



## Connecting Innovation, Powering Tomorrow



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RR Kabel Limited (RRKL) is a prominent player in the Indian consumer electrical industry, specializing in wires & cables (W&C) and fast-moving electrical goods (FMEG) for over two decades. Between FY21 and FY23, the company achieved an impressive 43% CAGR in domestic revenue & 47% CAGR in export revenue.

As of March 31, 2023, RR Kabel Limited holds the 5th position in the domestic branded wires and cables segment, capturing 7% of the market share. Additionally, the company has a 9% share in export markets, showcasing its global presence. Notably, RR Kabel Limited stands out with the highest Business-to-Consumer (B2C) revenue share, accounting for approximately 74%, highest among its industry peers. This reflects its strong focus on catering to end consumers in the electrical sector, making it a key player in the industry.

RR Kabel Limited is strategically positioned for growth with an extensive PAN India distribution network that includes over 3,400+ distributors, 3,600+ dealers, 114k+ retailers, and an impressive 298k+ electricians. This vast network sets it apart as it has the highest reach among its industry peers, enabling the company to effectively serve customers across India.

In terms of manufacturing capabilities, RR Kabel Limited operates from 5 facilities with a combined annual installed capacity of approximately 4.1 million cubic kilometers (ckm) for W&C and around 14 million units for FMEG. Notably, the company has achieved significant backward integration, particularly in key raw materials.

In terms of product quality and innovation, RR Kabel Limited holds an impressive portfolio of 35 international product certifications. It also maintains a dedicated research and development (R&D) team, comprising 72 professionals focused on driving forward product innovation. As of June 30, 2023, the company is actively engaged in the development of 55 new products.

Industry	Cables & Electrical Equipment
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Issue Details	
Listing	BSE & NSE
Open Date	13 <sup>th</sup> Sep 2023
Close Date	15 <sup>th</sup> Sep 2023
Price Band	INR 983-1,035
Face Value	INR 5
Market Lot	14 shares
Minimum Lot	1 Lot

Issue Structure	
Offer for Sale	90.83%
Fresh Issue	9.16%
Issue Size (Amt)	INR 1,964 cr
Issue Size (Shares)	1,89,75,939
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	9,56,96,296
Post issue sh (nos)	9,74,35,427
Post issue M Cap	10,084.56 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	66.42	62.77
Public	33.58	37.23
<b>TOTAL</b>	<b>100</b>	<b>100</b>

#### Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	Adj BVPS (₹)	RoE (%)	RoIC (%)	EV/EBITDA A (X)	P/E (X)
FY21	2,724	230	135	6.8	4.9	13.9	107.5	12.9	13.8	45	74.5
FY22	4,386	303	210	5.9	4.8	22.0	128.3	17.1	16.6	34.2	47.1
FY23	5,599	322	188	4.7	3.4	19.4	145.8	13.3	16.7	31.8	53.2

Source: Ventura Research

## Industry Analysis

### Overview

The consumer electrical industry in India holds significant economic importance, contributing around 8% to the country's manufacturing production, approximately 1.5% to India's GDP, and roughly 1.5% to India's exports. This industry includes heavy electrical products like wires and cables (W&C) as well as light electrical products like fast-moving electrical goods (FMEG).

In Fiscal 2023, the consumer electrical industry was valued at approximately ₹1,81,150 crore and is projected to grow at a CAGR of around 10% until Fiscal 2027, reaching a market value of approximately ₹2,66,500 crore.

Wires and cables, crucial for electrical power distribution and transmission, constitute nearly 40% of the consumer electrical industry in India. In Fiscal 2023, the domestic market for the W&C industry was valued at approximately ₹74,800 crore, expected to grow at a CAGR of 13% until Fiscal 2027, reaching about ₹1,20,000 crore. Meanwhile, in Fiscal 2023, the FMEG industry accounted for around ₹1,06,350 crore, representing approximately 59% of the total consumer electrical industry. This segment is projected to grow at a CAGR of 8% until Fiscal 2027, reaching a market value of approximately ₹1,46,500 crore.

