

# R R Kabel

Estimate change	↔
TP change	↔
Rating change	↔

**CMP: INR1,724      TP: INR2,200 (+28%)      BUY**

## Aiming for sustainable margin improvement

### Guided FY25 volume growth of 20% YoY in cables & wires

- R R Kabel (RRKABEL)'s 4QFY24 revenue growth of 16% YoY was in-line with our estimates; though EBITDA at INR1.15b came below our estimate of INR1.3b. EBIT margin of cables & wires was at 8.7% v/s estimated 9% and EBIT loss of FMEG segment was at INR194m v/s estimated INR181m. OPM at 6.6% (est. 7.3%) and profit was at INR787m vs. estimated INR847m. Cables & Wires volume growth stood at 19.6% YoY (and 6.5% QoQ) in 4QFY24.
- Management remains optimistic for cables and wires demand growth and expects its volume to grow ~20% YoY in FY25. Margin of Cables and wires is expected to further improve by 1.0-1.2pp YoY in FY25. In the FMEG segment, it targets to achieve revenue of INR10b in FY25 (growth of 29% YoY) and expects it to become break even by 1QFY26.
- We recently [initiated coverage](#) on RRKABEL with a BUY rating. RRKABEL posted a 22% profit CAGR over FY19-24, and we expect an EPS CAGR of 44% over FY24-26. We value RRKABEL at 40x FY26E EPS to arrive at our TP of INR2,200.

### Revenue and EBITDA rise 16% and 15% YoY; OPM flat YoY at 6.6%

- RRKABEL's Revenue/EBITDA/PAT was at INR17.5b/INR1.15b/INR787m; up 16%/15%/21% YoY and in-line/-10%/-7% v/s our estimates. Gross margin was down 90bp YoY to 18.4% (est. 19.6%); while EBITDA margin at 6.6% was flat YoY. Employee costs increased 10% YoY (4.4% of revenue vs. 4.7% in 4QFY23). Other expenses rose 7% YoY (7.4% of revenue vs. 8.0% in 4QFY23).
- Segmental highlights: 1) Cables and Wires: revenue was up 14% YoY at INR15.2b and EBIT was up 20% YoY to INR1.3b. EBIT margin expanded 42bp YoY to 8.7%. 2) FMEG business: revenue was up 29% YoY at INR2.3b. EBIT loss increased to INR194m from INR148m/INR124m in 4QFY23/3QFY24.
- In FY24, revenue was up 18% YoY at INR66b, led by 17%/20% growth in the cables & wires/FMEG segments. EBITDA grew 43% YoY to INR4.6b. OPM rose 124bp YoY to 7%. PAT grew 57% YoY to INR3b. Cables and Wires' EBIT grew 17%/33% YoY, and EBIT margin surged 1.2pp YoY to 10.3%.
- In FY24, OCF declined 25% YoY to INR3.4b due to a rise in working capital. Capex was INR1.9b vs. INR1.1b in FY23. FCF was INR1.5b vs. INR3.5b in FY23.

### Key highlights from the management commentary

- Exports contributed ~30% of cables & wires and it could go up to ~35% in the next 2-3 years. It has increased international certification to 38 vs. 35 in FY23, which will help it strengthen its global footprints further.
- Margin would improve further by 1.0-1.2pp YoY in FY25, driven by a combination of higher value-added products in the export market, price hikes in some products in the domestic markets, and improvement in operational efficiency led by capacity increase for power cables.
- Capex has been pegged at INR5b in FY24-25E for expanding power cable capacity, copper wires and PVC compound. The company is doubling its power cable capacity, which is likely to be completed by Mar'25.

