Prabhudas Lilladher
POWERING YOUR FINANCIAL GROWTH

R R Kabel (RRKABEL IN)

Rating: BUY | CMP: Rs1,605 | TP: Rs1,800

November 9, 2023

Q2FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,800		1,624	
Sales (Rs.m)	68,639	85,818	67,903	84,886
% Chng.	*1.1*	*1.1*		
EBITDA (Rs.m)	5,085	7,042	4,915	6,966
% Chng.	*3.5*	*1.1*		
EPS (Rs.)	29.1	40.4	27.5	40.2
% Chng.	*5.8*	*0.6*		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	55,992	68,639	85,818	99,655
EBITDA (Rs. m)	3,223	5,085	7,042	8,715
Margin (%)	*5.8*	*7.4*	*8.2*	*8.7*
PAT (Rs. m)	1,899	3,279	4,561	5,727
EPS (Rs.)	19.8	29.1	40.4	50.8
Gr. (%)	*(55.6)*	*46.5*	*39.1*	*25.6*
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	*14.2*	*19.5*	*21.1*	*21.4*
RoCE (%)	*16.0*	*22.3*	*24.6*	*26.2*
EV/Sales (x)	2.8	2.7	2.1	1.8
EV/EBITDA (x)	48.1	35.8	25.9	20.6
PE (x)	80.9	55.2	39.7	31.6
P/BV (x)	10.8	9.4	7.6	6.1

Key Data | RRKABEL IN

52-W High / Low	Rs.1,629 / Rs.1,137
Sensex / Nifty	64,976 / 19,444
Market Cap	Rs.181bn/ $ 2,174m
Shares Outstanding	113m
3M Avg. Daily Value	Rs.-2146826273m

Shareholding Pattern (%)

Promoter's	63.17
Foreign	9.19
Domestic Institution	13.25
Public & Others	14.39
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.8	-	-
Relative	8.5	-	-

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Healthy revenue growth, margins improved

Quick Pointers:

- W&C business reported ~28% volume growth in H1FY24.
- EBITDA margin expanded by 280bps and W&C EBIT margin by 270 bps YoY.

We upward revised our FY24E earnings estimates by 5.8% on account of healthy H1FY24 performance and strong guidance for H2FY24. RR Kabel (RRKABL) reported healthy revenue growth of 17.7% YoY in Q2FY24 mainly with 19% revenue growth in W&C which was driven by export business (+31.3% YoY). The company reported 28% vol. growth in H1FY24 and expected momentum will continue in W&C segment. EBITDA margin reported at 7.5% in Q2FY24 mainly with improvement in gross margin (+240bps YoY) on account of a) product mix, b) pricing, c) cost efficiency.

We believe RR Kabel continue to benefit on account of 1) strong brand with diverse product portfolio 2) well-structured capacity expansion plans, 3) increasing dealers /distribution network and 4) distribution led export business. We estimate Revenue/EBITDA/PAT CAGR of 21.1%/39.3%/44.5% over FY23-26E. Maintain 'BUY' at revised TP of Rs 1,800 (Rs 1624 earlier) given solid H1 performance and strong guidance for coming years.

Revenue grew 17.7% and PAT grew 111.6%: Rev. grew 17.7% YoY to Rs16.1bn (PLe: Rs16.6bn). W&C rev. grew by 19% YoY to Rs14.5bn (PLe: Rs14.8bn) on strong volume growth in both domestic and international business (up 31.3% YoY). FMEG rev. up by 7.4%YoY to Rs1.6bn (PLe: Rs 1.8bn). Export revenue contribution was ~29% to its total sales. Gross margin expanded 240 bps YoY to 19.9%. EBITDA grew 87.7% YoY to Rs 1.2bn (PLe:1.2bn). EBITDA margins expanded by 280bps YoY to 7.5% (PLe: 7.4%). PAT grew by 111.6% YoY to Rs741mn (PLe:Rs775bn) was largely from volume growth and improvement in margins. W&C's EBIT grew 67.6% YoY to Rs1.3bn and margins expanded 270bps YoY to 9.2%. FMEG reported EBIT loss of Rs 198mn vs loss of Rs240mn in Q2FY23.