Rural electrification, expansion in the residential and commercial real estate sector, increase in per capita consumption of electricity, Government of India's ("GoI") infrastructure development support through increased capital outlay and government funded schemes, favorable trade policies to increase exports through initiatives such as production linked incentive ("PLI") and Remission of Duties and Taxes on Exported Products ("RoDTEP") schemes, successful execution of Bureau of Energy Efficiency ("BEE") star norms and increase in demand from consumers to upgrade or replace existing products are some of the key factors, that are expected to drive the growth of the consumer electrical industry in India.






















### Key Growth Drivers of Consumer Electrical Industry in India

1. Public and private investment outlay in infrastructure
2. Continued growth of residential real estate sector
3. Resilient commercial real estate sector
4. Transition of automobiles and transport towards electric vehicles ("EVs")
5. Rural electrification
6. Push towards renewable energy and high demand in power sector

## Company Highlights

The company has a wide range of product portfolios having applications across industries.

### Company's Product Portfolio

	Wires & Cables			FMEG			
	Cables	Industrial Wires	House Wires	Fans	Switches	Lighting	Appliances
Opportunity Size <sup>(1)</sup>	INR748bn			INR1,064bn			
Branded Market CAGR <sup>(2)</sup>	16%			9%	9%	14%	9%
Product Portfolio	 Power Cables	 Single Core Flexible Cables	 Fire Resistant Wires	 Ceiling Fans	 Distribution Box	 LED Bulbs & Lights	 Room Heater
	 Battery Cables	 Control Cables	 Heat Resistant Wires	 Table, Pedestal and Wall Fans	 Modular Switches	 Panel Lights	 Coolers
	 Solar Cables	 Submersible Flat Cables	 Flame Retardant Wires	 Exhaust Fans	 MCB	 Streetlights	 Irons

Source: Company Reports

Opportunity size is as of FY23.

CAGR is calculated from FY23 to FY27E

- The company has an Extensive Distribution Network spread across PAN India.
  - 298K of electrician's network as on 30<sup>th</sup> June, 2023 as compared to 61K in FY21.
  - 3,400+ of distributors network as on 30<sup>th</sup> June, 2023 as compared to 1,400+ in FY21.
  - 3,600+ of dealer's network as on 30<sup>th</sup> June, 2023 as compared to 2,800+ in FY21.
  - 114K+ of retailer's network as on 30<sup>th</sup> June, 2023 as compared to 30K+ in FY21

- The company has adequate capacity to cater for additional demand and will benefit from economies of scale.

Location wise Capacity				
Facility	Products	Unit of Measure	FY 2023 Installed Capacity	Utilization
Waghodia	W&C	Ckm	21,16,620	62%
	Coating compounds	Mts	40,400	63%
	Switches	Nos.	89,25,000	81%
Silvassa	W&C	Ckm	19,36,000	87%
	Coating compounds	Mts	13,200	86%
Roorkee	Fans	Nos.	15,00,000	50%
	Lights	Nos.	18,00,000	32%
Gagret	Fan	Nos.	16,50,000	42%
Bangalore	Lights	Nos.	1,32,096	81%

Source: Company Reports

Product wise Capacity		
Product	Unit of Measurement	Total Capacity
W&C	Ckm	40,52,620
Coating compounds	Mts	53,600
Switches	Nos.	89,25,000
Fans	Nos.	31,50,000
Lights	Nos.	19,32,096

Source: Company reports

#### Peer Analysis

Industry Peers					
Company Name	Market Cap (in Crs.)	Revenue (in Crs.)	PAT (in Crs)	PAT %	PE (x)
Havells India Ltd.	90,291	16,911	1,072	6%	80.8
Polycab India Ltd.	77,271	14,108	1,282	9%	53.3
KEI Industries Ltd.	23,820	6,921	477	7%	48.1
Finolex Cables Ltd.	17,808	4,481	502	11%	33.1
RR Kabels Ltd.	N.A	5,599	190	3%	N.A

Source: Company reports

### Investment Rationale

- The Indian W&C market is poised for a robust growth rate of 13% CAGR until FY27, with an increasing presence of organized players creating ample room for expansion.
- To enhance its product portfolio, the company is focused on elevating the quality and appeal of its FMEG products, the company intends to introduce a fresh brand called "RR Signature," capitalizing on its existing brand recognition. This strategic move is expected to improve the product mix and subsequently boost profit margins.
- Exports currently account for 9% of the company's total revenue. It primarily sells products under its own brand directly to distributors. The company's extensive global certifications and sustained demand from B2C customers position it strategically to benefit from the shift in manufacturing from China to India.
- The company has consistently demonstrated its commitment to innovation through dedicated R&D efforts. As of June 30, 2023, it has 55 products in various stages of development.
- To expedite growth within the FMEG segment, the company has devised strategies to pursue inorganic acquisitions. These acquisitions are intended to accelerate its expansion efforts in this sector.