Bloomberg	RRKABEL IN
Equity Shares (m)	113
M.Cap.(INRb)/(USDb)	194.5 / 2.3
52-Week Range (INR)	1903 / 1137
1, 6, 12 Rel. Per (%)	2/-8/-
12M Avg Val (INR M)	592
Free float (%)	37.2

### Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	65.9	82.0	97.4
EBITDA	4.6	6.8	9.0
Adj. PAT	3.0	4.6	6.2
EBITDA Margin (%)	7.0	8.2	9.2
Cons. Adj. EPS (INR)	26.4	40.8	54.9
EPS Gr. (%)	57.0	54.5	34.5
BV/Sh. (INR)	162.1	195.9	241.8

### Ratios

Net D:E	(0.0)	(0.0)	(0.1)
RoE (%)	18.4	22.8	25.1
RoCE (%)	16.6	21.6	24.4
Payout (%)	11.4	17.1	16.4

### Valuations

P/E (x)	65.0	42.1	31.3
P/BV (x)	10.6	8.8	7.1
EV/EBITDA (x)	41.9	28.7	21.3
Div Yield (%)	0.2	0.4	0.5
FCF Yield (%)	0.8	0.2	1.3

### Shareholding pattern (%)

As On	Mar-24	Dec-23
Promoter	62.8	62.8
DII	9.4	8.9
FII	4.2	4.7
Others	23.7	23.7

## Valuation and view

- RRKABEL has demonstrated its ability to grow at a higher rate than peers, with its cables & wires segment recording a CAGR of 21%/24% in revenue/EBIT over FY19-24. Management remains optimistic for cables & wires demand growth in the country and indicated that its volume growth would be ~20% in FY25.
- We estimate RRKABEL's revenue/EBITDA/PAT CAGR at 22%/40%/44% over FY24-26. We estimate RoE to improve gradually to 25% in FY26 from 14%/18% in FY23/FY24. RoCE is estimated to be at 24% in FY26 vs. 12%/17% in FY23/FY24. We value the stock at 40x FY26E EPS to arrive at our TP of INR2,200. **Reiterate BUY.**

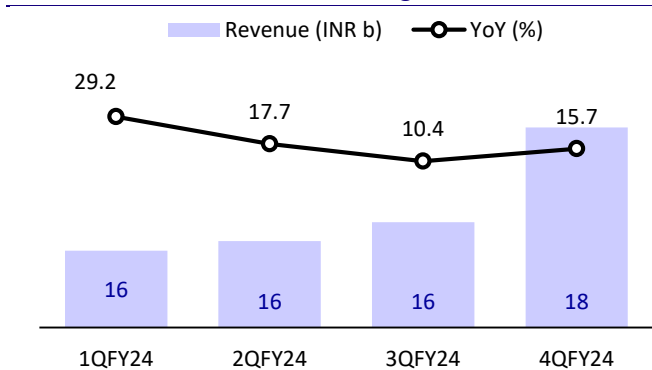
## Quarterly Performance

Y/E March	FY23				FY24				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY23	FY24	MOFSL 4QE	Var. (%)
Sales	12,359	13,672	14,795	15,165	15,973	16,097	16,335	17,541	55,992	65,946	17,532	0
EBITDA	400	644	1,176	1,004	1,129	1,209	1,126	1,153	3,223	4,617	1,279	(10)
Adj EBITDA margin (%)	3.2	4.7	7.9	6.6	7.1	7.5	6.9	6.6	5.8	7.0	7.3	(72 bp)
Depreciation	145	150	165	137	161	166	165	163	596	655	173	(6)
Interest	81	96	114	129	144	142	124	128	421	539	145	(12)
Other Income	74	95	37	138	163	148	122	193	344	626	142	36
PBT	248	493	933	876	987	1,049	959	1,055	2,550	4,050	1,103	(4.4)
Tax	65	127	239	230	250	310	250	270	661	1,080	256	
Effective Tax Rate (%)	26.1	25.8	25.6	26.3	25.4	29.5	26.0	25.6	25.9	26.7	23.2	
JV share	(2)	(16)	20	7	7	2	0	2	9	11	0	
Reported PAT	181	350	714	653	743	741	710	787	1,899	2,981	847	(7.1)
Adj PAT	181	350	714	653	743	741	710	787	1,899	2,981	847	(7.1)

