

# IPO Report

Choice

## “Subscribe with Caution” to R R Kabel Ltd.

Poor margins for an B2C focused player plus fully priced issue



**Salient features of the IPO:**

- Backed by global private equity firm TPG, **R R Kabel Ltd.** (RKL), a wire & cable and other consumer electrical products manufacturer is coming up with an IPO to raise around Rs. 1,960cr, which opens on 13<sup>th</sup> Sept. and closes on 15<sup>th</sup> Sept. 2023. The price band is Rs. 983 - 1,035 per share.
- The IPO is a combination of fresh issue (Rs. 180cr) and OFS (Rs. 1,694.4 - 1,784cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, RKL will be utilizing Rs. 136cr for the repayment or pre-payment of the debt. Residual funds will be used for general corporate purposes.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 0.297cr shares. TPG Asia VII SF Pte. Ltd. (TPG) is also participating in the OFS by partially offloading 1.29cr shares. TPG stake in the company will fall from 16.69% (pre-IPO) to 4.99%.
- Post-issue, P&PG will have 62.77% stake, compared to 66.42% pre-IPO. Consequently, public shareholding will increase from 33.58% to 37.23%.

**Key competitive strengths:**

- Scaled B2C business in the large and growing wires & cables sector
- Diverse suite of products driven by focused research & development efforts with global certifications and accreditations
- Extensive domestic and global distribution network
- Well recognized consumer brands
- Technologically advanced and integrated precision manufacturing facilities
- Well-positioned for growth in FMEG segment
- Experienced and committed professional management team

**Risk and concerns:**

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Changing product trends and consumer preferences
- Difficulty in expanding the FMEG business
- Volatility in the copper and aluminum prices
- Unfavorable forex movements
- Difficulty in maintaining the profitability
- Competition

**Below are the key highlights of the company:**

- Consumer electrical, comprising of wires & cables (W&C) and fast moving electrical goods (FMEG) is one of the important sectors in the Indian economy. It has a share of around 8% in the country's manufacturing production, approximately 1.5% share in India's GDP and around 1.5% share in India's exports. The consumer electrical sector is estimated at Rs. 1.8lakh cr in FY23 and is expected to grow at around 10% CAGR over FY23-27E to reach a market value of Rs. 2.7lakh cr. (Source: RHP)
- With Rs. 74,800cr, W&C represented 41.3% of the total domestic consumer electrical market. The domestic W&C market is estimated to grow at 13% CAGR over FY23-27E to Rs. 1.06lakh cr. FMEG market contributing around 59% to the domestic consumer electrical market is expected to grow by 8% CAGR during the period to a size of Rs. 1.5lakh cr by FY27E. (Source: RHP)
- With an operating history of over 20 years, RKL is one of the leading companies in the Indian consumer electrical market. With a growth at around 30% CAGR, it was the fastest growing consumer electrical company in India. The company sells products across two broad segments i.e. W&C (which includes house wires, industrial wires, power cables and special cables) and FMEG (which includes fans, lighting, switches and appliances). Across the segments, it has around 18,000SKUs.

**Issue details**

Price band	Rs. 983 - 1,035 per share
Face value	Rs. 5
Shares for fresh issue	0.174 - 0.183cr shares
Shares for OFS	1.724cr shares
Fresh issue size	Rs. 180cr
OFS issue size	Rs. 1,694.4 - 1,784cr
Total issue size	1.898 - 1.907cr shares (Rs. 1,874.4 - 1,964cr)
Employee reservation	0.010 - 0.011cr shares (Rs. 10.8cr)
Net issue size	1.887 - 1.896cr shares (Rs. 1,863.6 - 1,953.2cr)
Bidding date	13 <sup>th</sup> Sept. - 15 <sup>th</sup> Sept. 2023
Implied MCAP at higher price band	Rs. 11,676cr
Implied enterprise value at higher price band	Rs. 11,750cr

Book running lead manager	Axis Capital Ltd., Citigroup Global Markets India Pvt. Ltd., HSBC Securities & Capital Markets (India) Pvt. Ltd. and JM Financial Ltd.
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Registrar	Link Intime India Pvt. Ltd.
Sector	Cables – Electricals

Promoters	Mr. Tribhuvanprasad Rameshwarlal Kabra, Mr. Shreegopal Rameshwarlal Kabra, Mr. Mahendrakumar Rameshwarlal Kabra, Mrs. Kirtidevi Shreegopal Kabra, Tribhuvanprasad Kabra HUF, Kabra Shreegopal Rameshwarlal HUF and Mahendra Kumar Kabra HUF
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**Issue break-up**

Category	Percent of issue (%)	Number of shares
QIB portion	50%	0.944 - 0.948cr shares
Non institutional portion (Big)	10%	0.189 - 0.190cr shares
Non institutional portion (Small)	5%	0.094 - 0.095cr shares
Retail portion	35%	0.661 - 0.664cr shares

**Indicative IPO process time line**

Finalization of basis of allotment	21 <sup>st</sup> Sept. 2023
Unblocking of ASBA account	22 <sup>nd</sup> Sept. 2023
Credit to demat accounts	25 <sup>th</sup> Sept. 2023
Commencement of trading	26 <sup>th</sup> Sept. 2023

