

December 26, 2023

Management Meet Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	1,872		1,800	
Sales (Rs. m)	86,724	1,00,902	85,818	99,655
% Chng.	1.1	1.3		
EBITDA (Rs. m)	7,117	9,026	7,042	8,715
% Chng.	1.1	3.6		
EPS (Rs.)	40.9	52.8	40.4	50.8
% Chng.	1.2	4.0		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	55,992	69,247	86,724	1,00,902
EBITDA (Rs. m)	3,223	5,131	7,117	9,026
Margin (%)	5.8	7.4	8.2	8.9
PAT (Rs. m)	1,899	3,312	4,616	5,959
EPS (Rs.)	19.8	29.4	40.9	52.8
Gr. (%)	(77.8)	48.0	39.4	29.1
DPS (Rs.)	4.5	9.0	10.0	10.0
Yield (%)	0.3	0.6	0.6	0.6
RoE (%)	14.2	19.7	21.3	22.1
RoCE (%)	16.0	22.5	24.9	27.0
EV/Sales (x)	2.8	2.7	2.1	1.8
EV/EBITDA (x)	48.5	35.8	25.8	20.1
PE (x)	81.6	55.1	39.6	30.6
P/BV (x)	10.9	9.4	7.6	6.1

Key Data

| RRKABEL IN

52-W High / Low	Rs.1,822 / Rs.1,137
Sensex / Nifty	71,107 / 21,349
Market Cap	Rs.183bn/ \$ 2,196m
Shares Outstanding	113m
3M Avg. Daily Value	Rs.884.84m

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	(5.9)	-	-
Relative	(12.6)	-	-

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Vol. growth to continue, margin improvement

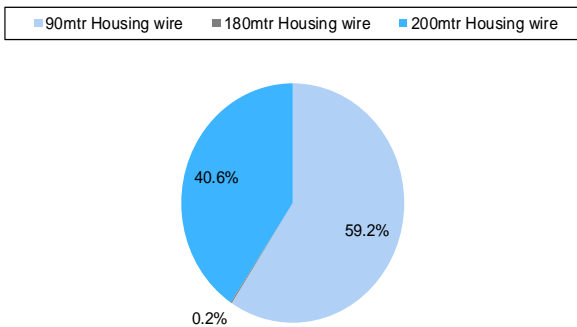
We upward revise our FY25E/FY26E earnings estimate by 1.2%/4.0% and maintain 'Buy' rating, as we value the stock at 35x FY26 EPS to arrive at revised TP of Rs1,872 (earlier Rs 1,800). We met management of RR Kabel (RRKABEL) to gauge the domestic demand, competitive scenario and capacity expansion. The company has maintained its healthy volume growth guidance in W&C segment at 15-20% and expects 10% margins in the near term in W&C segment, given strong demand outlook in sectors and measures to improve margins. 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 21.7%/40.9%/46.4% over FY23-26E. Maintain 'Buy'.

Key takeaways:

- Management continues to target 15-20% volume growth in W&C segment for the next 2-3 years with improved distribution network & capacity expansion.
- The company focus on eight major states, accounts 77% of the domestic market within the 90-mtr housing wire segment. RRKABEL holds more than 9% market share in these key states. The company has more than 20% market share in Gujarat & Kerala while focus continue to expand its market share in UP, Maharashtra & TN (which accounts 37% market).
- The company's primary focus lies in augmenting sales per dealer/distributor, advancing digitized payment systems, and broadening the retail and electrician network. Currently, RRKABEL boasts a retail network of 124,000, with a targeted expansion to reach 225,000.
- Usually, the company experiences robust sales during September, December, and March. However, RRKABEL encountered a slowdown in sales in Oct-23, while Nov-23 witnessed a dip owing to the Diwali festivities.
- The company's wire selling prices are on par with its industry peers while is at ~4% discount to Havells.
- RRKABEL has planned Rs5bn capex for FY24-25 in which Rs1bn already incurred. Additionally, company intends to continue its capex for future growth. The cable capacity expansion is scheduled to be operational in two phases, targeting completion by Sept-24 and Mar-25, respectively.
- RRKABEL has strategized to diversify its product offerings in the export market, towards cables following an increase in cable capacity. With 35 international product certifications and established distribution networks, the company is primed for this expansion. RRKABEL's major focus lies on European countries where supply disruptions due to geopolitical reasons have created opportunities, positioning the company favorably to capture a significant market share.