## Segmental Performance (INR m)

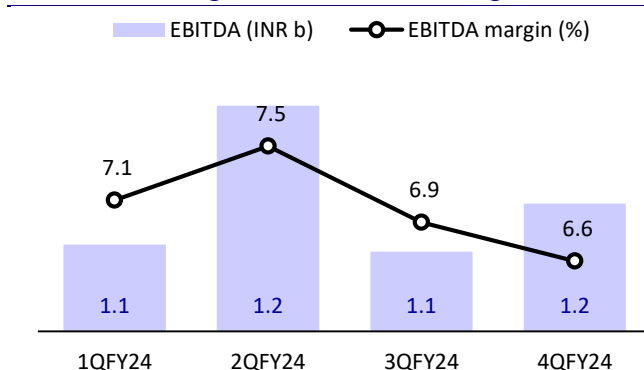
Y/E March	FY23				FY24				(INR m)			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY23	FY24	MOFSL 4QE	Var. (%)
Sales												
Cables & Wires	10,869	12,184	13,084	13,381	14,122	14,499	14,331	15,230	49,517	58,182	15,514	(1.8)
FMEG	1,490	1,488	1,712	1,785	1,851	1,598	2,005	2,310	6,475	7,764	2,018	14.5
EBIT												
Cables & Wires	462	793	1,346	1,103	1,246	1,329	1,147	1,320	3,705	5,043	1,390	(5.1)
FMEG	(149)	(240)	(347)	(148)	(170)	(198)	(124)	(194)	(884)	(685)	(181)	NA
EBIT Margin (%)												
Cables & Wires	4.2	6.5	10.3	8.2	8.8	9.2	8.0	8.7	7.5	8.7	9.0	(29)
FMEG	(10.0)	(16.2)	(20.3)	(8.3)	(9.2)	(12.4)	(6.2)	(8.4)	(13.7)	(8.8)	(9.0)	58

Exhibit 1: RRKABEL's total revenue grew 16% YoY in 4QFY24

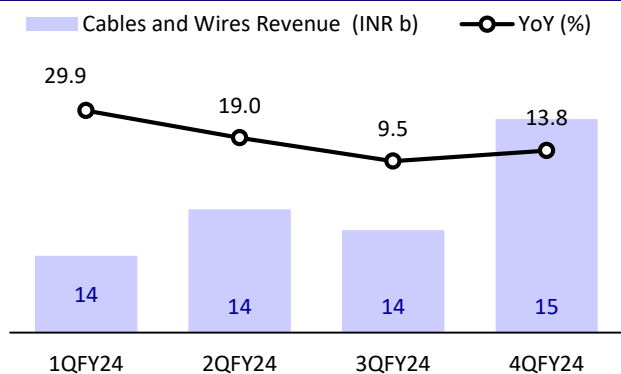


Source: MOFSL, Company

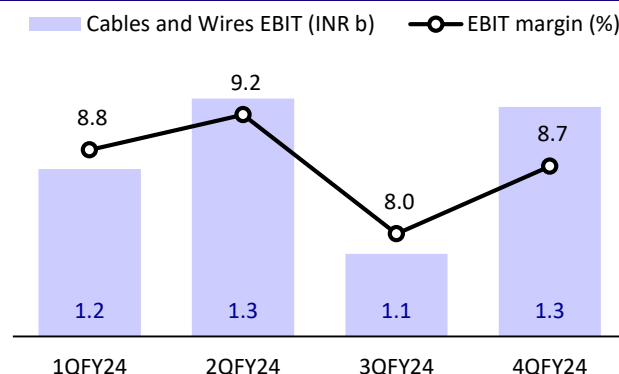
Exhibit 2: EBITDA grew 15% YoY, while margin was flat