Con-call highlights: **1)** RRKABL expects 20% volume growth in W&C business in coming years, **2)** RRKABL will be increasing its cable capacity by 2.4x by FY25 end with 20% annual increase of wire capacity, **3)** Reported 28% W&C vol. growth in H1FY24 where Cable/Wire grew by 32%/25%, **4)** B2B contributes 25-26% rev. which is expected to increase ~30% by FY26, **5)** RRKABL is expected to maintain 7.5-8.0% EBITDA margin in coming years, **6)** FMEG segment is expected to grow by 30% in coming years driven by product mix change and network expansion, **7)** Fan contributes 48% of FMEG segment and Luminous' HEB accounts ~40% of FMEG business, **8)** Planned capex of Rs 5bn over two years for capacity expansion which will funded through internal accruals, **9)** Gross debt by Sep-23 was Rs 6.7bn, **10)** Capacity utilization: 70% in W&C. **11)** H2 is seasonally better than H1 for RRKABL. **12)** North and West India is strong market for RRKABL while company is penetrating strongly in East. **13)** Export business growth was largely from repeat customer. **14)** Electrician n/w increased to 3.3lacs. **15)** Working capital days improved to 65days by Sep'23 from 75days by Mar'23.

Exhibit 1: Q2FY24 Result Overview (Rs mn)

Y/e March	Q2FY24	Q2FY23	YoY gr.	Q1FY24	QoQ gr.	1HFY24	1HFY23	YoY gr.
Net Sales	**16,097**	**13,672**	***17.7%***	**15,973**	***0.8%***	**32,070**	**26,031**	***23.2%***
Expenditure								
Operating & Manufacturing Expenses	12,901	11,290	*14.3%*	13,055	*-1.2%*	25,957	21,715	*19.5%*
% of Net Sales	*80.1%*	*82.6%*	*-2.4%*	*81.7%*		*80.9%*	*83.4%*	*-2.5%*
Gross Profit	3,195	2,383	*34.1%*	2,918	*9.5%*	6,113	4,317	*41.6%*
% of Net Sales	*19.9%*	*17.4%*	*2.4%*	*18.3%*		*19.1%*	*16.6%*	*2.5%*
Personnel Cost	803	679	*18.1%*	768	*4.6%*	1,570	1,291	*21.6%*
% of Net Sales	*5.0%*	*5.0%*	*0.0%*	*4.8%*		*4.9%*	*5.0%*	*-0.1%*
Other Expenses	1,184	1,059	*11.8%*	1,021	*16.0%*	2,204	1,982	*11.2%*
% of Net Sales	*7.4%*	*7.7%*	*-0.4%*	*6.4%*		*6.9%*	*7.6%*	*-0.7%*
Total Expenditure	14,888	13,028	*14.3%*	14,844	*0.3%*	29,731	24,988	*19.0%*
EBITDA	**1,209**	**644**	***87.7%***	**1,129**	***7.0%***	**2,339**	**1,044**	***124.1%***
Margin (%)	*7.5%*	*4.7%*	*2.8%*	*7.1%*		*7.3%*	*4.0%*	*3.3%*
Other income	148	95	*55.7%*	163	*-9.3%*	310	169	*84.0%*
Depreciation	166	150	*11.0%*	161	*3.2%*	327	294	*11.0%*
EBIT	**1,191**	**589**	***102.1%***	**1,131**	***5.2%***	**2,322**	**918**	***152.9%***
Interest	142	96	*47.2%*	144	*-1.7%*	286	177	*61.5%*
PBT before exceptional item	**1,049**	**493**	***112.8%***	**987**	***6.2%***	**2,036**	**741**	***174.8%***
Total Taxes	310	127	*143.3%*	250	*23.6%*	560	192	*191.6%*
ETR (%)	*29.5%*	*25.8%*	*3.7%*	*25.4%*		*27.5%*	*25.9%*	*1.6%*
Share of JV/Associates	2	-16		7		8	-17	
Minority Interest	0	0		0		0	0	
Adj. PAT	**741**	**350**	***111.6%***	**743**	***-0.3%***	**1,484**	**532**	***179.3%***
Exceptional item	0	0		0		0	0	
PAT	**741**	**350**	***111.6%***	**743**	***-0.3%***	**1,484**	**532**	***179.3%***