**Pre and post - issue shareholding pattern**

	Pre-issue	Post-issue
Promoter & promoter group	66.42%	62.77%
Public	33.58%	37.23%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**Retail application money at higher cut-off price per lot**

Number of shares per lot	14
Employee discount	Rs. 98 per share
Application money	Rs. 14,490per lot

## Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	EV (Rs. cr)	Stock return				TTM total operating revenue (Rs. cr)	TTM EBITDA (Rs. cr)	TTM PAT (Rs. cr)	TTM gross margin	TTM EBITDA margin	TTM PAT margin
					1 M	3 M	6 M	1 Y						
<b>R R Kabel Ltd.</b>	<b>5</b>	<b>1,035</b>	<b>11,676</b>	<b>11,750</b>					<b>5,961</b>	<b>395</b>	<b>246</b>	<b>18.8%</b>	<b>6.6%</b>	<b>4.1%</b>
Bajaj Electricals Ltd.	2	1,183	13,619	13,208	-4.1%	-0.1%	7.5%	-2.1%	5,246	351	210	30.4%	6.7%	4.0%
Crompton Greaves Consumer Electricals Ltd.	2	316	20,220	20,160	4.0%	12.4%	2.7%	-23.6%	6,884	743	461	31.7%	10.8%	6.7%
Finolex Cables Ltd.	2	1,129	17,267	15,848	4.7%	43.2%	46.5%	134.0%	4,670	537	545	20.9%	11.5%	11.7%
Havells India Ltd.	1	1,450	90,887	88,836	9.6%	7.1%	18.6%	7.6%	17,500	1,640	1,116	31.1%	9.4%	6.4%
KEI Industries Ltd.	2	2,518	22,707	22,305	4.0%	18.1%	47.4%	63.9%	7,130	725	495	25.2%	10.2%	6.9%
Polycab India Ltd.	10	5,193	77,831	75,938	11.3%	48.0%	68.0%	107.9%	15,261	2,090	1,450	26.7%	13.7%	9.5%
V-Guard Industries Ltd.	1	315	13,669	14,022	10.4%	22.2%	27.1%	30.4%	4,322	342	200	30.8%	7.9%	4.6%
<b>Average</b>												<b>28.1%</b>	<b>10.0%</b>	<b>7.1%</b>

Company name	4Y revenue growth (CAGR)	4Y EBITDA growth (CAGR)	4Y PAT growth (CAGR)	4Y average EBITDA margin	4Y average PAT margin	4Y capital employed growth (CAGR)	4Y CFO growth (CAGR)	4Y average working capital cycle (Days)	4Y average CFO / EBITDA	4Y average CFO / Capital employed	4Y average total asset turnover (x)	4Y average RoE	4Y average RoIC
Bajaj Electricals Ltd.	2.9%	16.9%	-385.4%	5.5%	2.7%	4.2%	-10.5%	110.9	255.5%	42.0%	1.1	7.5%	7.4%
Crompton Greaves Consumer Electricals Ltd.	15.0%	8.7%	-1.4%	13.4%	10.4%	46.9%	10.4%	18.1	87.9%	46.1%	1.3	26.8%	21.6%
Finolex Cables Ltd.	15.9%	9.9%	8.9%	12.3%	14.4%	17.7%	4.9%	72.3	73.2%	11.1%	0.8	13.3%	8.9%
Havells India Ltd.	21.4%	15.2%	13.4%	12.2%	8.2%	13.4%	-11.9%	35.8	62.9%	22.7%	1.3	18.3%	15.7%
KEI Industries Ltd.	12.2%	12.4%	23.0%	10.4%	6.3%	14.7%	-440.7%	91.0	35.7%	11.3%	1.6	17.1%	18.6%
Polycab India Ltd.	16.9%	17.7%	18.7%	12.2%	8.8%	9.4%	80.1%	71.5	63.1%	20.2%	1.5	18.5%	17.4%
V-Guard Industries Ltd.	18.1%	7.4%	0.4%	9.8%	6.5%	31.0%	44.4%	73.2	61.8%	14.1%	1.6	15.8%	14.8%
<b>Average</b>	<b>14.6%</b>	<b>12.6%</b>	<b>-46.1%</b>	<b>10.8%</b>	<b>8.2%</b>	<b>19.6%</b>	<b>-46.2%</b>	<b>67.5</b>	<b>91.5%</b>	<b>23.9%</b>	<b>1.3</b>	<b>16.8%</b>	<b>14.9%</b>

