



RR Kabel is 5th largest player in Indian wires and cables industry by value and fastest growing consumer electrical company in India with an integrated in house manufacturing. In 2022, the company added premium and mid premium fans and lights post the Luminous Home Electrical Acquisition. The company's majority of the revenue is generated from wires and cables with a 40% share in the segment. The company has 74% of the revenues coming from B2C segment with a strong distribution network. In wires and cables, the company witnessed revenue growth of 63% in FY2022 with a volume growth of 23% and a growth of 21% with a volume growth of 20% in FY2023. However, the margin got impacted due to commodity prices. Based on the EPS of FY2023, the company seems fairly priced, we recommend to subscribe for long term.



About Company

RR Kabel are one of the leading companies in the Indian consumer electrical industry (comprising wires and cables and fast moving electrical goods ("FMEG")), with an operating history of over 20 years in India. They sell products across two broad segments - (i) wires and cables including house wires, industrial wires, power cables and special cables; and (ii) FMEG including fans, lighting, switches and appliances. They are the fastest growing consumer electrical company among their peers in India, growing at a CAGR of 43.4% between Fiscal 2021 and Fiscal 2023. They are the fifth largest player in the wires and cables market in India, representing approximately 5% market share by value as of March 31, 2023. Their wires and cables segment has been in operation since Fiscal 1999 and includes a wide range of products such as house wires, industrial wires, power cables and special cables. They have actively diversified and expanded their product portfolio in adjacent areas such as FMEG, both organically and inorganically. According to Technopak, their FMEG portfolio covers approximately 77% of the FMEG industry by value in India as on March 31, 2023.

Issue details

Price Band (in ₹ per share)	983-1035
Issue size (in ₹ Crore)	1873.18-1962.88
Fresh Issue (in ₹ Crore)	180
OFS (in ₹ Crore)	1693.18-1782.88
Issue open date	13-09-2023
Issue close date	15-09-2023
Tentative date of Allotment	21-09-2023
Tentative date of Listing	26-09-2023
Total number of shares (lakhs)	190.68-189.76
No. of shares for QIBs (50%) (lakhs)	94.73-94.30
No. of shares for NII (15%) (lakhs)	28.42-28.30
No. of shares for retail investors (35%) (lakhs)	66.31-66.01
Employee reservation (No of shares)	1.22-1.15
Employee Discount	INR 98
Minimum order quantity	14
Face value (in ₹)	5.00
Amount for retail investors (1 lot)	13762-14490
Maximum number of shares for Retail investors at lower Band	196 (14)
Maximum number of shares for Retail investors at upper band	182 (13)
Maximum amount for retail investors at lower Band- upper band (in ₹)	1,92,668-1,88,370
Exchanges to be listed on	BSE, NSE

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A route to making money online

Promoters

1. Tribhuvanprasad Rameshwarlal Kabra
2. Shreegopal Rameshwarlal Kabra
3. Mahendrakumar Rameshwarlal Kabra
4. Kirtidevi Shreegopal Kabra

Objective of the Offer

- Repayment or prepayment, in full or in part, of borrowings availed by the Company from banks and financial institutions
- General corporate purposes
- Sale of share of upto 17,236,808 by the promoters and investors group



Brief Financials

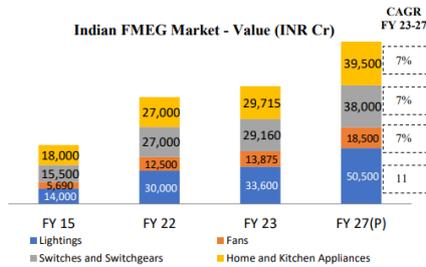
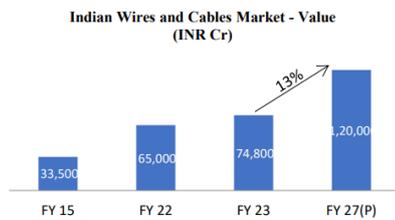
Particulars (Rs. Cr)*	JUNE23	FY23	FY22	FY21
Share Capital	47.85	47.85	23.92	23.92
Net Worth	1494.69	1390.47	1237.05	1033.38
Revenue from Operation	1,597.31	5599.20	4385.94	2739.41
PBT	99.39	255.99	284.36	181.43
PAT	74.35	189.87	213.94	135.40
Basic EPS(Rs)	26.76	17.09	19.26	12.19
NAV	134.57	125.19	111.38	93.04
P/E#	38.68	60.56	NA	NA
P/B #	7.69	8.27	NA	NA