### Key Concerns

- Variations in the prices of essential raw materials such as Copper and Aluminum have the potential to negatively impact the company's profitability.
- The company is vulnerable to foreign exchange rate fluctuations due to its involvement in exporting products and importing raw materials.
- Integrating the operations of potential future inorganic acquisitions may present challenges for the company.
- Non-compliance with quality and safety standards could harm the company's reputation and result in potential product liability claims.
- Competitive pressures from industry peers have the potential to affect the company's profit margins.

### Issue Structure and Offer Details

The proposed issue size of RRKL is INR 1964 Cr (OFS- 1784 Cr Fresh Issue-180Cr) and the price band for the issue is in the range of INR 983-1035 and the bid lot is 14 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares offered
QIB	Not more than 50% of the Offer	87,05,361
NIB	Not less than 15% of the Offer	26,11,608
Retail	Not less than 35% of the Offer	60,93,752

*Number of shares based on a higher price band of INR 1035*

*Source: Company Reports*



### Objects of the issue

Objects	Amount (in Cr.)
Repayment or prepayment, in full or in part, of borrowings availed by our company from banks and financial institutions	136.0
General Corporate purposes	-

Source: Company Reports

Note: Each of the Selling Shareholders will be entitled to their respective portion of the proceeds from the Offer for Sale in proportion of the Equity Shares offered by the respective Selling Shareholders as part of the Offer for Sale after deducting their proportion of Offer related expenses and relevant taxes thereon. The proceeds of the Offer for Sale shall be received by the Selling Shareholders and will not form part of the Net Proceeds. Our Company will not receive any proceeds from the Offer for Sale.

### Details of the selling shareholders

Promoter Selling shares	Amount offered	No of shares
Mahendrakumar Kabra	Not more than 78.08 Cr	7,54,417
Hemant Kabra	Not more than 78.08 Cr	7,54,417
Sumeet Kabra	Not more than 78.08 Cr	7,54,417
Kabel Buildcon Solutions Private Ltd.	Not more than 73.20 Cr	7,07,200
Ram Ratna Wires Limited	Not more than 141.22 Cr	13,64,480
TPG Asia VII SF Pte. Ltd.	Not more than 1335.34 Cr	1,29,01,877