Company name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt equity ratio (x)	Fixed asset turnover ratio (x)	Total asset turnover ratio (x)	RoE	RoCE	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning yield
Bajaj Electricals Ltd.	18.3	165.7	3.0	0.0	6.1	1.1	11.0%	16.0%	64.8	7.1	2.5	37.7	2.6	1.5%
Crompton Greaves Consumer Electricals Ltd.	7.2	41.6	2.5	0.2	2.1	1.2	17.3%	19.2%	43.9	7.6	2.9	27.1	2.9	2.3%
Finolex Cables Ltd.	35.6	285.8	6.0	0.0	10.2	0.9	12.5%	15.1%	31.7	4.0	3.4	29.5	3.7	3.2%
Havells India Ltd.	17.8	105.7	7.5	0.0	4.6	1.5	16.8%	25.4%	81.5	13.7	5.1	54.2	5.2	1.2%
KEI Industries Ltd.	54.9	287.1	3.0	0.1	12.3	1.9	19.1%	31.5%	45.9	8.8	3.1	30.8	3.2	2.2%
Polycab India Ltd.	96.7	442.5	14.0	0.0	6.6	1.6	21.9%	39.4%	53.7	11.7	5.0	36.3	5.1	1.9%
V-Guard Industries Ltd.	4.6	37.1	1.3	0.3	3.4	1.5	12.4%	13.5%	68.4	8.5	3.2	41.0	3.2	1.5%
<b>Average</b>			<b>5.3</b>	<b>0.1</b>	<b>6.5</b>	<b>1.4</b>	<b>15.9%</b>	<b>22.9%</b>	<b>55.7</b>	<b>8.8</b>	<b>3.6</b>	<b>36.7</b>	<b>3.7</b>	<b>2.0%</b>

Note: Financials as of FY23 and TTM (with IPO adjustments); Source: Choice Broking Research

- RKL's W&C products are sold under the "RR Kabel" brand, while FMEG products are sold under "RR" brand. W&C segment contributed around 89% to the total operating revenue, while the rest i.e. 11% was generated by the FMEG segment.
- Fans represented around 45-47% of its FMEG products. On the pricing front, 85% of its FMEG products were in the economy segment, 15% in the mid-premium and 4-5% in the premium category. According to the RHP, RKL's FMEG product portfolio covered around 77% of the domestic FMEG market by value in FY23.
- RKL was the 5<sup>th</sup> largest player in the overall domestic W&C market with a value market share of 5% in FY23. It held the similar position in the domestic branded W&C market with a value market share of 7%. During Q1 FY24, the company generated around 70% of the W&C business and 97% of the FMEG business from B2C channel, which was among the highest in the market. In the W&C export market from India, RKL was one of the leading exporters with value share of around 9% in 2022.
- The company commenced W&C business in FY99. It was the first company in India to introduce low smoke zero halogen insulation technology in the wire and cable products. RKL was also introduced unilay core technology (heat resistant and flame retardant) products in India. Further in FY20, it ventured into the FMEG market by amalgamating the business of one of its group companies. Since then, it has mainly strengthened the FMEG portfolio inorganically by acquiring the LED lights, related hardware business and trademarks & design certificates of Arraystorm Lighting Pvt. Ltd. (Arraystorm). Subsequently, in May 2022, RKL acquired the home electrical business of Luminous Power Technologies Pvt. Ltd. (Luminous) and also obtained a limited and exclusive license to use the "Luminous Fans and Lights" brand for fan and light products for a limited period of time.
- With Arraystorm products, RKL expanded its FMEG product portfolio to cover office, industrial and warehouse spaces. While "Luminous Fans and Lights" brand was adopted as premium FMEG products. In the near term, the company aim to develop and establish its "RR Signature" brand as a replacement for the "Luminous Fans and Lights" brand.