Source: RHP # Calculated at the upper price band, * Restated consolidated financials

Industry Review

Consumer Electrical Industry in India

India is the third largest producer and the second largest consumer of electricity in the world. Consumer electrical industry* is one of the important aspects of the Indian economy, contributing approximately 8% to the country’s manufacturing production, approximately 1.5% to India’s GDP and approximately 1.5% to India’s exports. Consumer electrical industry entails heavy electrical products such as W&C and light electrical products such as FMEG. A wire is a single conductor, whereas a cable is a group of conductors, used for, among other things, transmitting electricity and telecommunication signals. FMEG includes electrical goods and appliances such as fans, lightings, electric heaters, and other household appliances.



Segment	Category	Total Market Fiscal 2023	Share of Branded Fiscal 2023	Branded market Fiscal 2023	Total Market Fiscal 2027 (P)	Share of Branded Fiscal 2027 (P)	Branded Market Fiscal 2027 (P)	CAGR of Branded Market (Fiscal 2023-2027)
W&C	Wires and Cables	74,800	72%	53,860	1,20,000	80%	96,000	16%
	Lighting	33,600	67%	22,500	50,500	75%	37,875	14%
FMEG	Fan	13,875	91%	12,630	18,500	95%	17,575	9%
	Switches and Switchgears	29,160	82%	23,900	38,000	90%	34,200	9%
	Home and Kitchen appliances	29,715	81%	24,070	39,500	85%	33,575	9%



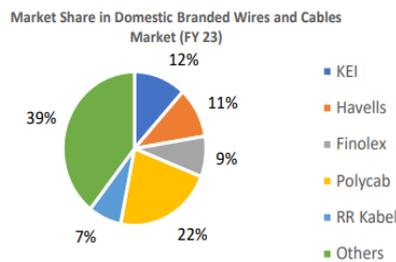
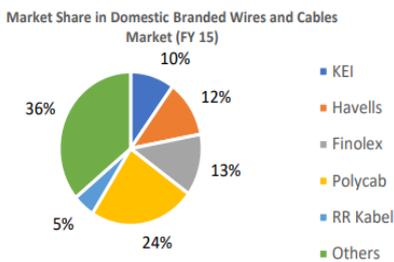
Industry Review

Wires and Cables Market in India

Indian Wires and Cables Market - Value (INR Cr)



A wire is a single conductor, whereas a cable is a group of conductors, used for transmitting electricity and telecommunication signals. W&C market can be divided into 5 key sub-categories namely housing wires, power cables, control and instrumentation cables, communication cables and flexible and specialty cables. The share of branded play in the W&C market by value, is expected to grow to approximately 80% by Fiscal 2027 owing to factors such as GST implementation, execution of the BEE star norms, improvement in efficiency and cost structure of branded players resulting in the reduction of price gap between the branded and unbranded play, and economies of pan-India distribution network.



