside 15 million units for FMEG. The company's commitment to quality is reinforced by 38 international product certifications. Additionally, RR Kabel's dedicated research and development team of 82 professionals is actively driving innovation, currently engaged in developing 116 new products to enhance its market leadership and product portfolio.

Product	Capacity	Manufacturing Facility
Wires and Cables	4.2 million cubic kilometers (ckm)	Waghodia, Silvassa
Fans	3.2mn units	Roorkee Uttarakhand, Gagret Facility
Switches	9.9mn units	Waghodia
Lights	1.9mn units	Roorkee Uttarakhand, Bengaluru, Karnataka,

## MANAGEMENT TEAM

Shreegopal Kabra

*Managing Director*

- He has extensive experience in the electrical industry. Previously, he was associated with the International Copper Association as the chairman of wire and cable product council and the Indian Electrical and Electronics Manufacturers' Association as the president. He was appointed to our Board of Directors with effect from June 27, 2014.

Mahendrakumar Kabra

*Joint Managing Director*

- He holds a licentiate 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 our Board of Directors with effect from February 6, 1995.

Tribhuvanprasad Kabra

*Executive Chairman*

- 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 our Board of Directors with effect from May 13, 1997.

Bhagwat Singh Babel

*Independent Director*

- 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 our Board of Directors with effect from August 24, 2017.

Ramesh Chandak

*Independent Director*

- He holds a degree of master's in commerce from Nagpur University and has also completed a program on 'leading change and organizational renewal' from 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 the Indian Electricals and Electronics Manufacturers' Association and is a trustee of the Victoria Memorial School for the Blind, Mumbai. He has been honoured with the 'CA Business Leader Corporate' award from the Institute of Chartered Accountants of India in 2008. He was appointed to our Board of Directors with effect from April 29, 2023.

Vipul Sabharwal

*Independent Director*

- 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 our Board of Directors with effect from August 23, 2022

Jyoti Vij

*Independent Director*






- 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 our Board of Directors with effect from December 16, 2022

## Exhibit 49: History of Events

- 1998 ○ RR Kabel was established and started manufacturing of wires & cables
- 1999 ○ 1st Company in India and the 4th in the world to introduce wires with Unilay technology apart from Europe
- 2004 ○ Manufacturing of PVC Compound in-house (backward integration)
- 2011 ○ A high end expansion of manufacturing facility was set up on 3 lakh sqft area at Waghodia, Gujarat.
- 2012 ○ Started manufacturing LT cables.
- 2013 ○ First overseas manufacturing facility was set up in Bangladesh. Accredited with ISO 50001:2011
- 2014 ○ Started manufacturing special application cables
- 2017 ○ Became the first company in India to make entire range of products REACH compliance
- 2020 ○ Launched HT Cable & Acquired Arraystorm
- 2022 ○ RR Kabel Acquired Luminous Home Electrical Business

Source: Company, YES Sec

## Exhibit 50: Product portfolio

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

## FINANCIALS

### Exhibit 51: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Equity capital	239	478	564	564	564
Reserves	12,264	13,718	17,721	21,507	26,714
Net worth	12,503	14,197	18,285	22,071	27,279
Debt	5,211	5,158	2,890	3,485	4,181
Deferred tax liab (net)	131	149	247	247	247
Other non current liabilities	154	726	739	762	789
Total liabilities	17,999	20,230	22,161	26,565	32,496
Fixed Asset	4,303	4,989	6,320	7,959	8,505
Investments	2,677	3,627	3,415	3,415	3,415
Other Non-current Assets	333	1,109	1,355	1,575	1,794
Net Working Capital	10,564	9,695	10,083	12,446	14,960
Inventories	7,096	8,602	8,978	10,827	12,992
Sundry debtors	5,171	5,919	6,412	7,732	9,279
Loans and Advances	121	90	280	397	477
Sundry creditors	1,679	4,401	4,292	5,176	6,211
Other current liabilities	688	1,483	1,993	2,378	2,830
Cash & equivalents	123	811	988	1,171	3,822
Total Assets	17,999	20,230	22,161	26,565	32,496

