

RR Kabel Limited

Electrical | India

IPO | 12 September 2023

Moving up the value chain from W&C to a strong FMEG brand



About the Company

RR Kabel Limited (RRKL) is 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. RRKL sells 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. RRKL strengthened its FMEG portfolio by acquiring the Luminous Home electrical business in May '22. Its products have 35 international product certifications, which is one of the highest in number among peers in the Indian consumer electrical industry as of March 31, 2023.

Strong Growth levers and organized brand shift

The Indian consumer electrical industry is expected to grow at a CAGR of 10% until FY27 on back of public and private investment outlay in infrastructure, growth of real estate sector, transition of automobiles and transport towards electric vehicles ("EVs"), rural electrification and push towards renewable energy. The trends are shifting towards branded play in the domestic W&C and FMEG industry has grown from 60% in FY15 to 76% in FY23 and is projected to reach approximately 82% by Fiscal FY27. The rising awareness of product quality, safety, innovative smart products like Low-Smoke Zero-Halogen ("LSZH" or "LSOH") technology in wires and cables and premiumization in FMEGs have created favorable product differentiation for the branded players in the market.

Well Positioned for Growth in FMEG Segment Pan-India Distribution

RRKL is the 5th largest player in the Indian wires and cables (w&c) industry by value in FY23 & well-recognized brand to tap this opportunity through its integrated in-house manufacturing capabilities at 93% and 7% outsourcing and well positioned for growth in FMEG segment. RRKL is expanding into FMEG segment because of its high adjacency with established W&C segment seeking to grow and strengthen their market position in FMEG market in India and abroad by leveraging their brand's recall and existing distribution network, including electricians. RRKL have an extensive pan-India distribution presence with 3,450 distributors, 3,656 dealers and 114,851 retailers, it has one of the largest network of electricians, covering 271,264 electricians across India with digitalized network with incentives for retailers and electricians.

Financials in Brief

On the financial front, the company reported a turnover of Rs 2739Cr, Rs4386Cr and Rs5599Cr for FY21, FY22 and FY23 respectively, on a consolidated basis. It posted net profit of Rs135Cr, Rs214 Crs and Rs190 Crs respectively for the aforementioned period. While the company's top-line continued to grow, registering a CAGR of ~43% over FY21-23, its bottom line reported lower net profit with higher SGA expenses for FMEG which is increasing consistently over the past few years. It has 7% domestic market share by value as of Mar'23 and 9% market share of the exports market from India.

Our View

On FY23 financials the company has reported an average EPS of Rs. 16.97 (fully diluted) and an average RoNW of 14.78% for the last three fiscals. The structural growth drivers for consumer electrical business continues to remain strong, RRKL has a diverse suite of products, scaled the business in B2C in W&C, expanding the FMEG segment using its extensive global and domestic network building a strong consumer brand. **We believe the premiumisation path could potentially result in structural margin expansion and B2C sales are likely to remain strong in coming years, the recent correction in input prices and the strong surge in multiple demand drivers augurs well for the company, we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	983-1035
Face Value (Rs)	5
Issue Open/Closing Date	13-Sep-23/15-Sep-23
Fresh Issues (Cr)	180.0
OFS (Cr)	1,784.0
Total Issue (Cr)	1,964.0
Minimum Bid Qty. (Nos)	14
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	11,676

*At higher band

Object of the Issue

- ▶ Repayment in full or part of borrowings
- ▶ General Corporate purposes

Strengths

- ▶ Diverse suite of consumer electrical products underpinned by focused R&D efforts with global certification.
- ▶ Scaled B2C business in the large and growing wires and cables industry
- ▶ Well-positioned for growth in FMEG Segment
- ▶ Extensive domestic and global distribution network
- ▶ Technologically Advanced and Integrated Precision Manufacturing Facilities

Key Risk

- ▶ Increasing competition and GST rates
- ▶ Inputs prices and slowdown in economy.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	66.4	62.8
Others	33.6	37.2