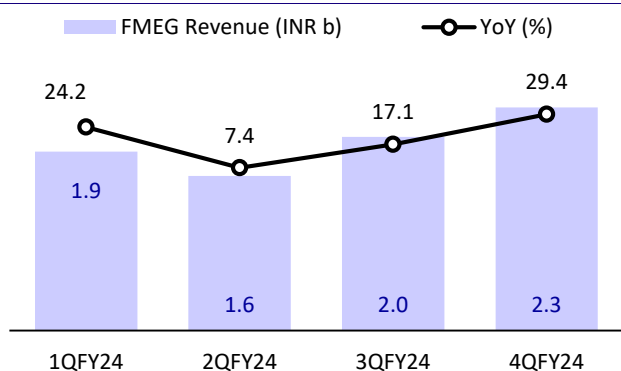
Source: MOFSL, Company

**Exhibit 3: Cables & Wires' revenue grew 14% YoY**

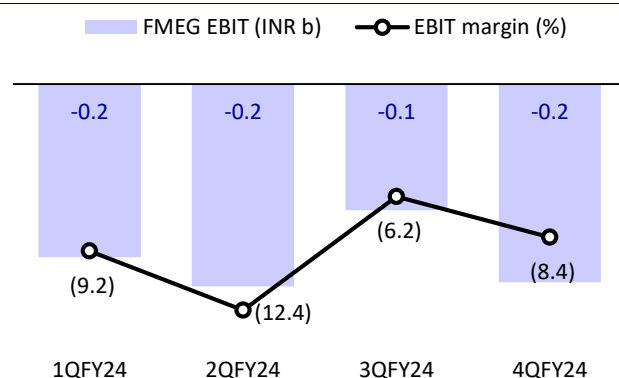
Source: MOFSL, Company

**Exhibit 4: Cables & Wires' EBIT margin improved 42bp YoY**

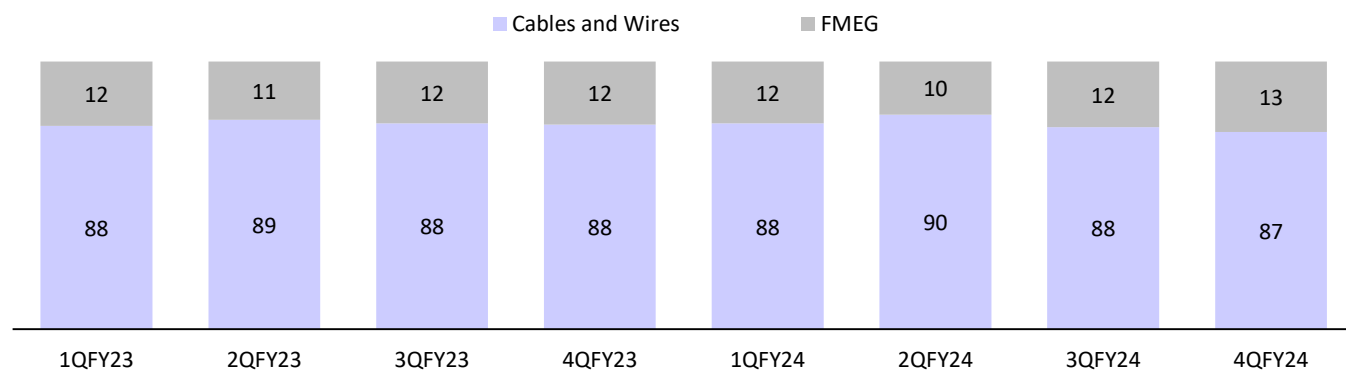
Source: MOFSL, Company

**Exhibit 5: FMEG's revenue increased 29% YoY**

Source: MOFSL, Company

**Exhibit 6: FMEG's EBIT loss increased YoY/QoQ**

Source: MOFSL, Company

**Exhibit 7: Revenue contribution trend from cables & wires and FMEG segments**

Source: MOFSL, Company



## Conference call highlights

### Demand and outlook

- Management remains optimistic on Indian cables & wires demand growth led by resilient commercial real estate, rural electrification, increasing share of organized sector, government initiatives to boost production and exports, continued growth of residential real estate and growth of new age sectors.
- It estimates the cables & wires market to post ~13% CAGR over FY24-27 to reach at INR1.2t. Growth is estimated across sub-sectors with highest CAGR in power cable (14%), followed by flexible & speciality cables (~13%) and control & instrumentation cables (~13%), housing wires (~13%) and communication cables (~9%). The share of brand players is likely to increase to 80% by FY27E vs. 74%.
- Exports contributed ~30% of cables & wires and it could go up to ~35% in the next 2-3 years. It has increased international certification to 38 vs. 35 in FY23, which will help it strengthen its global footprints further.
- **Guidance:** Expects cables & wires volume growth of ~20% YoY in FY25. Margin would improve further by 1.0-1.2pp YoY in FY25, drive by combination of higher value-added product in export market, price hikes in some products in domestic markets and new power cable capacity will bring operational efficiency. In the FMEG segment, it targets to achieve revenue of INR10b in FY25 (growth of 29% YoY) and expects it to become break even by 1QFY26.
- Capex has been pegged at INR5b in FY24-25E for expanding power cable capacity, copper wires and PVC compound. The company is doubling its power cable capacity, which is likely to be completed by Mar'25. It is working on next phase of capex plan to be implemented over FY26-28E, which will be communicated in coming quarters.