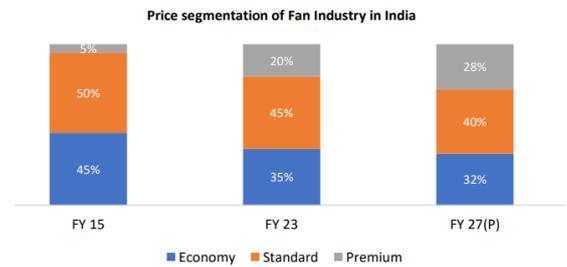
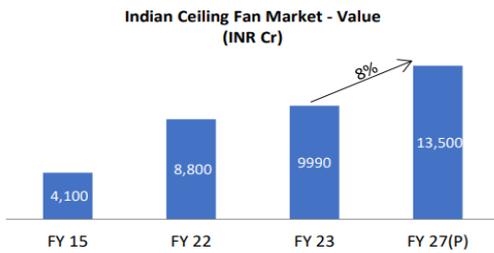
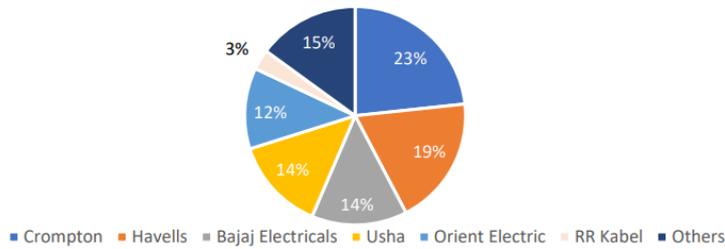
Players	Exporting to # countries	Export Revenue in ₹ Crore (Fiscal 2023)	Export Revenue in ₹ Crore (Fiscal 2022)	Export Revenue in ₹ Crore (Fiscal 2021)	Export Revenue in ₹ Crore (Fiscal 2020)
RR Kabel	63	1,270	1,007	583	502
KEI	60+	693	585	627	879
Havells	70+	294	504	361	317
Finolex	USA and UAE	43	28	31	26
Polycab	70+	1,383	842	747	1,095



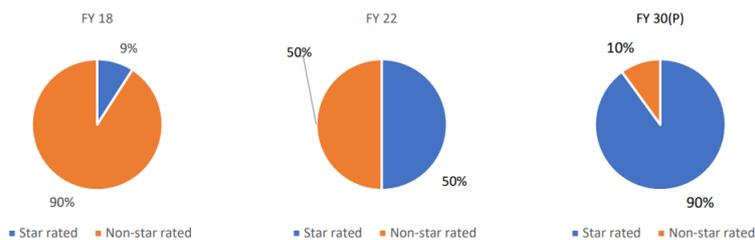
Industry Review

Fan Market in India

The fan market in India can be sub-divided into three key segments as ceiling fans, table, pedestal and wall (collectively, “TPW”) fans and fans such as industrial and exhaust fans (“Other Fans”). While ceiling fans account for approximately 72% of the fan industry in India followed by TPW fans constituting approximately 20% of the industry, Other Fans account for the balance 8% of the industry in Fiscal 2022, based on value. Ceiling fans are primarily used in households and commercial establishments, whereas primary installation places for table fans are small shops and workplaces. Construction of new houses, replacement demand in existing households, increase in installation ratio of fan per household and successful execution of energy efficiency norms are expected to provide the required impetus for increase in demand of fans in India. Additionally, the growth in fan exports because of global requirements is also expected to drive the production of fans in India. Fan market is a distribution led retailer driven category, that behaves similarly to a non-food FMCG category.



Demand for energy efficient fans has been rising as Indian consumers are increasingly aware of the advantages of having energy efficient appliances. On an average, ceiling fan constitutes 20% of the electricity consumed by an Indian household. Brushless Direct Current (BLDC) technology makes ceiling fan highly energy efficient by reducing the energy consumption to almost onethird of a regular induction motor fan. These fans are rated as 5-star energy efficient fans. Cost of BLDC fans are typically on a higher side because of the complex technology and electronics involved. Owing to the shift in consumer mindset towards energy efficient fans, leading fan manufacturers such as Crompton Greaves, Orient Electric and challenger brands like RR Kabel and new entrants like Atom Berg, Halonix Technologies, have been extensively manufacturing BLDC fans over the past few years.

