



IPO Report

12th Sept'23

Snapshot

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. The Indian consumer electrical industry was estimated at ₹1,811.50 billion in Fiscal 2023 and is expected to grow at a compounded annual growth rate ("CAGR") of 10% until Fiscal 2027 to reach a market value of approximately ₹2,665.00 billion.

VALUATION

Company is bringing the issue at price band of Rs 983-1035 per share at p/e multiple of 61x on post issue FY23 basis.

Company has scaled B2C business in the large and growing wires and cables industry. Company with its diverse suite of products driven by its focused research and development efforts with global certifications and accreditations. Company has extensive domestic and global distribution network with well recognized consumer brands and technologically advanced and integrated precision manufacturing facilities...

Hence, we recommend "Subscribe" on issue

Price Band (Rs./Share)	983-1035
Opening date of the issue	13th Sept '2023
Closing Date of the issue	15th Sept '2023
No of shares pre issue	111068856 Eq Shares
Issue Size	Rs 1873-1963 Cr
Issue Size	19067937-18975938 Equity Shares
Fresh Issue	Rs 180 Cr
Offer For Sale	17236808 Equity Shares
Employee Discount	Rs 98/share
Face Value (Rs/ share)	Rs 5/share
Bid Lot	14

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 8420,000 Eq Shares)
Non-Institutional	15% of the offer (Approx 2526,000 Eq Shares)
Retail	35 % of the offer (Approx 5894,000 Eq Shares)
Employee Reservation	Rs 10.80 Cr
Lead managers	Citigroup Global, HSBC Securities, JM Financial, Axis Capital
Registrar to the issue	Link Intime India Pvt Ltd

WHAT WE LIKE

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

In Fiscal 2023, the total domestic market for wires and cables industry was estimated at ₹748.00 billion and is expected to grow at a CAGR of 13% until Fiscal 2027 to reach a market value of ₹1,200.00 billion. Company is well-positioned to capture a significant share of this growth due to its existing market share, its brand recognition, diversified product portfolio, ability to innovate, its scale of operations, its sizeable and certified manufacturing facilities and infrastructure, quality and safety of company's products and the reach of its distribution network.

Well recognized consumer brands

Company have invested in implementing brand initiatives, such as Kabel Nukkad and Kabel Mela, to enhance its brand visibility over the last few years. Company's brand also provides the opportunity to cross-sell company's FMEG products to its wires and cables customers. Company was also one of the brand sponsors for the Bengaluru Pro Kabaddi league and the Indian Premier League - Kolkata Knight Riders sports team.

Extensive domestic and global distribution network

Company have an extensive pan-India distribution presence and as on June 30, 2023, company have 3,450 distributors, 3,656 dealers and 114,851 retailers. Company have one of the largest network of electricians, covering 271,264 electricians across India, as of March 31, 2023. Pursuant to several initiatives undertaken by company, it have increased its electrician network from 61,224 in Fiscal 2021 to 298,084 in the three months period ended June 30, 2023 and the number of its retailer outlets from 30,570 in Fiscal 2021 to 114,851 in the three months period ended June 30, 2023. Company sell the majority of its products under its brand 'RR Kabel' and manufacture under private labels for select customers and have long-standing relationships with 10 distributors in these markets who cover the majority of company's exports.



COMPANY BACKGROUND

Company is one of the leading companies in the Indian consumer electrical industry on account of the following: • Company is the fastest growing consumer electrical company among its peers in India, growing at a CAGR of 43.4% between Fiscal 2021 and Fiscal 2023; • Company is the fifth largest player in the wires and cables market in India, representing approximately 5% market share by value as of March 31, 2023; • Company 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; • Company had the highest revenue contribution from the business-to-consumer (“B2C”) sales channel in wires and cables with approximately 74% of revenue coming from the B2C sales channel as of March 31, 2023; • In calendar year 2022, company was 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; • Company have one of the largest network of electricians, covering 271,264 electricians across India, as of March 31, 2023; In Fiscal 2023, company’s revenue contribution from FMEG segment is approximately 11%, which is highest among its peers. This has continued to remain the highest at 11% among our peers even in the three months ended June 30, 2023. Company have one of the highest number of distributors servicing the extensive retail footprint in consumer electrical industry as on March 31, 2023 and have increased its retailer outlets by 3.5 times from 30,570 in Fiscal 2021 to 106,626 in Fiscal 2023, pursuant to undertaking several initiatives; and • Company’s products have 35 international product certifications, which is one of the highest in number among its peers in the Indian consumer electrical industry as of March 31, 2023.