### Other highlights:

- Volume growth was 15% for wires and 30% for cables in FY24. Cables & wires domestic volume grew 12% while, export volume grew 38% in FY24. It has ~10% share in cables & wires exports from India.
- High volatility has been seen in copper prices in last two-three months. This has gone upto USD10,900 on LME and now again has come down to ~USD10,200, but it can remain at higher level for a longer period. The company is passing on the RM cost increases to consumers in a phased manner, as the raw material is directly linked with LME. In raw material ~70% is copper and ~30% is aluminum.
- In retail touch points it has approx. 1,44,000 retailers, 7900 dealers and distributors and in the wiring especially it has a network of more than 4,50,000 electricians. In the last three to four years, it has done very significant work to establish this network and making strong footprints in all over India. In FY24, it added 300+ Distributors & 10,000 retail touch points. Now its focus is on increasing depth of its network of electricians and retailers.
- In FMEG, fan contributes ~45% of revenue followed by lighting ~40% and remaining 15% of switchgear and appliances. In Lighting, though volume growth was up ~20% YoY; steep price erosion restricted value growth to mere 8% YoY. Fan overall growth was more than 16%. It launched 347 products in FY24 vs. 75 in FY23, with 116 products under development as of Mar'24.

## Financials and valuations (Consolidated)

### Income Statement (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Net Sales</b>	<b>23,881</b>	<b>24,785</b>	<b>27,239</b>	<b>43,859</b>	<b>55,992</b>	<b>65,946</b>	<b>81,991</b>	<b>97,442</b>
Change (%)	20.6	3.8	9.9	61.0	27.7	17.8	24.3	18.8
<b>EBITDA</b>	<b>1,766</b>	<b>2,048</b>	<b>2,301</b>	<b>3,032</b>	<b>3,223</b>	<b>4,617</b>	<b>6,757</b>	<b>9,005</b>
Change (%)	(20.7)	15.9	12.4	31.8	6.3	43.2	46.3	33.3
Margin (%)	7.4	8.3	8.4	6.9	5.8	7.0	8.2	9.2
Depreciation	306	388	448	461	596	655	734	923
Int. and Fin. Charges	383	352	271	233	421	539	450	372
Other Income	247	270	220	463	344	626	639	651
<b>Profit before Taxes</b>	<b>1,324</b>	<b>1,578</b>	<b>1,803</b>	<b>2,802</b>	<b>2,550</b>	<b>4,050</b>	<b>6,212</b>	<b>8,361</b>
Change (%)	(28.1)	19.1	14.3	55.4	(9.0)	58.8	53.4	34.6
Margin (%)	5.5	6.4	6.6	6.4	4.6	6.1	7.6	8.6
Tax	468	353	460	704	661	1,080	1,615	2,174
Tax Rate (%)	35.3	22.4	25.5	25.1	25.9	26.7	26.0	26.0
<b>Profit before JV/Associates</b>	<b>856</b>	<b>1,225</b>	<b>1,343</b>	<b>2,097</b>	<b>1,889</b>	<b>2,970</b>	<b>4,597</b>	<b>6,187</b>
Share of JV/Associates	-	(1)	11	42	9	11	10	10
<b>Adjusted PAT</b>	<b>856</b>	<b>1,224</b>	<b>1,354</b>	<b>2,139</b>	<b>1,899</b>	<b>2,981</b>	<b>4,607</b>	<b>6,197</b>
Change (%)	(30)	43	11	58	(11)	57	55	35
Margin (%)	3.6	4.9	5.0	4.9	3.4	4.5	5.6	6.4
<b>Reported PAT</b>	<b>856</b>	<b>1,224</b>	<b>1,354</b>	<b>2,139</b>	<b>1,899</b>	<b>2,981</b>	<b>4,607</b>	<b>6,197</b>