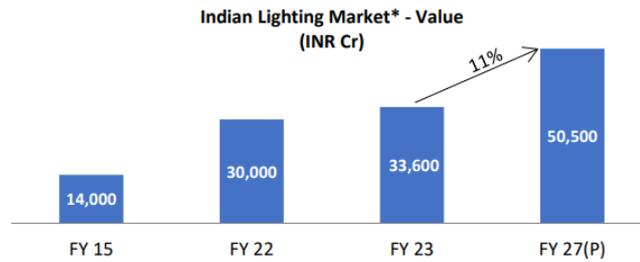




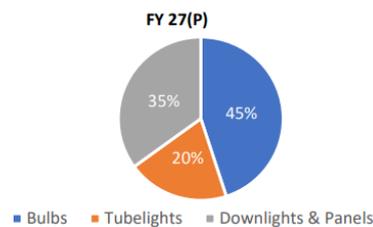
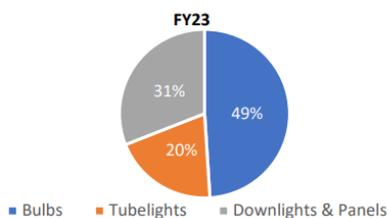
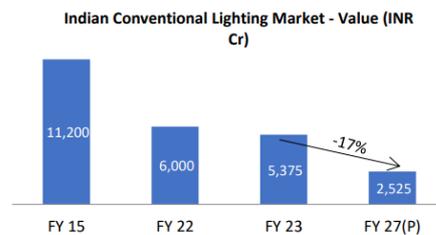
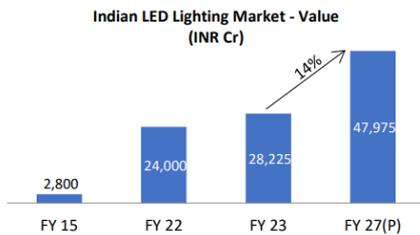
Industry Review

Lighting Market in India

The lighting industry can be sub-divided into three key segments - bulbs, tube lights and downlights and panels. Bulbs account for approximately 50% of the lighting industry in India, followed by downlights and panels constituting approximately 30% of the industry and the balance of approximately 20% is contributed by tube lights. While bulbs and tube lights are primarily used in households and restaurants (including for decorative purpose), downlights and panels are primarily installed in commercial establishments and workplaces. The lighting industry in India is steadily shifting towards premium segment, with approximately 45% market share in Fiscal 2023, as opposed to approximately 35% market share in Fiscal 2015. Many leading and challenger players are launching premium category of lighting. The premium category are expected to contribute approximately 60% to the lighting market by Fiscal 2027.



The lighting industry is sub-divided into LED and conventional lighting. LED makes up 84% of this industry (up from approximately 20% in Fiscal 2015) as of Fiscal 2023 and it is projected to reach 95% by Fiscal 2027. 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.





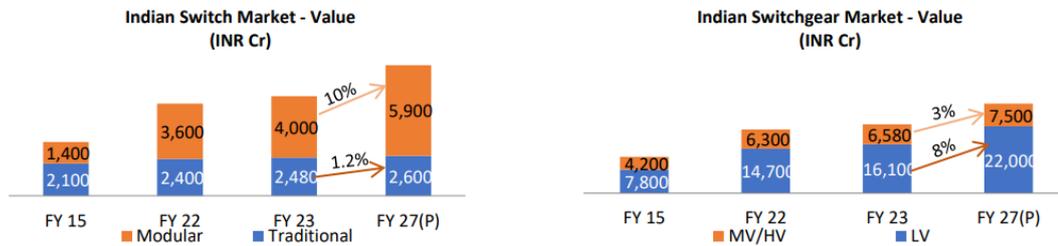
Industry Review

Switch and Switchgear Market in India

Switches and switchgears are one of the most important components in the consumer electrical industry. Switches are used to control the electric circuits through “on” and “off” functionality. Switchgears are a centralized collection of circuit breakers and fuses to clear faults in the system, thus ensuring reliable power supply. 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 Fiscal 2023. This structure is expected to continue in the future. Given the nature of demand of LV switchgears due to high consumer connect and a retail led selling and distribution channel, LV switchgears’ market structure (dynamics, value chain, retailing approaches) is more similar to that of switches than to the MV/HV switchgears, which pivots to B2B industrial market structure.