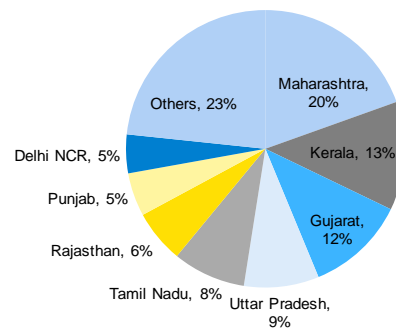
- With the increase in cable production capacity by 2.4x existing capacity in next two years, Cables' revenue contribution to increase from 30% in FY23 to 40% in FY26E.
- RRKABEL expected to take its W&C segment margin to 10.5-11% in coming years, fuelled mainly by operating leverage and product mix change, while we have estimated ~9% margins, upside risk here.
- The company guided for 20% CAGR in FMEG business (H1FY24 reported YoY growth of 23.6%) and expected to breakeven by FY26E. We have estimated 12.3% revenue CAGR over FY23-26E with losses to minimize. The company expected to grow faster than industry on account of product expansion, premiumisation and network expansion. Over the past three years, the company expanded its retail touchpoints from 25k to 65k and aims to achieve 500k touchpoints within the next five years.

Exhibit 1: Dom. housing wire market, 90mtr accounts 60%



Source: Company, PL

Exhibit 2: Major states for 90mtr housing wire



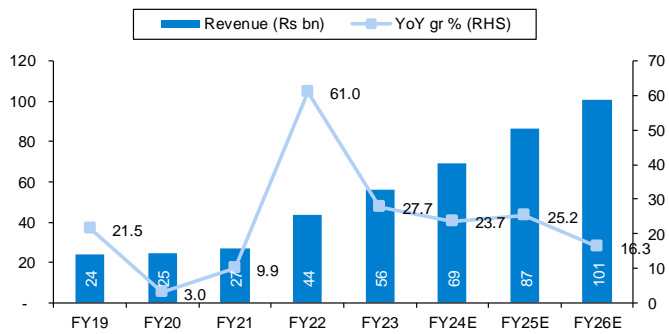
Source: Company, PL

Exhibit 3: RR Kabel market share gain, >9% in 12 states

Classification ⁽¹⁾	Market Share ⁽³⁾	FY21	3M'24
# of Winner States	>9%	9	12
# of Growing States	5% - 9%	3	4
# of Opportunity States	<5%	15	15

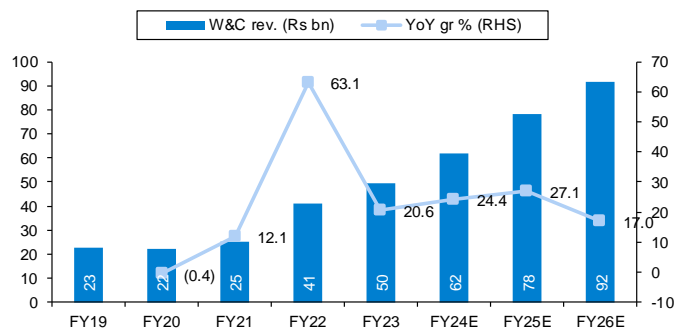
Source: Company, PL; Note: (1) For 90m Housing Wires, (3) Market Share in 90m Housing Wires