### Balance Sheet (INR m)

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Share Capital	234	234	239	239	478	564	564	564
Reserves	8,081	8,807	10,227	12,264	13,718	17,721	21,538	26,719
<b>Net Worth</b>	<b>8,315</b>	<b>9,040</b>	<b>10,466</b>	<b>12,503</b>	<b>14,197</b>	<b>18,285</b>	<b>22,102</b>	<b>27,283</b>
Loans	3,824	3,953	4,987	5,211	5,158	2,890	2,390	1,120
Deferred Tax Liability	76	92	79	131	149	247	247	247
<b>Capital Employed</b>	<b>12,215</b>	<b>13,085</b>	<b>15,532</b>	<b>17,845</b>	<b>19,504</b>	<b>21,422</b>	<b>24,739</b>	<b>28,650</b>
Gross Fixed Assets	3,783	5,031	5,526	5,914	7,574	8,302	11,088	13,069
Less: Depreciation	768	1,126	1,527	1,923	2,403	2,956	3,689	4,613
<b>Net Fixed Assets</b>	<b>3,016</b>	<b>3,905</b>	<b>3,999</b>	<b>3,991</b>	<b>5,172</b>	<b>5,346</b>	<b>7,399</b>	<b>8,456</b>
Capital WIP	426	154	67	423	436	1,636	1,636	1,636
Investments	382	320	406	622	777	1,065	1,065	1,065
<b>Curr. Assets</b>	<b>10,868</b>	<b>11,075</b>	<b>12,679</b>	<b>15,471</b>	<b>19,951</b>	<b>20,646</b>	<b>23,425</b>	<b>27,882</b>
Inventory	3,527	3,752	5,341	7,096	8,602	8,978	10,929	12,988
Investments	1,552	1,888	1,960	2,055	2,849	2,350	1,850	2,350
Debtors	4,465	4,190	4,204	5,171	5,919	6,412	7,413	8,810
Cash & Bank Balance	58	113	85	123	811	988	764	821
Loans & Advances	366	472	58	143	129	326	406	482
Other Current Assets	899	660	1,032	882	1,642	1,592	2,064	2,431
<b>Current Liab. &amp; Prov.</b>	<b>2,477</b>	<b>2,368</b>	<b>1,619</b>	<b>2,661</b>	<b>6,832</b>	<b>7,271</b>	<b>8,785</b>	<b>10,388</b>
Creditors	1,904	1,809	1,135	1,679	4,401	4,292	5,081	5,986
Other Liabilities	383	469	369	771	1,982	2,582	3,210	3,815
Provisions	190	91	115	212	448	397	494	587
<b>Net Current Assets</b>	<b>8,392</b>	<b>8,707</b>	<b>11,061</b>	<b>12,809</b>	<b>13,119</b>	<b>13,375</b>	<b>14,640</b>	<b>17,494</b>
<b>Application of Funds</b>	<b>12,215</b>	<b>13,085</b>	<b>15,532</b>	<b>17,845</b>	<b>19,504</b>	<b>21,422</b>	<b>24,739</b>	<b>28,650</b>