May 2022. These factors in turn resulted in a decline in domestic steel prices.

The domestic steel prices are expected to directionally follow the global prices and are expected to remain range-bound due to continued strong domestic demand and increase in input prices.





Competitive Strengths

Scaled B2C business in the large and growing wires and cables industry

They manufacture and sell a diverse portfolio of products across categories, giving them an opportunity to cross sell their products. They also manufacture a range of special application cables that can be customized as per customer specifications. They have been investing in global trends and have built capabilities to cater to the growing demand for products such as cables used by telecom operators which rollout 5G capabilities, electric vehicle (“EV”) charging cables, smart fans and designer lights. Since their incorporation as a B2C manufacturer of wires and cables, they have diversified into the FMEG segment and are transforming their company to a diversified consumer electrical company. During the three months ended June 30, 2023, they have launched 6 and 28 new products in the wires and cables and FMEG segments, respectively. Further, as of June 30, 2023, they have 15 and 55 products under development for wires and cables and FMEG segments, respectively, of which no products under wires and cables segment and 12 products under FMEG segment have been launched as of the date of this Red Herring Prospectus.

Extensive domestic and global distribution network

They have an extensive pan-India distribution presence and as on June 30, 2023, they have 3,450 distributors, 3,656 dealers and 114,851 retailers. As part of their distribution strategy, they strive to provide their end-users a seamless experience through several touchpoints. Distributors purchase products from them and on-sell their products to end-users through retailers. They intend to double the market share and retail outreach in domestic house wires, by increasing their micro and nano market reach. They have carried out initiatives such as making connections with retail outlets through routine visits, launch of loyalty management programs for electricians as well as long term loyalty management programs for retailers. They have extended their business strategy to export markets and focus on recurring B2C exports. In calendar year 2022, they were one of the leading exporter of wires and cables from India, in terms of value, representing approximately 9% market share of the exports market from India.

Well recognized consumer brands

They are the fastest growing consumer electrical company amongst their peers in India, growing at a CAGR of 43.4% between Fiscal 2021 and Fiscal 2023. They believe that their focus on safety, quality and continuous innovation, together with their distribution network, connect with electricians and their digital and physical marketing efforts have enabled them to develop brand recognition in the consumer electrical industry. They have invested in implementing brand initiatives, such as Kabel Nukkad and Kabel Mela, to enhance their brand visibility over the last few years. Their brand also provides them the opportunity to cross-sell their FMEG products to their wires and cables customers. Their marketing and sales efforts are spread across multiple touch points where customers discover their brands and product offerings, which create opportunities for cross-selling their products on the back of their brands’ focus on safety, quality and innovation. They believe their connections with electricians through incentive driven marketing provides them with a unique competitive advantage and ensures long-term stickiness.



Risk Factors

Fluctuations in prices of raw material might have an adverse effect on the business

Their operations are dependent upon the price and availability of the raw materials that they require for the production of their wires and cables and FMEGs. Their primary raw materials include aluminum, copper, galvanized iron, packing material, low smoke zero halogen compound, master batch, solar cable compound, polyvinyl chloride compound and cross-linked polythene compound. While they currently manufacture certain raw materials such as polyvinyl chloride compound, low smoke zero halogen compound, and solar cable compound in-house, they purchase remaining raw materials at market price. Increasing global demand for, and uncertain supply of, any such raw materials could disrupt their suppliers' ability to obtain such materials in a timely manner to meet their supply needs and may lead to increased costs. Any increase in the cost of inputs to their production could lead to higher costs for their products. If they increase the prices of their products to offset the impact of higher costs, this may cause certain of their customers to cancel orders or refrain from purchasing their products, which may materially and adversely reduce the demand for their products, and thus, negatively impact their operating results.