Exhibit 4: Revenue CAGR of 21.7% over FY23-26E



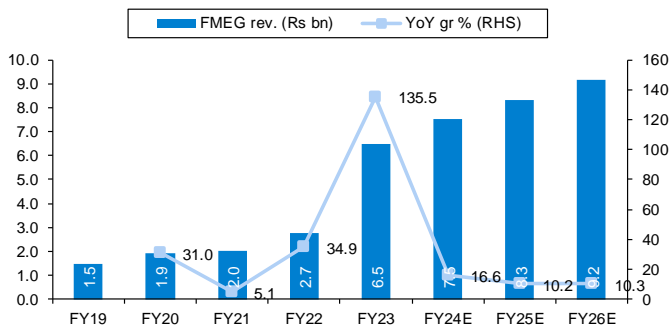
Source: Company, PL

Exhibit 5: W&C rev. expected 22.8% CAGR over FY23-26E



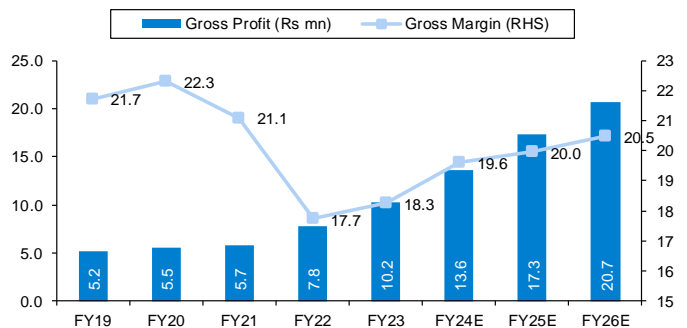
Source: Company, PL

Exhibit 6: FMEG revenues CAGR of 12.3% over FY23-26E



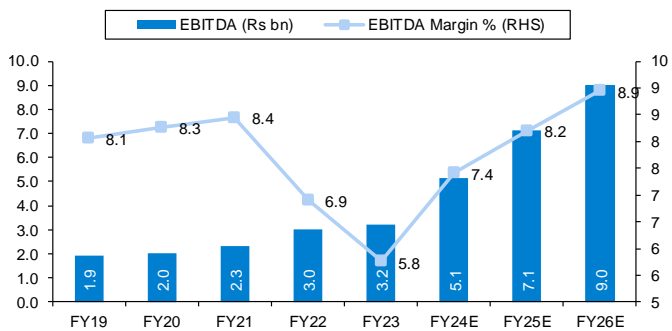
Source: Company, PL

Exhibit 7: GM expected 220bps improvement over FY23-26E



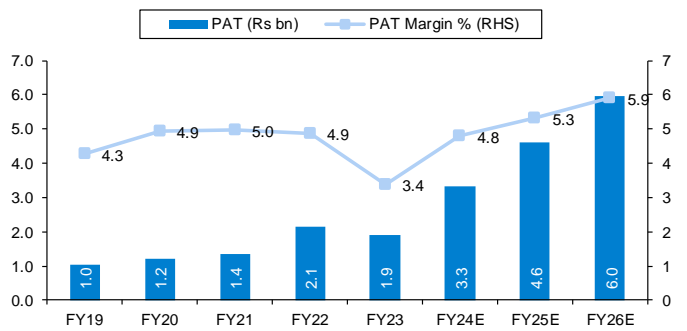
Source: Company, PL

Exhibit 8: EBITDA margin to expand 320bps over FY23-26E



Source: Company, PL

Exhibit 9: PAT CAGR of 46.4% over FY23-26E



Source: Company, PL

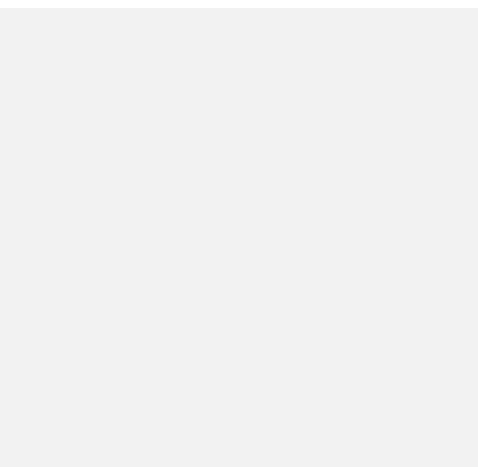
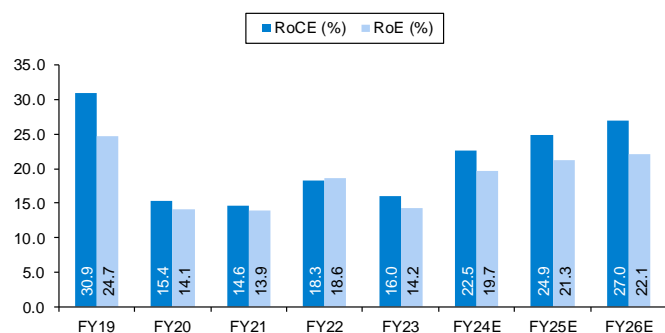
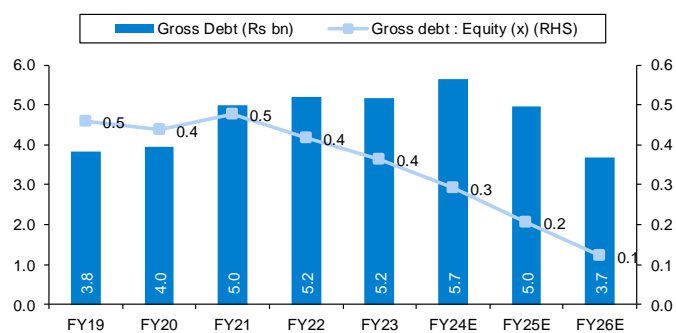


