

## IPO NOTE

### Issue Details

<b>Price Band:</b> ₹ 983 to ₹ 1,035
<b>Employee Discount:</b> ₹ 98/Share
<b>Issue Opens on:</b> September 13, 2023
<b>Issue Closes on:</b> September 15, 2023
<b>Lot Size:</b> 14 Shares & in Multiples thereafter

### Issue Highlights

<b>Issue Size :</b>	₹ 1,964.01 Cr.
<b>No of Shares :</b>	18,975,938
<b>Face Value :</b>	₹ 5

### Offer Structure

Issuance	₹ in Cr.
Fresh Issue	180.00
Offer for Sale	1,784.01
<b>Total</b>	<b>1,964.01</b>

### Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	976.61
HNI	15	292.98
Retail	35	683.62
Employee	-	10.8
<b>Total</b>	<b>100</b>	<b>1,964.01</b>

### Listing

**BSE & NSE**

### Lead Manager

- Axis Capital Ltd.
- Citigroup Global Markets India Pvt. Ltd.
- HSBC Securities and Capital Markets (India) Pvt. Ltd.
- JM Financial Ltd.

### Registrar

Link Intime India Private Limited

### ANALYST

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### SALES

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## COMPANY OVERVIEW

RR Kabel 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. They sell products across two broad segments - (i) wires and cables and (ii) FMEG. The company has actively diversified and expanded their product portfolio in adjacent areas such as FMEG, both organically and inorganically.

According to Technopak, FMEG portfolio covers approximately 77% of the FMEG industry by value in India as on March 31, 2023. Their manufacturing facilities gives them the in-house ability to manufacture 100% of requirements for wires and cables and approximately 37% of requirements for FMEG products by value. The company has one of the largest networks of electricians, covering 271,264 electricians across India, as of March 31, 2023. It is the fifth largest player in branded wires and cables market in India, representing approximately 7% market share by value as of March 31, 2023 as compared to approximately 5% market share by value as of March 31, 2015. In calendar year 2022, they were one of the leading exporters of wires and cables from India, in terms of value, representing approximately 9% market share of the exports market from India.

During Fiscals 2021 to 2023 and three months ended June 30, 2023, it sold products to 63 countries. It has one of the highest number of distributors servicing the extensive retail footprint in consumer electrical industry as at FY23 and have increased retailer outlets by 3.5 times from 30,570 in FY21 to 106,626 in FY23, pursuant to undertaking several initiatives.

## HIGHLIGHTS

1. Scaled B2C business in the large and growing wires and cables industry.
2. Diverse suite of products.
3. Extensive domestic and global distribution network.
4. Well recognized consumer brands
5. Technologically advanced and integrated precision manufacturing facilities

## OBJECTS OF THE ISSUE

### Fresh Issue proceeds utilization:

1. Repayment or prepayment, in full or in part, of borrowings availed by the Company from banks and financial institutions (₹ 136 Cr.).
2. General corporate purpose.

Offer for Sale of up to 17,236,808 Equity Shares. The Company will not receive any proceeds from Offer for Sale.

## OUR VIEW

RR Kabel Ltd. (RKL) is one of the leading companies in the Indian consumer electrical industry with an operating history of over 20 years in India. It has one of the largest networks of electricians, covering 271,264 electricians across India, as of March 31, 2023. 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. The number of distributors stood at 3,296 as on 31st March, 2023.

From B2C channel, 97% of revenue from operations are from FMEG segment. Its product's end use determines whether the sale is through a B2B or B2C channel. B2C sales provide a higher gross margin as compared to B2B sales. The company is highly dependent on cables and wires market. Majority products sold under RR Kabel brand and the company exports wires and cables to 63 countries. The company faces risk of raw material cost volatility and channel disruption if any. The company faces significant competitive pressures and inability to compete effectively would be detrimental to the business and prospects for future growth.

The topline showed a steady growth of 43% approx. over FY21-23. It operated on an EBITDA and PAT margin of 6.35% and 3.37% respectively for year ended FY23. It has generated ROE and ROCE of 14.22% and 15.57% for FY23. The issue is priced at a P/BV of 7.69 based on its NAV of Rs. 134.57 as of June 30, 2023. The company is asking for a PE multiple of 60.6x on the upper end of the price band as at FY23 and if we attribute FY24 earnings, then the asking price is at P/E of 39. The listed peers like Havells India trading at P/E 79x (Highest) and Finolex Cables is trading at P/E of 34x (Lowest) and industry average P/E is 58x. The issue seems fully priced.

Keeping in mind all the factors, cash surplus investors may look at medium to long-term investment in the company.

### Brief Financials

PARTICULARS	₹ in Lakhs			
	As at June 30, 2023	FY '23	FY '22	FY '21
Total Income	16,135.98	56,336.40	44,322.18	27,459.36
Total Expenditure	15,148.76	53,785.93	41,520.56	25,656.00
EBITDA	1,298.99	3,577.04	3,537.27	2,532.40
Profit before Tax	993.88	2,559.91	2,843.59	1,814.34
Profit after Tax	743.48	1,898.72	2,139.37	1,353.98
E.P.S. (Diluted)	6.68	17.07	19.22	12.18
P/E (x) (Diluted)	-	60	-	-
RONW (%)	4.97	13.66	17.29	13.10

### PRICE CHART (@ ₹ 1,035) (Retail Category)

LOT SIZE	Amount
14	14,490
28	28,980
42	43,470
56	57,960
70	72,450
84	86,940
98	101,430
112	115,920
126	130,410
140	144,900
154	159,390
168	173,880
182	188,370

### HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount(Rs.)
Between ₹ 2 to ₹ 10 Lakhs (Minimum Shares)	196	202,860
Between ₹ 2 to ₹ 10 Lakhs (Maximum Shares)	966	999,810
Above ₹ 10 Lakhs	980	1,014,300

### Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	21/09/2023
Initiation of refunds/unblocking ASBA Fund	22/09/2023
Credit of Equity Shares to demat accounts of Allottees	25/09/2023
Commencement of trading of the Equity Shares on the Stock Exchanges	26/09/2023

For more details, Please refer RHP,

[https://www.sebi.gov.in/filings/public-issues/sep-2023/r-r-kabel-limited-rhp\\_76646.html](https://www.sebi.gov.in/filings/public-issues/sep-2023/r-r-kabel-limited-rhp_76646.html)

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