## Financials and valuations (Consolidated)

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>7.6</b>	<b>10.8</b>	<b>12.0</b>	<b>19.0</b>	<b>16.8</b>	<b>26.4</b>	<b>40.8</b>	<b>54.9</b>
Cash EPS	10.3	14.3	16.0	23.0	22.1	32.2	47.3	63.1
BV/Share	177.7	193.2	218.7	261.3	148.4	162.1	195.9	241.8
DPS	0.0	0.0	0.0	0.0	0.0	3.0	7.0	9.0
Payout %	0.0	0.0	0.0	0.0	0.0	11.4	17.1	16.4
<b>Valuation (x)</b>								
P/E	226.3	158.4	143.2	90.6	102.1	65.0	42.1	31.3
Cash P/E	166.8	120.2	107.6	74.5	77.7	53.3	36.3	27.2
EV/Sales	8.2	7.9	7.2	4.5	3.5	2.9	2.4	2.0
EV/EBITDA	111.0	95.6	85.5	64.9	60.6	41.9	28.7	21.3
P/BV	9.7	8.9	7.9	6.6	11.6	10.6	8.8	7.1
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.2	0.4	0.5
<b>Return Ratios (%)</b>								
RoE	13.3	14.1	13.9	18.6	14.2	18.4	22.8	25.1
RoCE	10.8	11.9	10.8	13.7	11.9	16.6	21.6	24.4
RoIC	8.9	11.6	10.2	12.3	12.3	16.1	20.1	23.5
<b>Working Capital Ratios</b>								
Debtor (Days)	68.2	61.7	56.3	43.0	38.6	35.5	33.0	33.0
Creditor (Days)	29.1	26.6	15.2	14.0	28.7	23.8	22.6	22.4
Inventory (Days)	41.4	53.6	71.6	59.1	56.1	49.7	48.7	48.7
Asset Turnover (x)	2.3	2.0	1.9	2.6	3.0	3.2	3.6	3.7
<b>Leverage Ratio</b>								
Debt/Equity (x)	0.5	0.4	0.5	0.4	0.4	0.2	0.1	0.0

### Cash Flow Statement

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Profit before tax	1,324	1,578	1,803	2,844	2,560	4,061	6,222	8,371
Depreciation	306	388	448	461	596	655	734	923
Exceptional Income	-	-	-	-	-	-	-	-
Interest Paid	383	352	271	233	421	539	450	372
Others	(48)	37	23	(69)	9	(259)	(639)	(651)
Direct Taxes Paid	(648)	(335)	(419)	(733)	(582)	(965)	(1,615)	(2,174)
(Incr)/Decr in WC	(915)	135	(2,837)	(1,754)	1,534	(641)	(1,989)	(2,297)
<b>CF from Operations</b>	<b>402</b>	<b>2,156</b>	<b>(711)</b>	<b>982</b>	<b>4,537</b>	<b>3,390</b>	<b>3,163</b>	<b>4,544</b>
Incr in FA	(1,054)	(931)	(474)	(682)	(2,179)	(1,897)	(2,787)	(1,981)
Pur of Investments	(1,507)	(288)	367	(2)	(1,188)	982	500	(500)
Interest/MF/Div Income	29	68	39	11	27	58	639	651
Others	(225)	(132)	10	47	5	22	-	-
<b>CF from Invest.</b>	<b>(2,758)</b>	<b>(1,283)</b>	<b>(59)</b>	<b>(627)</b>	<b>(3,335)</b>	<b>(835)</b>	<b>(1,648)</b>	<b>(1,829)</b>
Changes in Net worth	3,153	-	-	-	-	1,800	-	-
Incr in Debt	(264)	(54)	1,029	184	(160)	(2,408)	(500)	(1,270)
Dividend Paid	(233)	(425)	-	(278)	(500)	(838)	(790)	(1,015)
Interest paid	(379)	(340)	(287)	(222)	(355)	(506)	(450)	(372)
Others	-	-	(33)	(40)	-	(98)	-	-
<b>CF from Fin. Activity</b>	<b>2,277</b>	<b>(819)</b>	<b>708</b>	<b>(356)</b>	<b>(1,015)</b>	<b>(2,050)</b>	<b>(1,740)</b>	<b>(2,657)</b>
<b>Incr/Decr of Cash</b>	<b>(79)</b>	<b>54</b>	<b>(61)</b>	<b>(1)</b>	<b>187</b>	<b>505</b>	<b>(224)</b>	<b>58</b>
Add: Opening Balance	(21)	58	113	52	623	483	988	764
<b>Closing Balance</b>	<b>58</b>	<b>113</b>	<b>52</b>	<b>51</b>	<b>811</b>	<b>988</b>	<b>764</b>	<b>821</b>

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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