Exhibit 10: Expected to improve Return Ratios, RoCE to 27%


Source: Company, PL

Exhibit 11: Restricted debt level, D/E to reach 0.1x


Source: Company, PL

Exhibit 12: W&C companies' valuation

Company	M Cap (Rs bn)	CMP	Rating	TP	PER (x)				Target PER (x)	Sep'25	RoCE (%)				Sales CAGR (%) FY23-FY26E	EPS CAGR (%) FY23-FY25E	Return Expectation
					FY23	FY24E	FY25E	FY26E			FY23	FY24E	FY25E	FY26E			
KEI Industries	275.1	3,050	BUY	2,908	57.7	44.7	37.0	32.4	33	26.0	26.0	26.0	26.0	16.7	21.3	-4.7	
RR Kabel	182.6	1,619	BUY	1,872	81.6	55.1	39.6	30.6	35	16.0	16.0	16.0	16.0	21.7	46.4	15.7	
Finolex Cable*	161.0	1,054	NA	NA	32.0	25.1	20.9	18.6	NA	10.4	13.0	13.8	12.5	14.8	19.9		
Polycab India	802.6	5,359	Accumulate	5,943	63.2	45.4	39.8	34.1	41	28.6	28.6	28.6	28.6	19.8	22.8	10.9	
Havells India	846.4	1,351	Accumulate	1,538	79.0	62.0	48.5	38.1	49	22.7	26.1	28.5	30.9	14.1	27.5	13.8	

Source: Company, PL; Note: *Bloomberg estimates

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	55,992	69,247	86,724	1,00,902
YoY gr. (%)	27.7	23.7	25.2	16.3
Cost of Goods Sold	45,757	55,656	69,416	80,217
Gross Profit	10,235	13,591	17,307	20,685
Margin (%)	18.3	19.6	20.0	20.5
Employee Cost	2,642	3,267	3,989	4,541
Other Expenses	2,951	3,601	4,380	5,000
EBITDA	3,223	5,131	7,117	9,026
YoY gr. (%)	6.3	59.2	38.7	26.8
Margin (%)	5.8	7.4	8.2	8.9
Depreciation and Amortization	596	673	850	1,026
EBIT	2,627	4,458	6,267	7,999
Margin (%)	4.7	6.4	7.2	7.9
Net Interest	421	542	563	517
Other Income	344	545	450	465
Profit Before Tax	2,550	4,461	6,154	7,948
Margin (%)	4.6	6.4	7.1	7.9
Total Tax	661	1,160	1,549	2,000
Effective tax rate (%)	25.9	26.0	25.2	25.2
Profit after tax	1,889	3,301	4,605	5,947
Minority interest	-	-	-	-
Share Profit from Associate	9	11	11	11
Adjusted PAT	1,899	3,312	4,616	5,959
YoY gr. (%)	(11.3)	74.4	39.4	29.1
Margin (%)	3.4	4.8	5.3	5.9
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,899	3,312	4,616	5,959
YoY gr. (%)	(11.3)	74.4	39.4	29.1
Margin (%)	3.4	4.8	5.3	5.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	1,899	3,312	4,616	5,959
Equity Shares O/s (m)	96	113	113	113
EPS (Rs)	19.8	29.4	40.9	52.8