Key Financials

(Rs Crs)	FY21	FY22	FY23
Revenue	2,739	4,386	5,599
EBITDA	253	354	358
EBITDA Margin (%)	9.2	8.1	6.4
PAT	135	214	190
PAT Margin (%)	4.9	4.9	3.4
EPS (Rs)	12.2	19.3	17.1
RocE (%)	13.9	17.4	15.5
RoE (%)	13.1	17.2	13.6
NAV per share	93.1	111.4	125.2
Net Worth	1,033	1,237	1,390
Gross Debt	499	521	516

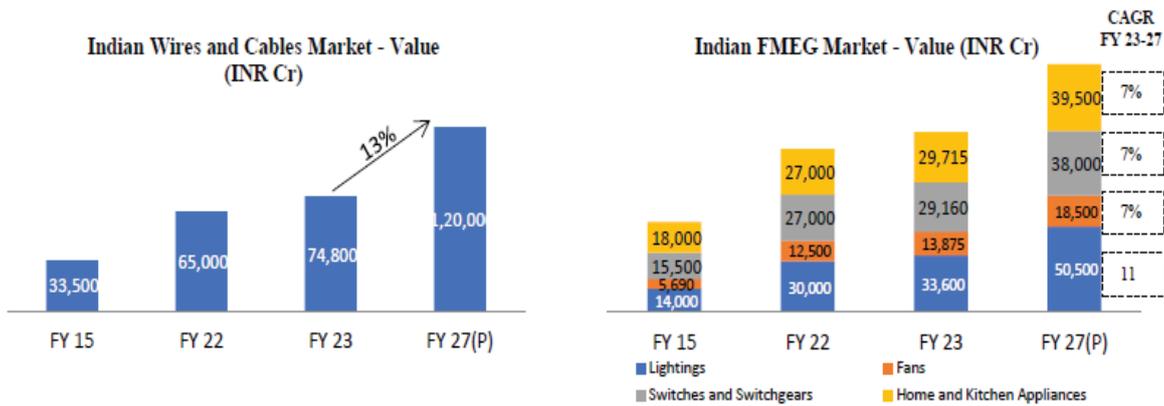
Source: RHP

Senior Research Analyst:
Vikas Jain

Contact : (022) 41681371

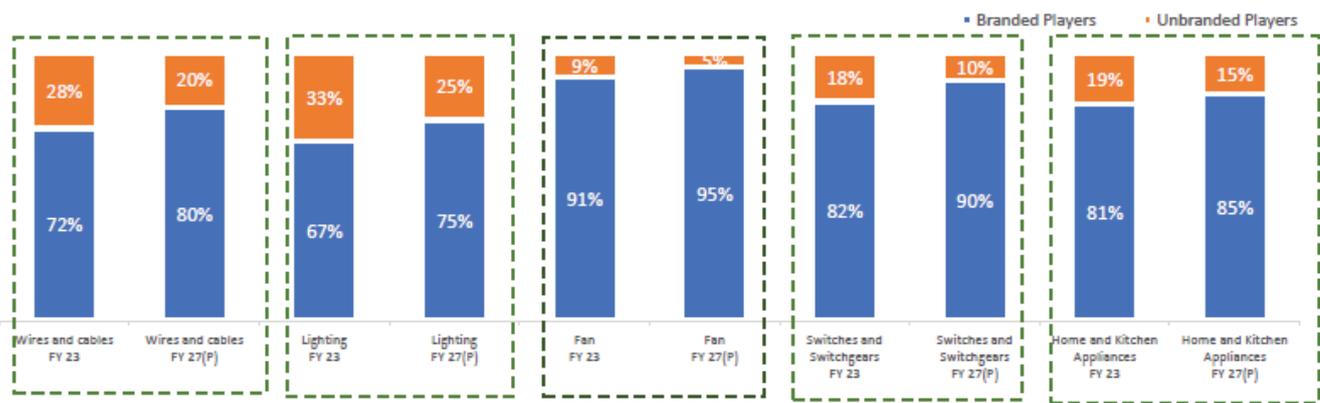
Email : vikas.i.jain@relianceada.com

Exhibit 1: Indian W&C and FMEG Market – By Value (Rs in crore) in Fiscal Year



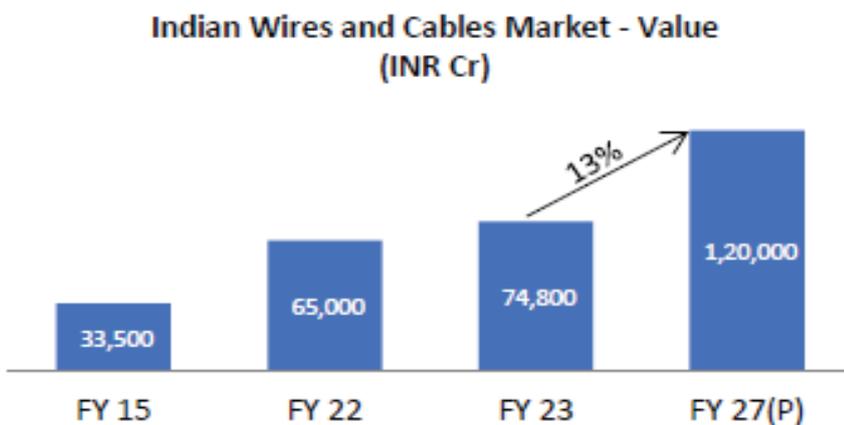
Source: RHP, Primary Research, Secondary Research and Technopak Analysis; Note: This does not include exports. Home appliances constitute 28% and kitchen appliances constitute 72% of the Indian home and kitchen appliances market in Fiscal 2023