Source: YES Sec

### Exhibit 52: Balance Sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	43,859	55,992	65,946	79,523	95,428
Operating profit	3,032	3,223	4,617	6,203	8,493
Depreciation	461	596	655	788	908
Interest expense	233	421	539	289	348
Other income	463	344	626	571	602
Profit before tax	2,802	2,550	4,050	5,697	7,839
Taxes	704	661	1,080	1,437	1,976
Minorities and other	(42)	(9)	(11)	(11)	(11)
Adj. profit	2,139	1,899	2,981	4,271	5,874
Exceptional items	-	-	-	-	-
Net profit	2,139	1,899	2,981	4,271	5,874

Source: YES Sec

## Exhibit 53: Cash Flow

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	3,034	2,971	4,588	5,986	8,187
Depreciation	461	596	655	788	908
Tax paid	(704)	(661)	(1,080)	(1,437)	(1,976)
Working capital Δ	(11,415)	74	111	(2,363)	(2,514)
Other operating items					
Operating cashflow	(8,624)	2,980	4,275	2,974	4,606
Capital expenditure	(3,209)	(1,282)	(1,986)	(2,426)	(1,455)
Free cash flow	<b>(11,833)</b>	<b>1,698</b>	<b>2,289</b>	<b>547</b>	<b>3,151</b>
Equity raised	5,807	295	1,445	(0)	(0)
Investments	(622)	(155)	(287)	-	-
Debt financing/disposal	5,058	(53)	(2,269)	595	697
Interest paid	(233)	(421)	(539)	(289)	(348)
Dividends paid	-	(500)	(338)	(485)	(667)
Net Δ in cash	<b>(1,278)</b>	<b>688</b>	<b>177</b>	<b>183</b>	<b>2,652</b>

Source: YES Sec

## Exhibit 54: Du-pont analysis

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.76	0.74	0.74	0.75	0.75
Interest burden (x)	0.92	0.86	0.88	0.95	0.96
EBIT margin (x)	0.07	0.05	0.07	0.08	0.09
Asset turnover (x)	2.73	2.39	2.40	2.52	2.50
Financial leverage (x)	1.88	1.75	1.69	1.56	1.55
RoE (%)	<b>25.1</b>	<b>14.2</b>	<b>18.4</b>	<b>21.2</b>	<b>23.8</b>

Source: YES Sec

## Exhibit 55: Ratio Analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth matrix (%)</b>					
Revenue growth	115.8	27.7	17.8	20.6	20.0
Op profit growth	38.1	6.3	43.2	34.3	36.9
EBIT growth	66.2	(2.1)	54.4	30.5	36.8
Net profit growth	78.7	(11.2)	57.0	43.3	37.5
<b>Profitability ratios (%)</b>					
OPM	6.9	5.8	7.0	7.8	8.9
EBIT margin	6.9	5.3	7.0	7.5	8.6
Net profit margin	4.9	3.4	4.5	5.4	6.2
RoCE	27.1	16.0	22.6	25.6	28.7
RoNW	25.1	14.2	18.4	21.2	23.8
RoA	13.3	8.1	10.8	13.5	15.4
<b>Per share ratios</b>					
EPS	44.7	19.8	26.4	37.9	52.1
Dividend per share	-	5.2	3.0	4.3	5.9
Cash EPS	54.3	26.1	32.2	44.8	60.1
Book value per share	261.3	148.4	162.1	195.6	241.8
<b>Valuation ratios</b>					
P/E	35.4	79.7	59.9	41.8	30.4
P/CEPS	29.1	60.7	49.1	35.3	26.3
P/B	6.1	10.7	9.8	8.1	6.5
EV/EBIDTA	26.6	48.3	39.1	29.1	21.1
<b>Payout (%)</b>					
Dividend payout	-	26.3	11.4	11.4	11.4
Tax payout	25.1	25.9	26.7	25.2	25.2
<b>Liquidity ratios</b>					
Debtor days	43.0	38.6	35.5	35.5	35.5
Inventory days	59.1	56.1	49.7	49.7	49.7
Creditor days	14.0	28.7	23.8	23.8	23.8

Source: YES Sec

## STANDARD DISCLAIMER:

**YES Securities (India) Limited, Registered Address:** 2<sup>nd</sup> Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400055. Maharashtra, India | **Correspondence Add:** 7<sup>th</sup> Floor, Urmi Estate Tower A, Ganpatrao Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West), Mumbai - 400 013, Maharashtra, India. | Website: [www.yesinvest.in](http://www.yesinvest.in) | Email: [customer.service@ysil.in](mailto:customer.service@ysil.in)

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