Source: Company, PL

Exhibit 2: Segmental Breakup (Rs mn)

Y/e March	Q2FY24	Q2FY23	YoY gr.	Q1FY24	QoQ gr.	1HFY24	1HFY23	YoY gr.
Revenues								
Wires and cables	14,504	12,185	*19.0%*	14,231	*1.9%*	28,735	23,243	*23.6%*
FMEG	1,598	1,488	*7.4%*	1,851	*-13.7%*	3,449	2,790	*23.6%*
Revenues	16,102	13,673	*17.8%*	16,082	*0.1%*	32,184	26,032	*23.6%*
EBIT								
Wires and cables	1,329	793	*67.6%*	1,246	*6.7%*	2,576	1,255	*105.2%*
EBIT margin (%)	*9.2%*	*6.5%*	*2.7%*	*8.8%*	*0.4%*	*9.0%*	*5.4%*	*3.6%*
FMEG	(198)	-240	*-17.5%*	-170	*16.9%*	(368)	-389	*-5.5%*
EBIT margin (%)	*-12.4%*	*-16.2%*	*3.7%*	*-9.2%*	*-3.2%*	*-10.7%*	*-14.0%*	*3.3%*
Total	1,131	553	*104.6%*	1,077	*5.0%*	2,208	866	*154.9%*
EBIT margin (%)	*7.0%*	*4.0%*	*3.0%*	*6.7%*	*0.3%*	*6.9%*	*3.3%*	*3.5%*

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	**55,992**	**68,639**	**85,818**	**99,655**
YoY gr. (%)	*27.7*	*22.6*	*25.0*	*16.1*
Cost of Goods Sold	45,757	55,167	68,691	79,425
Gross Profit	10,235	13,472	17,127	20,230
Margin (%)	*18.3*	*19.6*	*20.0*	*20.3*
Employee Cost	2,642	3,238	3,948	4,484
Other Expenses	2,951	3,569	4,334	4,938
EBITDA	**3,223**	**5,085**	**7,042**	**8,715**
YoY gr. (%)	*6.3*	*57.8*	*38.5*	*23.7*
Margin (%)	*5.8*	*7.4*	*8.2*	*8.7*
Depreciation and Amortization	596	673	850	1,026
EBIT	**2,627**	**4,412**	**6,193**	**7,688**
Margin (%)	*4.7*	*6.4*	*7.2*	*7.7*
Net Interest	421	542	562	515
Other Income	344	545	450	465
Profit Before Tax	**2,550**	**4,416**	**6,081**	**7,639**
Margin (%)	*4.6*	*6.4*	*7.1*	*7.7*
Total Tax	661	1,148	1,530	1,923
Effective tax rate (%)	*25.9*	*26.0*	*25.2*	*25.2*
Profit after tax	**1,889**	**3,268**	**4,550**	**5,716**
Minority interest	-	-	-	-
Share Profit from Associate	9	11	11	11
Adjusted PAT	**1,899**	**3,279**	**4,561**	**5,727**
YoY gr. (%)	*(11.3)*	*72.7*	*39.1*	*25.6*
Margin (%)	*3.4*	*4.8*	*5.3*	*5.7*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,899**	**3,279**	**4,561**	**5,727**
YoY gr. (%)	*(11.3)*	*72.7*	*39.1*	*25.6*
Margin (%)	*3.4*	*4.8*	*5.3*	*5.7*
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,899	3,279	4,561	5,727
Equity Shares O/s (m)	**96**	**113**	**113**	**113**
EPS (Rs)	**19.8**	**29.1**	**40.4**	**50.8**