Exhibit 2: Share of Branded Play in Indian W&C and FMEG market – By Value (Fiscal Year)



Source: RHP, Technopak Analysis

Exhibit 3: Indian Wires and Cables Market – By Value (Rs Cr) in Fiscal Year



Source: RHP, Technopak Analysis, Note: This does not include exports

Exhibit 4: Break up of different sub-categories of W&C Industry in India -By Value (Fiscal Year)



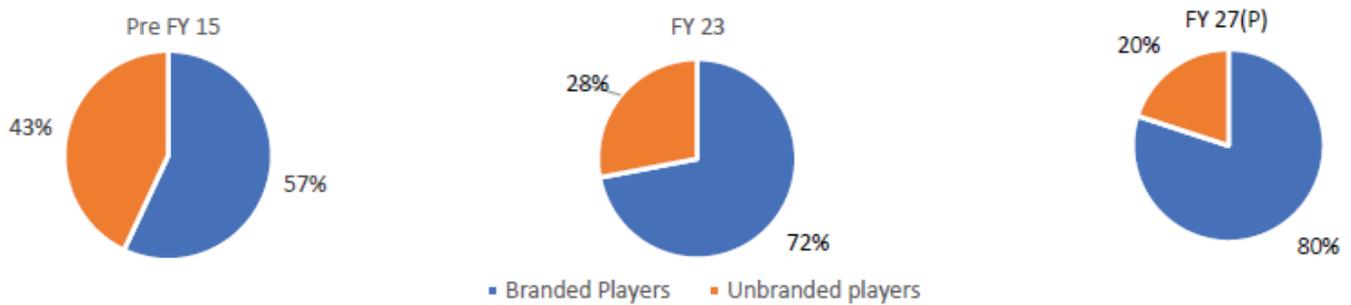
Source: RHP, Technopak Analysis

Exhibit 5: Sub-category wise CAGR of W&C between Fiscal 2023 and Fiscal 2027(P)

Sub-category of Wires & Cables	CAGR between Fiscal 2023 and Fiscal 2027(P)
Housing Wires	14.1%
Power Cables	12.5%
Control and instrumentation cables	8.7%
Communication cables	13.4%
Flexible and specialty cables	12.5%