## Key highlights of the company (Contd...):

- RKL had an extensive pan-India distribution presence. As of 30<sup>th</sup> Jun. 2023, it had 3,450 distributors, 3,656 dealers and 114,851 retailers, on a non-exclusive basis. These dealers, distributors and retailer network, directly and indirectly cover the electricians across the country. As of 31<sup>st</sup> Mar. 2023, the company had one of the largest network of electricians, covering 0.27mn electricians across India. Also it had one of the highest number of distributors servicing the retail network in the consumer electrical market in India. RKL also had 21 warehouses across 17 states and union territories in India.
- In the overseas markets, the company sells its W&C products directly as well as through distributors. It derived 99% of the export revenue from the distributor network and rest from original equipment manufacturers. During FY21-23 and Q1 FY24, RKL sold its products to 63 countries in North America, APAC, Europe and Middle East. Over 90% of the exports are to the developed markets, while over 90% of the products are exported under its “RR Kabel” brand. Over FY20-23, export business increased by 35.9% CAGR to Rs. 1,270.2cr in FY23. During the same period, domestic sales increased by 30% CAGR to Rs. 4,329cr.
- RKL strongly emphasizes on innovation and R&D to differentiate its products. It was the first company in India to launch products compliant with the European regulations. Under the FMEG segment, its products had 35 international certifications, which is one of the highest in the domestic consumer electrical market. As of 30<sup>th</sup> Jun. 2023, RKL had 15 and 55 products under development for the W&C and FMEG segment, respectively.
- The company owns and operates five integrated manufacturing facilities across India. Two facilities in the state of Gujarat and one facility each in Karnataka, Himachal Pradesh and Uttarakhand. Gujarat facilities primarily manufacturers W&C and switches, while other facilities mainly manufacture FMEG products. Integrated operations helps the company in internally procuring the 100% requirement for the W&C segment by value, while 37% for the FMEG products.
- Over FY20-23, RKL reported a robust growth in the top-line, mainly due to the higher sales volume in the W&C segment, inorganic growth in the FMEG segment and improved realizations resulting from higher international prices of key raw materials like copper and aluminum. However, profitability was largely in declining trend mainly due to higher cost of revenue and operating loss from the FMEG segment.
- The company reported a 31.2% CAGR growth in consolidated revenue to Rs. 5,599.2cr in FY23. W&C segment’s revenue contribution declined from 92.2% in FY20 to 88.6% in FY23. However, contribution from FMEG segment improved from 7.8% in FY20 to 11.4% in FY23, mainly due to the integration of Luminous. Domestic and export business grew by 30% and 35.9% CAGR, respectively, with revenue-mix of 77.3% and 22.7% in FY23. During the period, dealers & distributors network, electricians and retail network increased by 23.2%, 118.4% and 63.6% CAGR, respectively. Net cost of revenue increased by 33.5% CAGR (a rate higher than top-line growth), resulting in around 4ppts contraction in the gross margin, which stood at 18.3% in FY23. However, relatively lower employee and other expenses, led to around 250bps contraction in EBITDA margin. Loss making operations of the FMEG segment also contributed to the decline in the profitability. Consolidated EBITDA increased by 16.3% CAGR to Rs. 322.3cr with a margin of 5.8% in FY23. With expansion in the capacity, depreciation charge increased by 15.4% CAGR, while finance costs increased by 6.1% CAGR. Reported PAT increased by 15.8% CAGR to Rs. 189.9cr, while PAT margin contracted by 155bps to 3.4% in FY23.
- Except for FY21, RKL reported positive operating cash flows during the period, which grew by 28.2% CAGR. Average operating cash flow stood at Rs. 174.1cr. Total financial liabilities increased by 13.4% CAGR, however, debt-to-equity ratio stood at 0.4x in FY23, compared to 0.5x in FY20. Average pre-issue RoIC and RoE stood at 13.7% and 14.2%, respectively.
- During Q1 FY24, consolidated top-line increased by 29.2% Y-o-Y to Rs. 1,597.3cr, mainly due to higher W&C sales volume and higher FMEG business arising from the integration of the Luminous operations. Sequentially, top-line increased by 5.3%. EBITDA margin improved by 384bps Y-o-Y to 6.6%, largely due to lower cost of revenue. Sequentially, EBITDA margin expanded by 45bps. PAT margin expanded in-line to the operating margin and improved by 319bps Y-o-Y and 35bps Q-o-Q to 4.1% during Q1 FY24. On TTM basis, consolidated top-line stood at Rs. 5,960.6cr with EBITDA and PAT margin of 6.6% and 4.1%, respectively.
- Based on our quick conservative forecast over FY23-25, top-line is anticipated to increase by 22.6% CAGR to Rs. 8,418.9cr in FY25E. EBITDA and PAT margins are likely to expand by 145bps and 132bps, respectively, mainly reflecting the benefits of lower prices of key raw materials. Post-issue RoIC and RoE is expected at 16.6% and 18.5% in FY25E, compared to 12.1% and 11.9%, respectively, in FY23.

**Peer comparison and valuation:** With solid brand recognition, diversified product profile, scale of operations, certified manufacturing facilities and wide & largest distribution network, RKL is well positioned to capture the growth in the domestic consumer electrical market. Profitability margins and return ratios are likely to improve going forward mainly in the anticipation of lower raw material prices and improved business dynamics.

At higher price band, RKL is demanding a TTM P/E multiple of 47.4x (to its TTM earning per share of Rs. 21.8), which is at discount to the peer average. However, the issue seems to be fully priced considering its subdued profitability (especially for the B2C focused player) and return ratios. Thus, we assign a “**Subscribe with Caution**” rating for the issue.

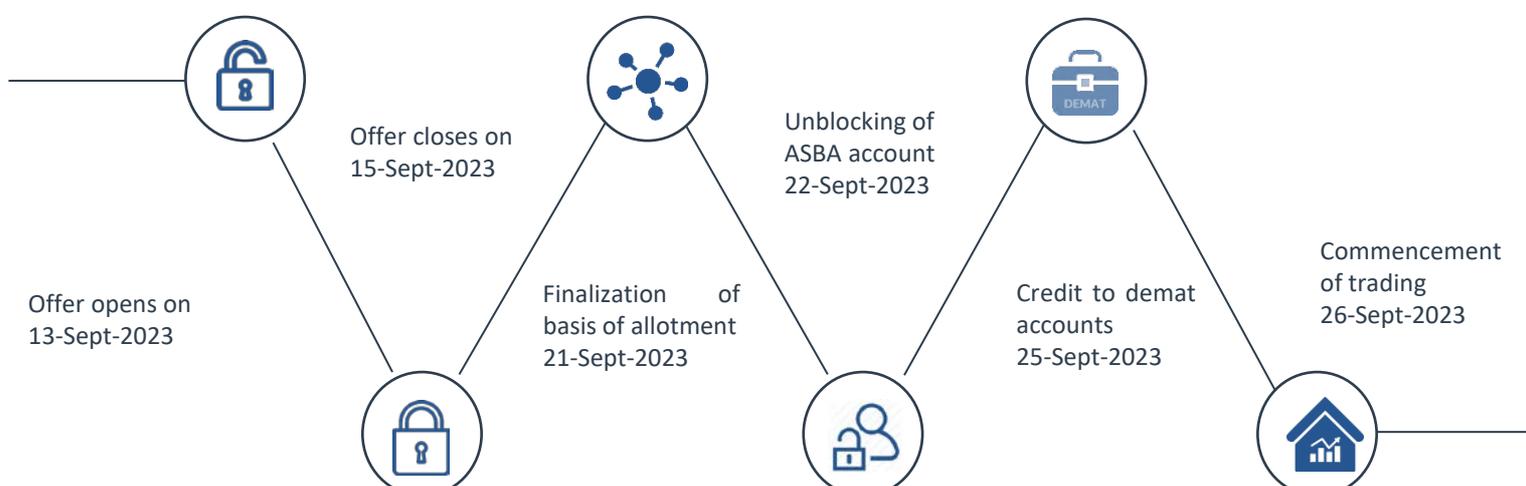
## About the issue:

- RKL is coming up with an IPO with 1.898 - 1.907cr shares (fresh issue: 0.174 - 0.183cr shares; OFS shares: 1.724cr shares) in offering. This offer represents 16.82 - 16.89% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 1,874.4 - 1,964cr.
- The issue is through book building process with a price band of Rs. 983 - 1,035 per share.
- Lot size comprises of 14 equity shares and in multiple of 14 shares thereafter.
- The issue will open on 13<sup>th</sup> Sept. 2023 and close on 15<sup>th</sup> Sept. 2023.
- 0.010 - 0.011cr shares are reserved for eligible employees. Discount offered to the employees is Rs. 98 per equity share.
- Consequently, the net-issue consists of 1.887 - 1.896cr shares with an issue size is Rs. 1,863.6 - 1,953.2cr.
- The IPO is a combination of fresh issue (Rs. 180cr) and OFS (Rs. 1,694.4 - 1,784cr). The company will not receive any proceeds from the OFS portion. From the fresh issue net proceeds, RKL will be utilizing Rs. 136cr for the repayment or pre-payment of the debt. Residual funds will be used for general corporate purposes.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Few of the promoter & promoter group (P&PG) entities are participating in the OFS and offloading 0.297cr shares. TPG Asia VII SF Pte. Ltd. (TPG) is also participating in the OFS by partially offloading 1.29cr shares. TPG stake in the company will fall from 16.69% (pre-IPO) to 4.99% post-IPO.
- Promoter & promoter group currently have 66.42% in the company, which will get reduced to 62.77% post-IPO. Consequently, the public stake will increase from 33.58% to 37.23% post-IPO.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	66.42%	62.77%
Public	33.58%	37.23%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Pre-issue financial performance:

**Performance over FY20-23:** Over FY20-23, RKL reported a robust growth in the top-line, mainly due to the higher sales volume in the W&C segment, inorganic growth in the FMEG segment and improved realizations resulting from higher international prices of key raw materials like copper and aluminum. However, profitability was largely in declining trend mainly due to higher cost of revenue and operating loss from the FMEG segment.

The company reported a 31.2% CAGR growth in consolidated revenue to Rs. 5,599.2cr in FY23. W&C segment's revenue contribution declined from 92.2% in FY20 to 88.6% in FY23. However, contribution from FMEG segment improved from 7.8% in FY20 to 11.4% in FY23, mainly due to the integration of Luminous. Domestic and export business grew by 30% and 35.9% CAGR, respectively, with revenue-mix of 77.3% and 22.7% in FY23. During the period, dealers & distributors network, electricians and retail network increased by 23.2%, 118.4% and 63.6% CAGR, respectively.

Net cost of revenue increased by 33.5% CAGR (a rate higher than top-line growth), resulting in around 4ppts contraction in the gross margin, which stood at 18.3% in FY23. However, relatively lower employee and other expenses, led to around 250bps contraction in EBITDA margin. Loss making operations of the FMEG segment also contributed to the decline in the profitability. Consolidated EBITDA increased by 16.3% CAGR to Rs. 322.3cr with a margin of 5.8% in FY23.

With expansion in the capacity, depreciation charge increased by 15.4% CAGR, while finance costs increased by 6.1% CAGR. Reported PAT increased by 15.8% CAGR to Rs. 189.9cr, while PAT margin contracted by 155bps to 3.4% in FY23.

Except for FY21, RKL reported positive operating cash flows during the period, which grew by 28.2% CAGR. Average operating cash flow stood at Rs. 174.1cr. Total financial liabilities increased by 13.4% CAGR, however, debt-to-equity ratio stood at 0.4x in FY23, compared to 0.5x in FY20. Average pre-issue RoIC and RoE stood at 13.7% and 14.2%, respectively.

**Performance during Q1 FY24:** Consolidated top-line increased by 29.2% Y-o-Y to Rs. 1,597.3cr, mainly due to higher W&C sales volume and higher FMEG business arising from the integration of the Luminous operations. Sequentially, top-line increased by 5.3%.

EBITDA margin improved by 384bps Y-o-Y to 6.6%, largely due to lower cost of revenue. Sequentially, EBITDA margin expanded by 45bps. PAT margin expanded in-line to the operating margin and improved by 319bps Y-o-Y and 35bps Q-o-Q to 4.1% during Q1 FY24.

On TTM basis, consolidated top-line stood at Rs. 5,960.6cr with EBITDA and PAT margin of 6.6% and 4.1%, respectively.