Disruption in manufacturing facilities might have an adverse impact on the business

They are dependent on their manufacturing facilities for the production of all of their wires and cables and approximately 37% of their fast moving electrical goods products (by value). Their manufacturing facilities are concentrated in West and North India and events impacting those geographical areas may disrupt their production and operations. Further, their manufacturing facilities are subject to operating risks, such as the breakdown or failure of equipment, disruption in power supply or processes, severe weather conditions, performance below expected levels of efficiency, obsolescence, labor disputes, natural disasters, industrial accidents, infectious diseases (such as COVID-19 pandemic), political instability, the need to comply with the directives of relevant government authorities and the requirement to obtain certain material approvals to operate their manufacturing facilities. Their customers rely significantly on the timely delivery of their products and their ability to provide an uninterrupted supply of their products is critical to their business. While they seek to ensure a continuous supply of their products to their customers, their customer relationships, business and financial results may be adversely affected by any disruption of operations of their product lines and their original equipment manufacturers, due to any of the factors mentioned above.

Any disruption of their original equipment suppliers may have an adverse material affect

They are dependent on their manufacturing facilities for the production of all of their wires and cables and approximately 37% of their fast moving electrical goods products (by value). They source supplies from more than 25 original equipment manufacturers for 63% of their fast moving electrical goods products, including wiring devices, switches, switchgear, wiring accessories, fans, and certain of their professional and trade lighting products. Their original equipment suppliers are subject to operating risks, such as the breakdown or failure of equipment, disruption in power supply or processes, severe weather conditions, performance below expected levels of efficiency, obsolescence, labor disputes, natural disasters, industrial accidents, the need to comply with the directives of relevant government authorities and the requirement to obtain certain material approvals to operate their manufacturing facilities. Any disruption in original equipment manufacturers' manufacturing processes could disrupt their manufacturing schedules, if they are unable to find a suitable replacement in a timely manner, or at all. This may further have a material adverse effect on their business, financial condition, results of operations and cash flows.



Peer Comparison

Name of the Company	Total Income (Crores)	FV	Basic EPS	NAV	P/E *	P/B*	ROE	ROCE
R R Kabel Limited	5633.64	5.00	17.09	125.19	60.56	8.27	13.66%	15.57%
Havells India Limited	17088.44	1.00	17.11	105.75	84.75	13.71	17.00%	22.30%
Polycab India Limited	14241.10	10.00	84.87	445.25	61.27	11.68	20.00%	27.10%
KEI Industries Limited	6939.95	2.00	52.94	287.07	47.56	8.77	20.20%	25.80%
Finolex Cables Limited	4598.85	2.00	32.97	285.76	34.39	3.99	14.40%	18.50%
V-Guard Industries Limited	4142.48	1.00	4.38	37.20	72.15	8.49	12.00%	14.50%
Crompton Greaves Consumer Electricals Limited	6936.39	2.00	7.29	48.85	43.35	6.47	18.10%	18.50%
Bajaj Electricals Limited	5505.11	2.00	18.80	165.74	63.09	7.16	12.20%	18.50%

**P/E & P/B ratio based on closing market price as on September 8, 2023, At the upper price band of IPO, financial details consolidated audited results as on FY23.*



Our View

RR Kabel is 5th largest player in Indian wires and cables industry by value and fastest growing consumer electrical company in India with an integrated in house manufacturing. In 2022, the company added premium and mid premium fans and lights post the Luminous Home Electrical Acquisition. The company's majority of the revenue is generated from wires and cables with a 40% share in the segment. . The company has 74% of the revenues coming from B2C segment with a strong distribution network. In wires and cables, the company witnessed revenue growth of 63% in FY2022 with a volume growth of 23% and a growth of 21% with a volume growth of 20% in FY2023. However, the margin got impacted due to commodity prices. Based on the EPS of FY2023, the company seems fairly priced, we recommend to subscribe for long term.

Source– Company Website and red herring prospectus



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We shall adhere to SEBI guidelines from time to time.

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