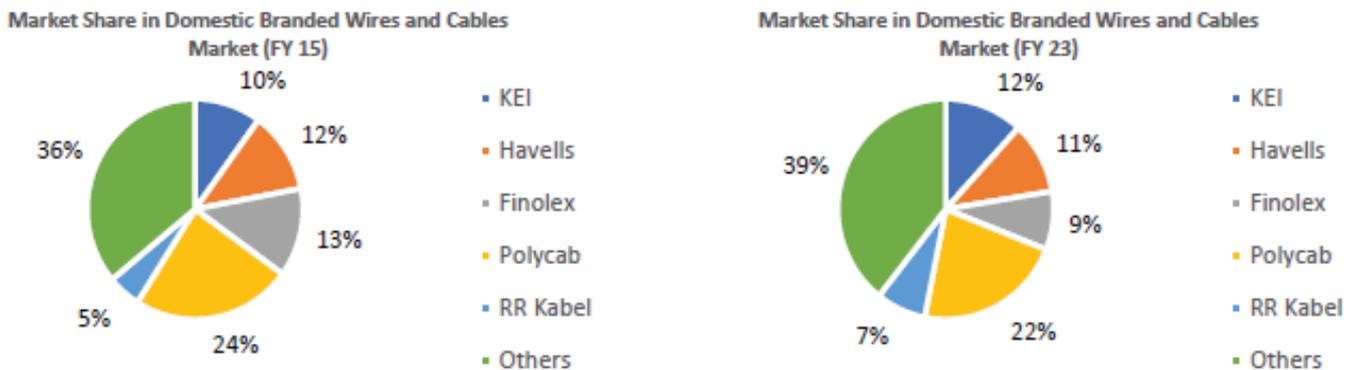
Source: RHP, Technopak Analysis

Exhibit 6: Share of Branded Players in Indian W&C Market – By Value (Fiscal Year)



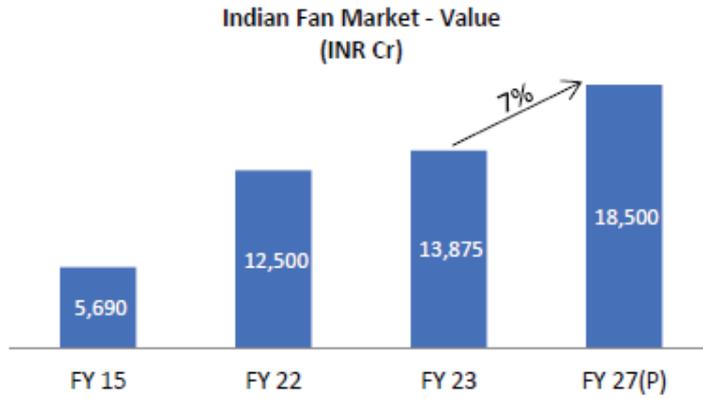
Source: RHP, Technopak Analysis

Exhibit 7: Market share of players in Domestic Branded Wires and Cables market in India – By Value (in Fiscal)



Source: RHP, Technopak Analysis

Exhibit 8: Fan Market in India – By Value (Fiscal Year)

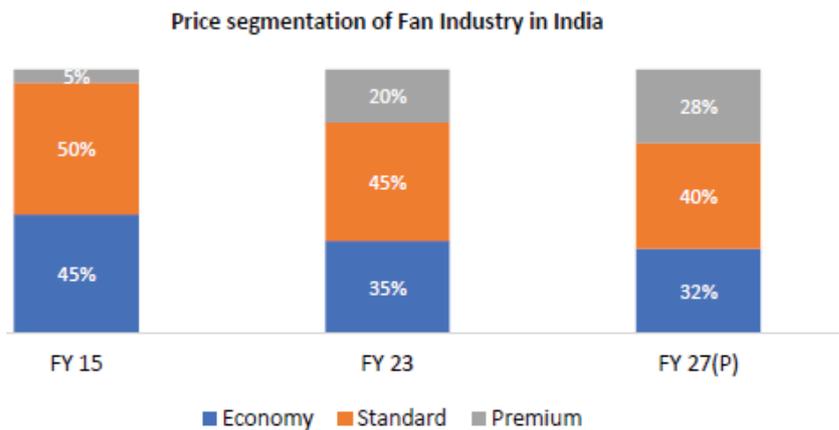


Source: RHP, Technopak Analysis; Note: This does not include exports.