Company 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. In three months ended June 30, 2023, (i) 71% of company’s revenue from operations from its wires and cables segment (of which all of company’s revenue from operations from its house wires products); and (ii) 97% of company’s revenue from operations from company’s FMEG segment, are from the B2C channel. Company’s product’s end use determines whether the sale is through a business-to-business (“B2B”) or B2C channel. According to Technopak, B2C sales provide a higher gross margin as compared to B2B sales. Company undertake the manufacturing, marketing and sale of (i) its wires and cable products under its ‘RR Kabel’ brand, and (ii) a variety of consumer electrical products, including fans and lights under the ‘RR’ brand, which is licensed by company. Company also manufacture, market and sell fans and lights under the ‘Luminous Fans and Lights’ brand, which is licensed by company. Company’s ‘RR Kabel’ brand has over 20 years of operating history, while the ‘RR’ and the ‘Luminous Fans and Lights’ brands, which are licensed by company, have over 7 years and over ten years of operating history, respectively. Company have received several awards for its brand including Best Brand in Building Material and Fittings category at the ET Infra Focus Summit and Awards 2022; Marketing Campaign of the year 2018 award by ABP News Brand Excellence Award, and Power Brand India 2017 in “Industry Trendsetter” category.

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INVESTMENT RATIONALE

<i>Technologically advanced and integrated precision manufacturing facilities</i>	Company own and operate five integrated manufacturing facilities – Waghodia Facility, Silvassa Facility, Roorkee Facility, Bengaluru Facility and Gagret Facility, each located in India. These facilities are accredited to Indian and international standards, capable of precision manufacturing of our range of products. Company's Waghodia Facility is one of the largest consumer electrical manufacturing facilities in India as of March 31, 2023, with an annual manufacturing capacity of 2.1 million CKM of wires and cables. Company's Waghodia and Silvassa Facilities have the capability to manufacture a wide variety of wire and cable products including house wires, industrial wires, power cables and special cables. Company's manufacturing facilities give company the ability to manufacture 100% of its requirements for wires and cables in-house. The percentage of overall rejection for company's wires and cables is low at 0.12% in three months ended June 30, 2023.
<i>Well-positioned for growth in FMEG segment</i>	In Fiscal 2023, the total domestic market for FMEG industry was estimated at ₹1,063.50 billion, representing approximately 59% of the total wires and cable and FMEG industry. This is expected to grow at a CAGR of 8% until Fiscal 2027 to reach a market value of approximately ₹1,465.00 billion, on account of the following: • The fan market in India was estimated at ₹138.75 billion in Fiscal 2023, and is expected to grow at a CAGR of approximately 7% until Fiscal 2027 to reach a market value of ₹185.00 billion, driven in part by premiumization, shift towards branded play and increase in demand for replacement FMEG; • The lighting market in India was estimated at ₹336.00 billion in Fiscal 2023, and is expected to grow at a CAGR of approximately 11% until Fiscal 2027 to reach ₹505.00 billion of annual sales, driven in part by premiumization and demand for replacement FMEG; and • The switch and switchgear market in India was estimated at ₹291.60 billion in Fiscal 2023, and is expected to grow at a CAGR of approximately 7% until Fiscal 2027 to reach ₹380.00 billion of annual sales, driven in part by the integration of smart monitoring and control units across power grid infrastructure and demand for replacement FMEG.
<i>Experienced and committed professional management team</i>	Company have a professional and experienced management team, consisting of its Key Managerial Personnel and Senior Management Personnel with experience in the consumer electrical businesses. Its Chief Executive Officer was appointed in December 2022 and has extensive experience in the electrical industry. The leadership team is supported by experienced senior managers who have extensive industry knowledge and have been associated with company as well as with leading multinational companies in India and outside India.
<i>Scaled B2C business in the large and growing wires and cables industry</i>	The emergence of new age sectors such as the construction of Multimodal Logistics Parks ("MMLPs") as a part of the Gati Shakti National Master Plan, local data centers and airports is expected to drive the increase in demand of wires and cables such as flexible cables, control and instrumentation cables etc. and FMEG products in India. According to Technopak, the data center industry in India was valued at US\$4.4 billion in 2021 and is projected to reach US\$10.1 billion by 2027, growing at a CAGR of approximately 15% between 2022 and 2027, while the domestic electric vehicle market is estimated to see a 47% CAGR between 2022 and 2030. Company is well-positioned to capture a significant share of this growth due to its existing market share, its brand recognition, diversified product portfolio, ability to innovate, its scale of operations, its sizeable and certified manufacturing facilities and infrastructure, quality and safety of its products and the reach of company's distribution network.



OBJECTS OF OFFER

Offer for Sale

The proceeds of the Offer for Sale shall be received by the Promoter Selling Shareholder Vijay Ramanlal Sanghavi. Company will not receive any proceeds from the Offer for Sale.

Fresh Issue

Company proposes to utilise the Net Proceeds towards funding of the following objects:

1. Repayment or prepayment, in full or in part, of borrowings availed by company from banks and financial institutions; and
2. General corporate purposes.