The amount is based on a higher price band of INR 1035

Source: Company Reports

## RRKL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Per share data &amp; Yields</b>			
Revenue	2,723.9	4,385.9	5,599.0	Adjusted EPS (INR)	13.9	22.0	19.4
<b>YoY Growth (%)</b>	<b>10.2</b>	<b>61.0</b>	<b>27.7</b>	Adjusted Cash EPS (INR)	18.5	26.7	25.6
Raw Material Cost	2,149.0	3,607.8	4,576.0	Adjusted BVPS (INR)	107.5	128.3	145.8
<b>RM Cost to Sales (%)</b>	<b>78.9</b>	<b>82.3</b>	<b>81.7</b>	Adjusted CFO per share (INR)	(7.3)	10.1	46.6
Employee Cost	148.3	188.9	264.2	CFO Yield (%)	(0.7)	1.0	4.5
<b>Employee Cost to Sales (%)</b>	<b>5.4</b>	<b>4.3</b>	<b>4.7</b>	Adjusted FCF per share (INR)	(10.0)	5.3	38.7
Other Expenses	196.2	285.8	437.0	FCF Yield (%)	(1.0)	0.5	3.7
<b>Other Exp to Sales (%)</b>	<b>7.2</b>	<b>6.5</b>	<b>7.8</b>	<b>Solvency Ratio (X)</b>			
EBITDA	230.4	303.4	321.9	Total Debt to Equity	0.5	0.4	0.4
<b>Margin (%)</b>	<b>8.5</b>	<b>6.9</b>	<b>5.7</b>	Net Debt to Equity	0.3	0.2	0.1
<b>YoY Growth (%)</b>	<b>11.4</b>	<b>31.7</b>	<b>6.1</b>	Net Debt to EBITDA	1.3	1.0	0.5
Depreciation & Amortization	44.8	46.1	59.6	<b>Return Ratios (%)</b>			
EBIT	185.7	257.4	262.2	Return on Equity	12.9	17.1	13.3
<b>Margin (%)</b>	<b>6.8</b>	<b>5.9</b>	<b>4.7</b>	Return on Capital Employed	9.0	10.9	10.0
<b>YoY Growth (%)</b>	<b>10.4</b>	<b>38.6</b>	<b>1.9</b>	Return on Invested Capital	13.8	16.6	16.7
Other Income	22.0	46.3	34.4	<b>Working Capital Ratios</b>			
Bill discounting & other charges	27.1	23.3	42.1	Payable Days (Nos)	15	14	29
Fin Charges Coverage (X)	6.9	11.1	6.2	Inventory Days (Nos)	72	59	56
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	56	43	39
PBT	180.6	280.4	254.6	Net Working Capital Days (Nos)	113	88	66
<b>Margin (%)</b>	<b>6.6</b>	<b>6.4</b>	<b>4.5</b>	Net Working Capital to Sales (%)	30.9	24.1	18.1
<b>YoY Growth (%)</b>	<b>14.6</b>	<b>55.2</b>	<b>(9.2)</b>	<b>Valuation (X)</b>			
Tax Expense	46.0	70.4	66.2	P/E	74.5	47.1	53.2
<b>Tax Rate (%)</b>	<b>25.5</b>	<b>25.1</b>	<b>26.0</b>	P/BV	9.6	8.1	7.1
PAT	134.6	209.9	188.4	EV/EBITDA	45.0	34.2	31.8
<b>Margin (%)</b>	<b>4.9</b>	<b>4.8</b>	<b>3.4</b>	EV/Sales	3.8	2.4	1.8
<b>YoY Growth (%)</b>	<b>10.0</b>	<b>55.9</b>	<b>(10.3)</b>	<b>Cash Flow Statement</b>			
Min Int/Sh of Assoc	0.8	4.0	1.0	PBT	180.6	280.4	254.6
Net Profit	135.4	213.9	189.4	Adjustments	21.9	106.2	218.4
<b>Margin (%)</b>	<b>5.0</b>	<b>4.9</b>	<b>3.4</b>	Change in Working Capital	(227.6)	(218.0)	46.9
<b>YoY Growth (%)</b>	<b>10.6</b>	<b>58.0</b>	<b>(11.5)</b>	Less: Tax Paid	(46.0)	(70.4)	(66.2)
<b>Balance Sheet</b>				Cash Flow from Operations	(71.1)	98.2	453.7
Share Capital	23.9	23.9	47.8	Net Capital Expenditure	(46.5)	(63.5)	(107.8)
Total Reserves	1,022.7	1,225.6	1,371.8	Change in Investments	40.6	0.9	(225.7)
Shareholders Fund	1,046.6	1,249.5	1,419.6	Cash Flow from Investing	(5.9)	(62.7)	(333.5)
Long Term Borrowings	71.3	59.3	26.9	Change in Borrowings	101.2	15.6	(16.4)
Deferred Tax Assets / Liabilities	7.9	13.1	14.9	Less: Finance Cost	(27.1)	(23.3)	(42.1)
Other Long Term Liabilities	5.3	8.2	58.6	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	6.0	7.2	14.1	Dividend Paid	0.0	(23.9)	(43.0)
Total Liabilities	1,137.1	1,337.4	1,534.0	Cash flow from Financing	74.1	(31.6)	(101.5)
Net Block	399.4	398.5	448.8	Net Cash Flow	(2.8)	3.9	18.7
Capital Work in Progress	6.7	42.3	43.6	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.5	0.6	0.0	Opening Balance of Cash	11.2	8.4	12.3
Non Current Investments	40.6	62.2	77.7	Closing Balance of Cash	8.4	12.3	31.0
Long Term Loans & Advances	19.5	20.8	84.1				
Other Non Current Assets	1.8	1.4	33.3				
Net Current Assets	668.7	811.6	846.5				
Total Assets	1,137.1	1,337.4	1,534.0				

Source: Ventura Research



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