Exhibit 9: Price segmentation of Ceiling Fans

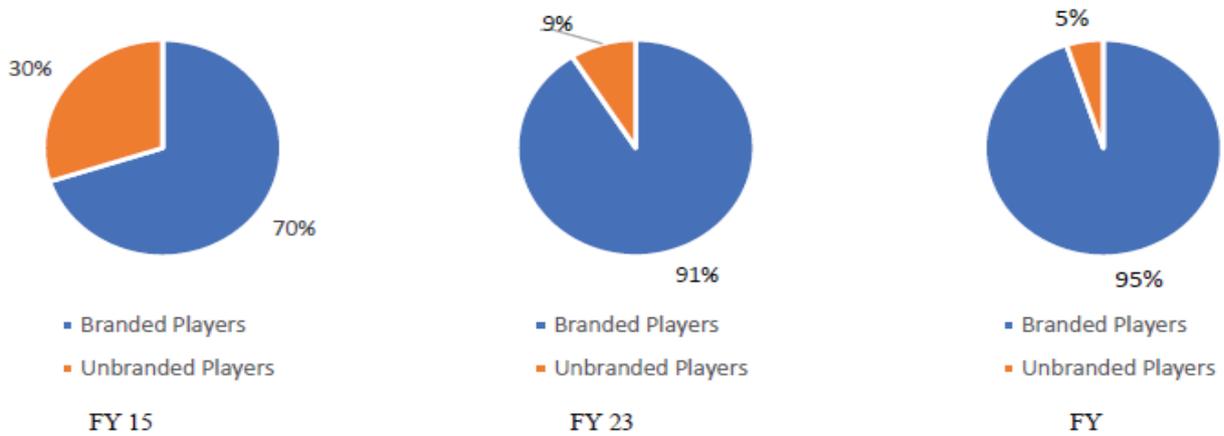
Segment	Price range	Examples
Economy	<₹ 1,500	Luminous Morpheus 1200 mm 3 Blade Ceiling Fan, Crompton Jura 1200mm 3 Blades Ceiling Fan, Oriental-Stellar 600mm Stylish Fan, Havells SS390 1200 mm 3 Blade Ceiling Fan
Standard	₹ 1,500 – ₹ 4,000	RR Kabel White Ceiling Fan with Remote, Standard Zinger 1200 mm 3 Blade Ceiling Fan by Havells, Crompton Alpha Broz 1200 mm 3 Blade Ceiling Fan, Crompton Gianna 900 mm 3 Blade Ceiling Fan
Premium	>₹ 4,000	Luminous Lucrezia 1320mm Remote 5 Blade Ceiling Fan, Havells Stealth Puro Air 1250mm 3 Blades Ceiling Fan, Orient Stallion-1 1200 mm 4 Blade Ceiling Fan, Orient Electric Aero slim 1200mm 3 Blades Ceiling Fan, Crompton Nebula 4-Blade Ceiling Fan

The above segmentation is as per Fiscal 2023.
Source – Secondary research, Technopak Analysis



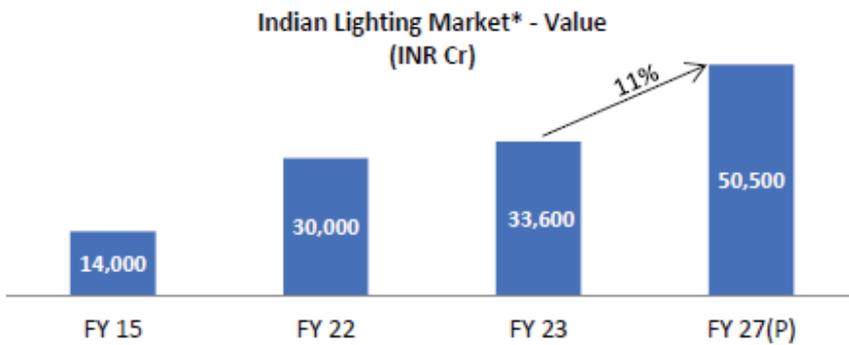
Source: RHP, Secondary research and Technopak Analysis

Exhibit 10: Share of Branded Play in Indian Ceiling Fan Market – By Value (Fiscal Year)