Pre-issue consolidated financial snapshot (Rs. cr)	FY20	FY21	FY22	FY23	TTM	CAGR over FY20-23	Y-o-Y (FY23 annual)
Wires and Cables	2,284.8	2,520.2	4,111.3	4,958.5	5,275.8	29.5%	20.6%
FMEG	193.7	203.7	274.7	640.7	684.8	49.0%	133.3%
Revenue from operations	2,478.5	2,723.9	4,385.9	5,599.2	5,960.6	31.2%	27.7%
Gross profit	553.3	574.7	778.0	1,023.5	1,121.8	22.8%	31.6%
EBITDA	204.8	230.1	303.2	322.3	395.3	16.3%	6.3%
Reported PAT	122.4	135.4	213.9	189.9	246.1	15.8%	-11.2%
Restated reported EPS	10.9	12.0	19.0	16.8	21.8	15.8%	-11.2%
Cash flow from operating activities	215.6	(71.1)	98.2	453.7	383.8	28.2%	362.2%
NOPLAT	128.8	138.4	193.5	194.8	248.5	14.8%	0.7%
FCF		5.2	27.7	2.3			-91.5%
RoIC (%)	13.4%	12.7%	15.2%	13.7%	16.6%	24 bps	(152) bps
Revenue growth rate		9.9%	61.0%	27.7%			
Gross profit growth rate		3.9%	35.4%	31.6%			
Gross profit margin	22.3%	21.1%	17.7%	18.3%	18.8%	(404) bps	54 bps
EBITDA growth rate		12.4%	31.8%	6.3%			
EBITDA margin	8.3%	8.4%	6.9%	5.8%	6.6%	(251) bps	(116) bps
EBIT growth rate		11.7%	38.7%	2.1%			
EBIT margin	6.7%	6.8%	5.9%	4.7%	5.6%	(201) bps	(117) bps
Restated reported PAT growth rate		10.6%	58.0%	-11.2%			
Restated reported PAT margin	4.9%	5.0%	4.9%	3.4%	4.1%	(155) bps	(149) bps
Inventory days	55.3	60.9	51.7	51.2	52.6	-2.5%	-1.1%
Debtor days	61.7	56.2	39.0	36.1	38.7	-16.3%	-7.3%
Payable days	(26.6)	(19.7)	(11.7)	(19.8)	(27.7)	-9.4%	69.3%
Cash conversion cycle	90.3	97.4	79.1	67.5	63.6	-9.3%	-14.6%
Fixed asset turnover ratio	5.9	6.4	9.5	9.6	10.0	18.0%	1.9%
Total asset turnover ratio	1.6	1.6	2.1	2.1	2.3	9.9%	-0.6%
Current ratio	2.0	2.2	2.1	1.8	1.9	-3.5%	-17.3%
Quick ratio	1.3	1.2	1.1	1.0	1.0	-8.6%	-13.7%
Total debt	426.0	523.5	556.6	620.3	513.8	13.4%	11.4%
Net debt	225.9	319.0	338.9	254.3	219.4	4.0%	-24.9%
Debt to equity	0.5	0.5	0.4	0.4	0.3	-2.5%	-1.9%
Net debt to EBITDA	1.1	1.4	1.1	0.8	0.6	-10.6%	-29.4%
RoE (%)	13.5%	12.9%	17.1%	13.4%	16.1%	(17) bps	(374) bps
RoA (%)	7.9%	7.9%	10.4%	7.2%	9.3%	(71) bps	(322) bps
RoCE (%)	21.0%	19.9%	23.0%	22.5%	24.8%	151 bps	(46) bps

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking

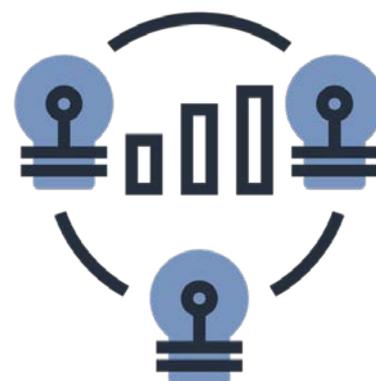


### Competitive strengths:

- Scaled B2C business in the large and growing wires & cables sector
- Diverse suite of products driven by focused research & development efforts with global certifications and accreditations
- Extensive domestic and global distribution network
- Well recognized consumer brands
- Technologically advanced and integrated precision manufacturing facilities
- Well-positioned for growth in FMEG segment
- Experienced and committed professional management team

### Business strategy:

- Expand distribution and establish leadership position in the wires & cables segment in India
- Enhance geographical footprint of wires & cables segment
- Capitalize on the market opportunity in wires & cables segment through innovation and product development to expand the product portfolio
- Grow and expand FMEG segment organically and inorganically
- Enhance productivity and operational efficiencies
- Enhance environmental initiatives



### Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Changing product trends and consumer preferences
- Difficulty in expanding the FMEG business
- Volatility in the copper and aluminum prices
- Unfavorable forex movements
- Difficulty in maintaining the profitability
- Competition