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	**7,753**	**10,353**	**12,453**	**14,553**
Tangibles	7,589	10,139	12,189	14,239
Intangibles	164	214	264	314
Acc: Dep / Amortization	**2,581**	**2,979**	**3,727**	**4,645**
Tangibles	2,483	2,843	3,543	4,403
Intangibles	99	136	184	242
Net fixed assets	**5,172**	**7,374**	**8,726**	**9,908**
Tangibles	5,107	7,297	8,647	9,836
Intangibles	65	77	79	72
Capital Work In Progress	436	436	436	436
Goodwill	-	-	-	-
Non-Current Investments	816	825	837	846
Net Deferred tax assets	(149)	(149)	(149)	(149)
Other Non-Current Assets	452	527	629	712
Current Assets				
Investments	2,849	2,849	2,349	2,849
Inventories	8,602	10,719	13,402	15,563
Trade receivables	5,919	6,958	8,699	10,102
Cash & Bank Balance	811	1,627	1,612	1,939
Other Current Assets	1,190	1,260	1,575	1,829
Total Assets	**26,336**	**32,685**	**38,404**	**44,344**
Equity				
Equity Share Capital	478	564	564	564
Other Equity	13,718	18,800	23,361	29,088
Total Networth	**14,197**	**19,364**	**23,925**	**29,653**
Non-Current Liabilities				
Long Term borrowings	269	269	269	199
Provisions	705	864	1,080	1,255
Other non current liabilities	0	0	0	0
Current Liabilities				
ST Debt / Current of LT Debt	4,890	5,390	4,690	3,490
Trade payables	4,401	4,534	5,646	6,528
Other current liabilities	1,705	2,090	2,613	3,034
Total Equity & Liabilities	**26,336**	**32,685**	**38,404**	**44,344**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	2,560	4,427	6,092	7,650
Add. Depreciation	596	673	850	1,026
Add. Interest	421	542	562	515
Less Financial Other Income	344	545	450	465
Add. Other	(505)	(592)	(514)	(517)
Op. profit before WC changes	3,072	5,049	6,989	8,674
Net Changes-WC	819	(2,747)	(3,158)	(2,557)
Direct tax	(661)	(1,148)	(1,530)	(1,923)
Net cash from Op. activities	**3,230**	**1,154**	**2,301**	**4,195**
Capital expenditures	(1,790)	(2,875)	(2,202)	(2,208)
Interest / Dividend Income	344	545	450	465
Others	(1,450)	500	500	(900)
Net Cash from Invt. activities	**(2,896)**	**(1,830)**	**(1,252)**	**(2,643)**
Issue of share cap. / premium	239	86	-	-
Debt changes	479	646	(502)	(1,110)
Dividend paid	-	-	-	-
Interest paid	(421)	(542)	(562)	(515)
Others	-	-	-	-
Net cash from Fin. activities	**297**	**190**	**(1,064)**	**(1,625)**
Net change in cash	**631**	**(485)**	**(15)**	**(73)**
Free Cash Flow	1,440	(1,721)	99	1,987