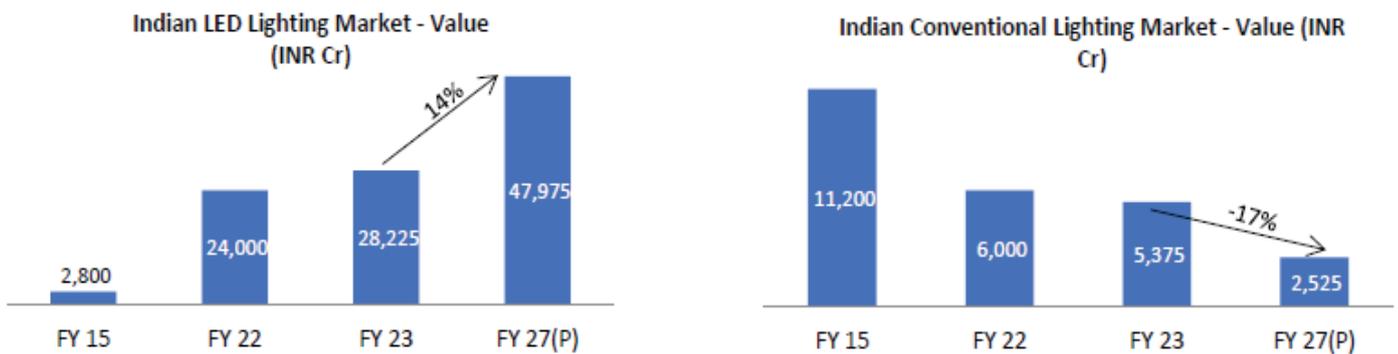
Source: RHP, Technopak Analysis

Exhibit 11: Indian Lighting Market – By Value (Rs Cr) in Fiscal Year



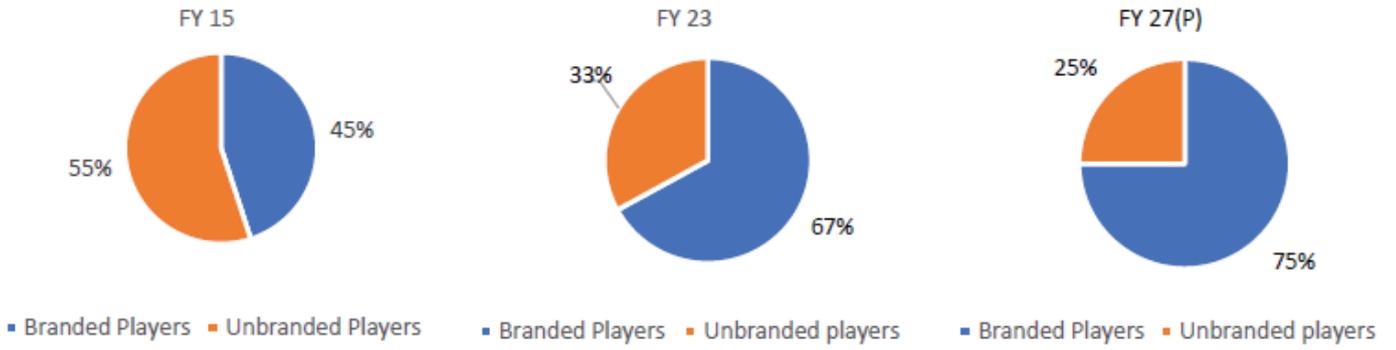
Source: RHP, Technopak Analysis; *Note-The data does not include export sales.

