

RR KABEL

13-09-2023 to 15-09-2023

Industry: Cable Electricals

Price Band: ₹ 983 - 1085

Recommendation: Subscribe with Risk

Post Implied Market Cap: ₹ 11,098 - 11,676 Cr

Key Data

Issue Size (₹ Cr)	1,873 - 1,963
Fresh (₹)	180
OFS (₹)	1,784.01
No of shares offered	19,067,937 - 18,975,938
Face Value (₹ /share)	5
Bid Lot	14

About the Company

RR Kabel is a prominent player in India's consumer electrical industry covering wires, cables and fast-moving electrical goods (FMEG). With over two decades of experience, company is the fastest-growing company in the sector, boasting a remarkable 43.4% CAGR between Fiscal 2021 and Fiscal 2023. In the Indian wires and cables market, RR Kabel holds the fifth-largest position with a 5% market share by value as of March 31, 2023, and a notable 7% share in the branded wires and cables segment compared to 5% in 2015. Their strong emphasis on the business-to-consumer (B2C) channel accounts for approximately 74% of wires and cables revenue as of March 31, 2023. RR Kabel is also the leading exporter of wires and cables from India, representing around 9% of the export market. Their products stand out with 35 international certifications, showcasing their commitment to quality and innovation. RR Kabel pioneers in introducing low smoke zero halogen (LSOH) insulation technology and (heat-resistant flame-retardant) unilay core technology in their products in India's consumer electrical industry.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	21-09-2023
Refunds/Unblocking ASBA Fund	22-09-2023
Credit of equity shares to DP A/c	25-09-2023
Trading commences	26-09-2023

Investment Rationale

- Diverse product range with global R&D efforts and certifications:** Company manufactures and sells a diverse portfolio of products across categories which allows them to cross-sell effectively. In the wires and cables segment they offer various products, including 'Firex LSOH,' 'Superex,' 'Unilay,' medium and high voltage power cables and control cables. They have also created a custom special application cables to meet specific customer needs. In the FMEG segment, their products include fans like Jaipur Mahal, Audie and Droot fans, LED lights such as bulbs, battens, panels, and street lights, as well as appliances like Ardent and Calid. They're strategically investing in emerging trends like 5G cables, EV charging cables, smart fans, and designer lights, aiming to become a diversified consumer electrical company. Their diverse product success is credited to focused research and development efforts and global certifications. Their products have received over 30 global accreditations and registrations including BASEC, UL, CSA, VDE, Intertek, TUV Rheinland and BIS. With a dedicated team of 60 employees, including 22 focused on FMEG products, RR Kabel is well-positioned for innovation and growth.
- Expanded B2C operations in the growing wires and cables industry:** Wires and cables are a vital part of India's consumer electrical industry, accounting for nearly 40% of the sector. Emerging sectors like logistics parks, data centers, and electric vehicles are expected to boost demand for wires, cables and FMEG products. The data center industry is projected to grow at 15%, while the domestic electric vehicle market is expected to see a 47% CAGR. The company believes it is well-prepared to capture a significant share of this growth due to its market presence, brand recognition, diversified product portfolio, innovation capabilities, manufacturing facilities, quality products, and a strong distribution network.
- Well recognized consumer brands:** RR Kabel has established strong brand recognition in the consumer electrical industry by prioritizing safety, quality, and innovation. They have invested in initiatives like "Kabel Nukkad" and "Kabel Mela" to enhance their brand visibility. This recognition has allowed them to cross-sell their FMEG products to their wires and cables customers. Their marketing and sales efforts are strategically spread across various channels, creating opportunities for cross-selling based on their brand's focus on safety, quality, and innovation. Company has also expanded their distribution network, working closely with distributors and retailers to offer their FMEG products. Their connections with electricians, backed by incentive-driven marketing, provide them with a unique competitive advantage and foster long-term customer loyalty.
- Grow and expand FMEG segment organically and inorganically:** With their omni-channel presence covering both physical and digital sales and distribution network company is well-positioned to capture the significant share of growth in FMEG segment. Through expanding product suite and market access they are able to grow organically. They have also pursued inorganic growth opportunities by acquiring businesses that help expand their FMEG product portfolio. In Fiscal 2020, they diversified into FMEG segment by amalgamating the business from one of their group companies RREL. In Fiscal 2020, they also acquired LED Lights Business of Arraystorm to add professional lighting fixtures and LED lights to their portfolio thereby expanding their portfolio to cover office, industrial and warehouse spaces. Further, acquisition of the HEB of 'Luminous Fans and Lights' in May 2022, they added lights and premium and mid-premium fans thereby expanding their FMEG segment. This acquisition boosted their FMEG segment revenue from 6.26% in 2022 to 10.91% by June 2023.