RISKS

The costs of the raw materials that company use in its manufacturing process are subject to volatility. Increases or fluctuations in raw material prices may have a material adverse effect on company's business, financial condition, results of operations and cash flows.

Source:RHP

INDUSTRY OVERVIEW

Switch and Switchgear Market in India Industry Overview

- **Switch and Switchgear Market Size** 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 total market size of switch and switchgears industry in India was collectively estimated at approximately ₹ 29,160 crore in Fiscal 2023. This has grown at a CAGR of approximately 8% from Fiscal 2015, when its size was at ₹ 15,500 crore. Going forward, the collective market (of switches and switchgears) is expected to grow at a CAGR of approximately 7% till Fiscal 2027 and reach approximately ₹ 38,000 crore of annual sales in Fiscal 2027. Switches and Switchgears by virtue of their distinct functionalities are two distinct sub-segments that make up the whole category. The pecking order of key players and the competitive intensity, the products on offer and the stock keeping units (“SKUs”) mix are distinct for these two categories. For instance, while leading players have a share of 57% of the total sales in the switches category, they only have a corresponding 27% share of total sales in the switchgears category. At a collective level, both these categories have witnessed a similar growth trajectory in between Fiscal 2015 and 2023 and these categories are expected to grow at a similar level in the next four years (Fiscal 2023-Fiscal 2027).

Key Growth Drivers

Apart from growth drivers impacting the electrical consumer market like rural electrification, increase in retail, commercial and residential establishments, increase in renewable energy-based capacity and various policy interventions by GoI to boost production, exports and promote ease of doing business, there are a few sector specific growth drivers of the switches and switchgear market.

Integration of smart monitoring and control units across power grid infrastructure

The growing implementation of smart grids and smart meters across India for accurate billing and reducing fraud and technical losses has resulted in the implementation of smart power distribution devices such as smart switchgears. Smart switchgears are flexible, energy-efficient, ensures increased performance, power continuity, and resource optimization, while lowering the transmission, operational and maintenance costs. Therefore, several developments in the power distribution sector along with infrastructure development schemes by GoI are expected to positively influence the switchgear market in India.

- **Replacement Demand** The upgradation of aging power infrastructure to reduce the power blackouts have created a potential opportunity for the growth of switchgear market. The primary reason behind power blackouts is the lack of investments, aging infrastructure and improper regulations for modernization of the grid. However, the increasing energy demand has led to the need for a reliable and stable transmission and distribution network, leading to adoption of new regulations to lessen power cuts and upgradation of power infrastructure. Further, the replacement of traditional switches with the modular switches to ensure safety in old construction and increasing demand for new construction is likely to provide impetus to the switch market in India.


Consolidated Financials

(Rs in Mn)

Financials	FY21	FY22	FY23	Q1FY24
Total Revenue (A)	27239.41	43859.36	55992.00	15973.14
Total Expenditure (B)	24937.94	40826.88	52768.8	14843.65
EBIDTA	2301.47	3032.48	3223.20	1129.49
EBIDTA Margin	8.45	6.91	5.76	7.07
Other Income	219.95	462.82	344.40	162.84
Depreciation	447.50	460.84	596.27	160.87
EBIT	2073.92	3034.46	2971.33	1131.46
Interest	270.56	232.84	420.86	144.24
PBT	1803.36	2801.62	2550.47	987.22
Share of profit in Associates	10.98	41.97	9.44	6.66
PBT	1814.34	2843.59	2559.91	993.88
Tax	460.36	704.22	661.19	250.40
PAT	1353.98	2139.37	1898.72	743.48
NPM	4.97	4.88	3.39	4.65
ROE %	13.59	17.41	15.57	5.95
EPS	12.18	19.22	17.07	6.68
Eq Cap	239.24	239.24	478.48	478.48
Net Worth	10466.31	12503.03	14196.95	15239.08

(Source: RHP)

Peer Comparison

Company Name	Face value	P/E	Total Income for Fiscal 2023 (in Rs Mn)	EPS	NAV	ROE %
RR Kabel Limited	5	[.]	56336.40	17.07	125.19	13.66
Peers						
Havells India Limited	1	79.49	170884.40	17.11	105.75	16.18
Polycab India Limited	10	62.57	142411.04	84.61	445.25	19.23
KEI Industries Limited	2	49.72	69399.53	52.860	287.07	18.44
Finolex Cables Limited	2	34.52	45988.50	32.97	285.76	11.54
V-Guard Industries Limited	1	72.37	41424.83	4.35	37.20	11.76
Crompton Greaves Consumer Electricals Limited	2	41.81	69363.90	7.27	48.85	15.33
Bajaj Electricals Limited	2	62.50	55051.14	18.77	165.74	11.34



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