Exhibit 12: Composition of Indian LED and Conventional Lighting Market – By Value (Rs Cr) in Fiscal Year



Source: RHP, Secondary research and Technopak Analysis

Exhibit 13: Share of branded player vs Unbranded player in Indian Lighting Market



Source: RHP, Technopak Analysis

Exhibit 14: Diverse suite of products driven by our focused research and development efforts with global certifications and accreditations

<h3 style="text-align: center;">Wires</h3> <h4 style="text-align: center;">House Wires</h4> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>RR KABEL</p> <p>Heat Resistant Wires</p> <p>RR KABEL</p> <p>Fire Resistant Wires</p> <p>RR KABEL</p> <p>Flame Retardant Wires</p> </div> <div style="width: 45%; border: 1px solid black; padding: 5px;"> <p style="text-align: center; background-color: #0070C0; color: white;">Applications (Infrastructure)</p> <ul style="list-style-type: none"> ✓ Residential ✓ Commercial ✓ Public </div> </div> <h4 style="text-align: center;">Industrial Wires</h4> <div style="display: flex; justify-content: space-around;"> <div style="width: 30%;"> <p>RR KABEL</p> <p>Single Core Flexible Cable</p> </div> <div style="width: 30%;"> <p>RR KABEL</p> <p>Control Cables</p> </div> <div style="width: 30%;"> <p>RR KABEL</p> <p>Submersible Flat Cable</p> </div> </div> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p style="text-align: center; background-color: #0070C0; color: white;">Applications</p> <ul style="list-style-type: none"> ✓ Power Panels ✓ Control Panels ✓ Switchgears ✓ Relay ✓ Instrumentation Panels ✓ Control Panels ✓ Production & Assembly Lines ✓ Industrial Process Automation ✓ Plant Engineering ✓ Industrial Machinery ✓ Robotic Technology </div>	<h3 style="text-align: center;">Cables</h3> <h4 style="text-align: center;">Power Cables</h4> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>RR KABEL</p> <p>LT Power Cable</p> <p>RR KABEL</p> <p>Medium & High Voltage Power Cables</p> </div> <div style="width: 45%; border: 1px solid black; padding: 5px;"> <p style="text-align: center; background-color: #0070C0; color: white;">Applications</p> <ul style="list-style-type: none"> ✓ Power Transmission ✓ Power Distribution </div> </div> <h4 style="text-align: center;">Specialty Cables</h4> <div style="display: grid; grid-template-columns: repeat(3, 1fr); gap: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>RR KABEL</p> <p>Data & Communication Cables</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>RR KABEL</p> <p>Instrumentation Cables</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>RR KABEL</p> <p>Solar Cables</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>RR KABEL</p> <p>Fine & Security Cables</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>RR KABEL</p> <p>Silicon Rubber Cables</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>RR KABEL</p> <p>Auto Cables</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>RR KABEL</p> <p>Battery Cables</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>RR KABEL</p> <p>Lift & Elevator Cables</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>RR KABEL</p> <p>Appliance Wiring Material</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>RR KABEL</p> <p>Power Cord</p> </div> </div>
<h3 style="text-align: center;">Fans</h3> <div style="display: grid; grid-template-columns: repeat(3, 1fr); gap: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Ceiling Fans</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Table Pedestal & Wall Fans</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Exhaust Fans</p> </div> </div>	<h3 style="text-align: center;">Lighting</h3> <div style="display: grid; grid-template-columns: repeat(2, 1fr); gap: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Bulbs</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Street Lights</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Panels</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Downlights</p> </div> </div>
<h3 style="text-align: center;">Switch & Switchgear</h3> <div style="display: flex; justify-content: space-around; margin-bottom: 20px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Modular Switches</p> </div> </div> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>MCB</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Distribution Box</p> </div> </div>	<h3 style="text-align: center;">Appliances</h3> <div style="display: grid; grid-template-columns: repeat(2, 1fr); gap: 10px;"> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Room Heater</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Irons</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Water Heater</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;">  <p>Cooler</p> </div> </div>

Source: RHP

Disclaimer:

Reliance Securities Limited (RSL), the broking arm of Reliance Capital is one of the India's leading retail broking houses. Reliance Capital is amongst India's leading and most valuable financial services companies in the private sector. Reliance Capital has interests in asset management and mutual funds, life and general insurance, commercial finance, equities and commodities broking, wealth management services, distribution of financial products, private equity, asset reconstruction, proprietary investments and other activities in financial services. The list of associates of RSL is available on the website www.reliancecapital.co.in. RSL is registered as a Research Analyst under SEBI (Research Analyst) Regulations, 2014