## Financial statements:

Consolidated profit and loss statement (Rs. cr)							
	FY20	FY21	FY22	FY23	TTM	CAGR over FY20 - 23	Annual growth over FY22
<b>Revenue from operations</b>	<b>2,478.5</b>	<b>2,723.9</b>	<b>4,385.9</b>	<b>5,599.2</b>	<b>5,960.6</b>	<b>31.2%</b>	<b>27.7%</b>
Cost of materials consumed	(1,824.0)	(2,173.2)	(3,575.5)	(4,369.8)	(4,526.8)	33.8%	22.2%
Purchases of stock-in-trade	(114.4)	(129.9)	(156.6)	(368.9)	(364.8)	47.7%	135.5%
Changes in inventories of finished goods, stock-in-trade, work-in-progress and scrap	13.1	153.8	124.2	162.9	52.8	131.7%	31.2%
<b>Gross profit</b>	<b>553.3</b>	<b>574.7</b>	<b>778.0</b>	<b>1,023.5</b>	<b>1,121.8</b>	<b>22.8%</b>	<b>31.6%</b>
Employee benefits expense	(135.8)	(148.3)	(188.9)	(264.2)	(279.8)	24.8%	39.9%
Other expenses	(212.7)	(196.2)	(285.9)	(437.0)	(446.8)	27.1%	52.9%
<b>EBITDA</b>	<b>204.8</b>	<b>230.1</b>	<b>303.2</b>	<b>322.3</b>	<b>395.3</b>	<b>16.3%</b>	<b>6.3%</b>
Depreciation and amortization expense	(38.8)	(44.8)	(46.1)	(59.6)	(61.2)	15.4%	29.4%
<b>EBIT</b>	<b>166.0</b>	<b>185.4</b>	<b>257.2</b>	<b>262.7</b>	<b>334.1</b>	<b>16.5%</b>	<b>2.1%</b>
Finance costs	(35.2)	(27.1)	(23.3)	(42.1)	(48.4)	6.1%	80.8%
Other income	27.0	22.0	46.3	34.4	43.3	8.4%	-25.6%
Share of profit/(loss) of joint venture net of tax	(0.1)	1.1	4.2	0.9	1.8		-77.5%
<b>PBT</b>	<b>157.7</b>	<b>181.4</b>	<b>284.4</b>	<b>256.0</b>	<b>330.8</b>	<b>17.5%</b>	<b>-10.0%</b>
Tax expenses	(35.3)	(46.0)	(70.4)	(66.1)	(84.7)	23.3%	-6.1%
<b>Reported PAT</b>	<b>122.4</b>	<b>135.4</b>	<b>213.9</b>	<b>189.9</b>	<b>246.1</b>	<b>15.8%</b>	<b>-11.2%</b>

Consolidated balance sheet statement (Rs. cr)							
	FY20	FY21	FY22	FY23	TTM	CAGR over FY20 - 23	Annual growth over FY22
Equity share capital	23.4	23.9	23.9	47.8	47.8	26.9%	100.0%
Instrument entirely equity in nature	400.0	415.2	415.2	415.2	415.2	1.2%	0.0%
Other equity	480.7	607.5	811.2	956.7	1,060.9	25.8%	17.9%
Non-current borrowings	68.3	71.3	59.3	26.9	18.7	-26.7%	-54.7%
Non-current lease liabilities	1.8	5.3	8.2	56.4	61.4	217.0%	585.6%
Other non-current financial liabilities				2.1	2.2		
Non-current provisions	7.8	6.0	7.2	14.1	15.4	21.7%	96.3%
Net deferred tax liabilities	9.2	7.9	13.1	14.9	19.1	17.5%	13.5%
Other non-current liabilities	0.0	0.0	0.0	0.0	0.0	-20.6%	0.0%
Trade payables	180.9	113.5	167.9	440.1	452.7	34.5%	162.2%
Current borrowings	327.0	427.4	461.8	489.0	385.0	14.4%	5.9%
Current lease liabilities	2.5	3.1	3.3	8.2	8.3	48.0%	152.1%
Other current financial liabilities	26.4	16.5	24.0	37.8	38.1	12.7%	57.1%
Current provisions	1.3	5.5	14.0	22.2	24.0	158.3%	58.5%
Net income tax liabilities				6.4	23.0		
Other current liabilities	16.2	12.0	41.5	95.9	72.5	80.9%	130.8%
<b>Total liabilities</b>	<b>1,545.4</b>	<b>1,715.1</b>	<b>2,050.6</b>	<b>2,633.6</b>	<b>2,644.3</b>	<b>19.4%</b>	<b>28.4%</b>
Property, plant and equipment	379.3	386.0	383.7	448.8	453.9	5.8%	17.0%
Intangible assets	7.1	5.3	3.7	6.5	5.4	-2.9%	77.0%
Capital work-in-progress	15.4	6.7	42.3	43.6	49.7	41.5%	3.0%
Intangible assets under development		0.5	0.6		0.0		
Right-of-use assets	4.2	8.1	11.1	61.8	66.4	145.7%	456.3%
Investment accounted for using equity method	16.5	17.1	21.6	19.6	20.0	5.9%	-9.3%
Non-current investments	15.4	23.5	40.6	58.1	91.9	55.7%	43.3%
Non-current loans	0.3	0.1	0.1	0.3	0.2	4.6%	451.9%
Other non-current financial assets	1.4	1.6	2.2	3.6	6.1	36.9%	64.6%
Non-current net income tax assets	1.8	5.2	13.4	11.8	11.8	88.7%	-11.5%
Other non-current assets	11.6	14.3	6.6	33.3	34.9	42.1%	405.2%
Inventories	375.2	534.1	709.6	860.2	859.3	31.9%	21.2%
Trade receivables	419.0	420.4	517.1	591.9	631.5	12.2%	14.4%
Current investments	188.8	196.0	205.5	284.9	279.2	14.7%	38.7%
Cash & cash equivalents	11.3	8.5	12.3	81.1	15.1	93.0%	559.1%
Current loans	0.7	0.6	0.2	0.1	0.5	-54.9%	-72.7%
Other current financial assets	44.9	3.5	11.9	9.0	17.6	-41.5%	-24.6%
Current net tax assets	9.7				0.0		
Other current assets	42.9	83.7	68.2	119.0	100.5	40.5%	74.5%
<b>Total assets</b>	<b>1,545.4</b>	<b>1,715.1</b>	<b>2,050.6</b>	<b>2,633.6</b>	<b>2,644.3</b>	<b>19.4%</b>	<b>28.4%</b>