Shareholding (No. of shares)

Pre-Issue	11,10,68,856
Post Issue (Lower price band)	11,28,99,985
Post Issue (Higher price band)	11,28,07,986

Shareholding Pattern

Promoters:	%
Pre Issue	29.16%
Post Issue	28.04%
Promoters Group:	
Pre Issue	37.27%
Post Issue	34.73%
Public – Investor Selling (Ram Ratna Wires):	
Pre Issue	16.69%
Post Issue	4.99%
Public – Other Selling S/h:	
Pre Issue	1.23%
Post Issue	0.00%
Public – Others:	
Pre Issue	15.66%
Post Issue	32.24%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Risk

- Cost of Materials and Raw Material Price Fluctuations Pose Risks to their Operations.
- Concentration risk of relying on a few distributors for our distribution to the overseas markets.
- Risk of OFS (More Than 90%) of ₹ 1784.01cr v/s Total issue size of ₹ 1964.01cr
- Risk of loss making FMEG segment.

Other Details

BRLMs: Axis Capital, Citigroup Global, HSBC Securities, JM Financial

Registrar: Link Intime India Pvt Ltd.

Listing: BSE & NSE

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MView

We believe RR KABEL IPO gives investors an opportunity to invest in a fastest growing consumer electrical company in India. As a leading company in the Indian consumer electrical industry, RR Kabel is able to grow at a CAGR of 43.4% between Fiscal 2021 and Fiscal 2023. We like the way the company has diversified its product portfolio along with its focused R&D efforts and global certifications makes it well-positioned for innovation and future growth. Company has also expanded its B2C operations in wire and cable channelling sales of 74% of revenue, which shows the company is well versed to capture the emerging trends. With a strong brand recognition and history of multiple inorganic growth has allowed the company to cross-sell their FMEG products to their wires and cables customers, which will be able to expand its FMEG portfolio. By looking at the financials historically, RR Kabel has delivered a healthy growth in revenue from operation of 61%/28% in FY 2022/23 and healthy profit after tax growth of 58% in FY 2022 and -11% in FY 2023, as the overall growth is uneven due to including of FMEG products and cost. On Valuation parse at upper price band of ₹ 1035/- and based on annualized earnings and fully diluted post-IPO paid-up capital, the issue is asking for a Market Cap of ₹ 11496 Cr with P/E of 60.54x on consolidated basis, which seems the issue is highly priced discounting all near term growth triggers, leaving no room for new investor via IPO. Investors should also look at IPO offers which come with higher OFS issue (90% of fund raise) which is an area of concern for new investors. Hence considering rationales and overpriced valuation risk, we recommend investors to "SUBSCRIBE WITH RISK" to the RR Kabel Ltd IPO offer with long-term perspective only.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS			
Particulars ₹ (in Cr)	2023	2022	2021
Equity Share Capital	47.85	23.92	23.92
Instruments entirely equity in nature	415.19	415.19	415.19
Reserve as stated	956.66	811.19	607.52
Net worth as stated	1,390.47	1,237.05	1,033.38
Revenue from Operations	5,599.20	4,385.94	2,739.41
Revenue Growth (%)	27.66%	60.11%	-
EBITDA as stated	357.70	353.73	253.24
EBITDA Margin (%)	6.35%	7.98%	9.22%
Profit Before Tax	255.99	284.36	181.43
Net Profit for the period	189.87	213.94	135.40
Net Profit Margin (%)	3.37%	4.83%	4.93%
EPS (₹)	17.09	19.26	12.19
RONW %	13.66%	17.29%	13.10%
NAV (₹)	125.19	111.38	93.04
ROE %	14.22%	18.63%	13.88%
ROCE %	15.57	17.41	13.59

Source: RHP

COMPARISON WITH LISTED PEERS ₹ (in Cr)								
Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Revenue from Operations (As on 31st March 2023)	EPS	NAV	P/E	RONW
R R Kabel Ltd	Consolidated	11,496.00	5	5,633.64	17.09	125.19	60.54x	13.66%
Havells India Ltd	Consolidated	86,691.00	1	17,088.44	17.16	105.75	79.25x	16.18%
Polycab India Ltd	Consolidated	73,068	10	14,241.10	84.91	84.91	50.85x	19.23%
KEI Industries Ltd	Consolidated	22,785	2	6,939.95	19.84	19.84	46.66x	18.44%
Finolex Cables Ltd	Consolidated	15,888	2	4,598.85	32.8	32.8	30.59x	11.54%
V-Guard Industries Ltd	Consolidated	13,290	1	4,142.48	4.15	4.15	74.48x	11.76%
Crompton Greaves Consumer Electricals Ltd	Consolidated	19,286	2	6,936.39	7.48	7.48	42.27x	15.33%
Bajaj Electricals Ltd	Consolidated	13,099	2	5,505.11	20.03	20.03	56.84x	11.34%

Date as on 31st March 2022, Cline Mcap, PE calculated as on 12-09-2023



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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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