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	**-**	**15,165**	**15,973**	**16,097**
YoY gr. (%)	-	*8.5*	*29.2*	*17.7*
Raw Material Expenses	-	12,238	13,055	12,901
Gross Profit	-	2,927	2,918	3,195
Margin (%)	-	*19.3*	*18.3*	*19.9*
EBITDA	**-**	**1,004**	**1,129**	**1,209**
YoY gr. (%)	-	*30.4*	*182.5*	*87.7*
Margin (%)	-	*6.6*	*7.1*	*7.5*
Depreciation / Depletion	-	137	161	166
EBIT	**-**	**867**	**969**	**1,043**
Margin (%)	-	*5.7*	*6.1*	*6.5*
Net Interest	-	129	144	142
Other Income	-	138	163	148
Profit before Tax	**-**	**876**	**987**	**1,049**
Margin (%)	-	*5.8*	*6.2*	*6.5*
Total Tax	-	230	250	310
Effective tax rate (%)	-	*26.3*	*25.4*	*29.5*
Profit after Tax	**-**	**646**	**737**	**739**
Minority interest	-	-	-	-
Share Profit from Associates	-	9	7	2
Adjusted PAT	**-**	**656**	**743**	**741**
YoY gr. (%)	-	*7.8*	*309.8*	*111.6*
Margin (%)	-	*4.3*	*4.7*	*4.6*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**-**	**656**	**743**	**741**
YoY gr. (%)	-	*7.8*	*309.8*	*111.6*
Margin (%)	-	*4.3*	*4.7*	*4.6*
Other Comprehensive Income	-	-	295	(15)
Total Comprehensive Income	**-**	**656**	**1,039**	**726**
Avg. Shares O/s (m)	-	111	111	111
EPS (Rs)	**-**	**5.9**	**6.7**	**6.7**

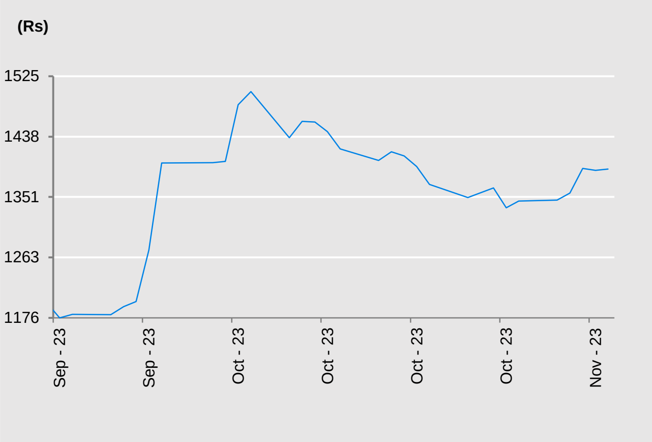
Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	19.8	29.1	40.4	50.8
CEPS	26.1	35.0	48.0	59.9
BVPS	148.4	171.6	212.1	262.8
FCF	15.1	(15.3)	0.9	17.6
DPS	-	-	-	-
Return Ratio(%)				
RoCE	16.0	22.3	24.6	26.2
ROIC	13.1	18.4	20.2	21.9
RoE	14.2	19.5	21.1	21.4
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.0	0.0
Net Working Capital (Days)	66	70	70	70
Valuation(x)				
PER	80.9	55.2	39.7	31.6
P/B	10.8	9.4	7.6	6.1
P/CEPS	61.6	45.8	33.5	26.8
EV/EBITDA	48.1	35.8	25.9	20.6
EV/Sales	2.8	2.7	2.1	1.8
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	BUY	1,624	1,503
2	20-Sep-23	BUY	1,407	1,035

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,983	1,844
2	Bajaj Electricals	BUY	1,421	1,056
3	Century Plyboard (I)	BUY	855	653
4	Cera Sanitaryware	Accumulate	8,926	8,132
5	Crompton Greaves Consumer Electricals	BUY	401	301
6	Finolex Industries	Accumulate	238	203
7	Greenpanel Industries	BUY	464	345
8	Havells India	Accumulate	1,538	1,363
9	Kajaria Ceramics	Accumulate	1,368	1,230
10	KEI Industries	BUY	2,908	2,469
11	Polycab India	Accumulate	5,943	5,339
12	R R Kabel	BUY	1,624	1,503
13	Supreme Industries	Accumulate	4,645	4,522
14	Voltas	Hold	909	819

PL's Recommendation Nomenclature (Absolute Performance)

Buy : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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