Note: Pre-IPO financials; Source: Choice Equity Broking

## Financial statements (Contd...):

Consolidated cash flow statement (Rs. cr)							
	FY20	FY21	FY22	FY23	TTM	CAGR over FY20 - 23	Annual growth over FY22
Cash flow before working capital changes	235.5	254.5	346.9	358.6	423.7	15.0%	3.4%
Working capital changes	13.5	(283.7)	(175.4)	153.4	18.4	124.8%	-187.4%
<b>Cash flow from operating activities</b>	<b>215.6</b>	<b>(71.1)</b>	<b>98.2</b>	<b>453.7</b>	<b>383.8</b>	<b>28.2%</b>	<b>362.2%</b>
Purchase of fixed assets and CWIP	(93.1)	(47.4)	(68.2)	(217.9)	(110.7)	32.8%	219.4%
<b>Cash flow from investing activities</b>	<b>(128.3)</b>	<b>(5.9)</b>	<b>(62.7)</b>	<b>(333.5)</b>	<b>(173.0)</b>	<b>37.5%</b>	<b>432.3%</b>
<b>Cash flow from financing activities</b>	<b>(81.9)</b>	<b>74.1</b>	<b>(31.6)</b>	<b>(101.5)</b>	<b>(202.3)</b>	<b>7.4%</b>	<b>221.1%</b>
<b>Net cash flow</b>	<b>5.4</b>	<b>(2.8)</b>	<b>3.9</b>	<b>18.7</b>	<b>8.4</b>	<b>51.1%</b>	<b>379.9%</b>
Opening balance of cash	5.8	11.2	8.4	12.3	6.7	28.7%	46.5%
<b>Closing balance of cash</b>	<b>11.2</b>	<b>8.4</b>	<b>12.3</b>	<b>31.0</b>	<b>15.1</b>	<b>40.4%</b>	<b>152.3%</b>

Consolidated financial ratios					
Particulars	FY20	FY21	FY22	FY23	TTM
<b>Profitability ratios</b>					
Revenue growth rate		9.9%	61.0%	27.7%	
Gross profit growth rate			3.9%	35.4%	31.6%
Gross profit margin	22.3%	21.1%	17.7%	18.3%	18.8%
EBITDA growth rate			12.4%	31.8%	6.3%
EBITDA margin	8.3%	8.4%	6.9%	5.8%	6.6%
EBIT growth rate			11.7%	38.7%	2.1%
EBIT margin	6.7%	6.8%	5.9%	4.7%	5.6%
Restated reported PAT growth rate			10.6%	58.0%	-11.2%
Restated reported PAT margin	4.9%	5.0%	4.9%	3.4%	4.1%
<b>Turnover ratios</b>					
Inventory receivable turnover ratio	6.6	6.0	7.1	7.1	6.9
Trade receivable turnover ratio	5.9	6.5	9.4	10.1	9.4
Accounts payable turnover ratio	13.7	18.5	31.2	18.4	13.2
Fixed asset turnover ratio	5.9	6.4	9.5	9.6	10.0
Total asset turnover ratio	1.6	1.6	2.1	2.1	2.3
<b>Return ratios</b>					
RoIC (%)	13.4%	12.7%	15.2%	13.7%	16.6%
RoE (%)	13.5%	12.9%	17.1%	13.4%	16.1%
RoA (%)	7.9%	7.9%	10.4%	7.2%	9.3%
RoCE (%)	21.0%	19.9%	23.0%	22.5%	24.8%
<b>Per share data</b>					
Restated adjusted EPS (Rs.)	10.9	12.0	19.0	16.8	21.8
DPS (Rs.)	3.1	0.0	2.5	4.4	4.4
BVPS (Rs.)	80.1	92.8	110.8	125.9	135.1
Operating cash flow per share (Rs.)	19.1	(6.3)	8.7	40.2	34.0
Free cash flow per share (Rs.)		0.5	2.5	0.2	
Dividend payout ratio	28.8%	0.0%	13.0%	26.3%	20.3%

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

## IPO rating rationale

**Subscribe:** An IPO with strong growth prospects and valuation comfort.

**Subscribe with Caution:** Relatively better growth prospects but with valuation discomfort.

**Avoid:** Concerns on both fundamentals and demanded valuation.

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