General Disclaimers: This Research Report (hereinafter called 'Report') is prepared and distributed by RSL for information purposes only. The recommendations, if any, made herein are expression of views and/or opinions and should not be deemed or construed to be neither advice for the purpose of purchase or sale of any security, derivatives or any other security through RSL nor any solicitation or offering of any investment /trading opportunity on behalf of the issuer(s) of the respective security(ies) referred to herein. These information / opinions / views are not meant to serve as a professional investment guide for the readers. No action is solicited based upon the information provided herein. Recipients of this Report should rely on information/data arising out of their own investigations. Readers are advised to seek independent professional advice and arrive at an informed trading/investment decision before executing any trades or making any investments. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by RSL to be reliable. RSL or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of RSL shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way whatsoever from the information / opinions / views contained in this Report.

Risks: Trading and investment in securities are subject to market risks. There are no assurances or guarantees that the objectives of any of trading / investment in securities will be achieved. The trades/ investments referred to herein may not be suitable to all categories of traders/investors. The names of securities mentioned herein do not in any manner indicate their prospects or returns. The value of securities referred to herein may be adversely affected by the performance or otherwise of the respective issuer companies, changes in the market conditions, micro and macro factors and forces affecting capital markets like interest rate risk, credit risk, liquidity risk and reinvestment risk. Derivative products may also be affected by various risks including but not limited to counter party risk, market risk, valuation risk, liquidity risk and other risks. Besides the price of the underlying asset, volatility, tenor and interest rates may affect the pricing of derivatives.

Disclaimers in respect of jurisdiction: The possession, circulation and/or distribution of this Report may be restricted or regulated in certain jurisdictions by appropriate laws. No action has been or will be taken by RSL in any jurisdiction (other than India), where any action for such purpose(s) is required. Accordingly, this Report shall not be possessed, circulated and/or distributed in any such country or jurisdiction unless such action is in compliance with all applicable laws and regulations of such country or jurisdiction. RSL requires such recipient to inform himself about and to observe any restrictions at his own expense, without any liability to RSL. Any dispute arising out of this Report shall be subject to the exclusive jurisdiction of the Courts in India.

Disclosure of Interest: The research analysts who have prepared this Report hereby certify that the views /opinions expressed in this Report are their personal independent views/opinions in respect of the securities and their respective issuers. None of RSL, research analysts, or their relatives had any known direct /indirect material conflict of interest including any long/short position(s) in any specific security on which views/opinions have been made in this Report, during its preparation. RSL's Associates may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report. RSL, its Associates, the research analysts, or their relatives might have financial interest in the issuer company(ies) of the said securities. RSL or its Associates may have received a compensation from the said issuer company(ies) in last 12 months for the brokerage or non brokerage services. RSL, its Associates, the research analysts or their relatives have not received any compensation or other benefits directly or indirectly from the said issuer company(ies) or any third party in last 12 months in any respect whatsoever for preparation of this report.

The research analysts has served as an officer, director or employee of the said issuer company(ies)?: No

RSL, its Associates, the research analysts or their relatives holds ownership of 1% or more, in respect of the said issuer company(ies).?: No

Copyright: The copyright in this Report belongs exclusively to RSL. This Report shall only be read by those persons to whom it has been delivered. No reprinting, reproduction, copying, distribution of this Report in any manner whatsoever, in whole or in part, is permitted without the prior express written consent of RSL.

RSL's activities were neither suspended nor have defaulted with any stock exchange with whom RSL is registered. Further, there does not exist any material adverse order/judgments/strictures assessed by any regulatory, government or public authority or agency or any law enforcing agency in last three years. Further, there does not exist any material enquiry of whatsoever nature instituted or pending against RSL as on the date of this Report.

Important These disclaimers, risks and other disclosures must be read in conjunction with the information / opinions / views of which they form part of.

RSL CIN: U65990MH2005PLC154052. SEBI registration no. (Stock Broker: INZ000172433, Depository Participants: CDSL IN-DP-257-2016 IN-DP-NSDL-363-2013, Research Analyst: INH000002384); AMFI ARN No.29889.