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	847
Net Deferred tax assets	(149)	(149)	(149)	(149)
Other Non-Current Assets	452	531	635	719
Current Assets				
Investments	2,849	2,849	2,349	2,849
Inventories	8,602	10,814	13,543	15,757
Trade receivables	5,919	7,020	8,791	10,228
Cash & Bank Balance	811	1,554	1,542	2,023
Other Current Assets	1,190	1,271	1,592	1,852
Total Assets	26,336	32,785	38,591	44,783
Equity				
Equity Share Capital	478	564	564	564
Other Equity	13,718	18,833	23,449	29,407
Total Networkth	14,197	19,397	24,013	29,972
Non-Current Liabilities				
Long Term borrowings	269	269	269	199
Provisions	705	872	1,092	1,270
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	4,574	5,705	6,593
Other current liabilities	1,705	2,108	2,640	3,072
Total Equity & Liabilities	26,336	32,785	38,591	44,783

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	2,560	4,472	6,165	7,959
Add. Depreciation	596	673	850	1,026
Add. Interest	421	542	563	517
Less Financial Other Income	344	545	450	465
Add. Other	(505)	(595)	(515)	(518)
Op. profit before WC changes	3,072	5,092	7,063	8,984
Net Changes-WC	819	(2,858)	(3,212)	(2,636)
Direct tax	(661)	(1,160)	(1,549)	(2,000)
Net cash from Op. activities	3,230	1,075	2,302	4,348
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	653	(498)	(1,106)
Dividend paid	(239)	(431)	(1,015)	(1,128)
Interest paid	(421)	(542)	(563)	(517)
Others	-	-	-	-
Net cash from Fin. activities	58	(234)	(2,077)	(2,751)
Net change in cash	392	(989)	(1,028)	(1,047)
Free Cash Flow	1,440	(1,800)	99	2,139

Source: Company Data, PL Research

Key Financial Metrics

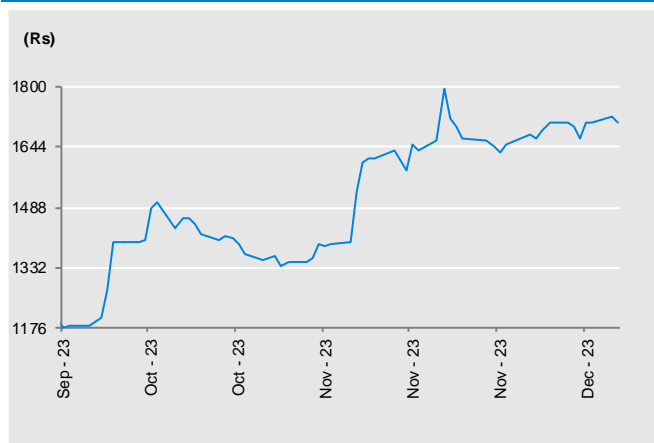
Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	19.8	29.4	40.9	52.8
CEPS	26.1	35.3	48.4	61.9
BVPS	148.4	171.9	212.8	265.7
FCF	15.1	(16.0)	0.9	19.0
DPS	4.5	9.0	10.0	10.0
Return Ratio(%)				
RoCE	16.0	22.5	24.9	27.0
ROIC	13.1	18.5	20.3	22.6
RoE	14.2	19.7	21.3	22.1
Balance Sheet				
Net Debt : Equity (x)	0.1	0.1	0.0	0.0
Net Working Capital (Days)	66	70	70	70
Valuation(x)				
PER	81.6	55.1	39.6	30.6
P/B	10.9	9.4	7.6	6.1
P/CEPS	62.1	45.8	33.4	26.1
EV/EBITDA	48.5	35.8	25.8	20.1
EV/Sales	2.8	2.7	2.1	1.8
Dividend Yield (%)	0.3	0.6	0.6	0.6

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

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Nov-23	BUY	1,800	1,605
2	07-Oct-23	BUY	1,624	1,503
3	20-Sep-23	BUY	1,407	1,035

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Astral Ltd.	Hold	1,983	1,844
2	Bajaj Electricals	Hold	1,032	1,018
3	Century Plyboard (I)	BUY	860	639
4	Cera Sanitaryware	Accumulate	8,926	8,132
5	Crompton Greaves Consumer Electricals	BUY	377	283
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	1,800	1,605
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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