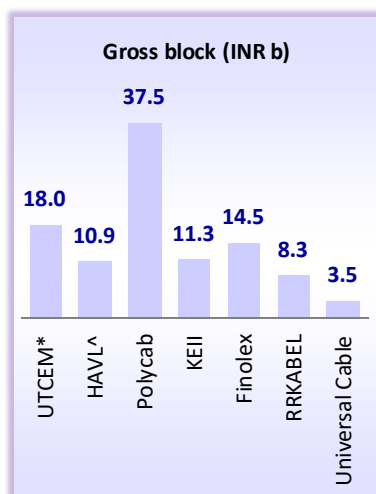


Cables and wires

Gross block of UTCCEM vs. C&W industry players (FY24)



Valuation summary

Company	CMP (INR)	TP (INR)	Rating
POLYCAB	5,759	6,950	BUY
KEI	3,796	4,000	Neutral
RRKABEL	1,110	1,240	Neutral
HAVL	1,548	1,650	Neutral
VOLT	1,278	1,640	BUY

UTCCEM's entry into cables and wires: Is it time for valuation multiple de-rating?

- UTCCEM's announcement to enter the Cables and Wires (C&W) space with a capital outlay of INR18b may not initially seem large and disruptive. However, the recent precedence of value erosion in the Paints sector, the capex increase following the initial announcement in Paints, and the Aditya Birla Group's intention to become a meaningful player (top 1-2) in the segments where they operate into could pose a threat to the valuation multiples of C&W companies, in our view.
- UTCCEM's capital allocation may be questioned, but its focus on the cement business will remain intact. As such, we do not view this investment as a risk to the company. While the earnings of C&W companies will not be impacted until the plant is commissioned, multiple erosion could occur earlier (unlike Paints companies, where it happened after the commissioning of Grasim's plant). Additionally, Paints companies have historically traded at higher multiples, unlike C&W companies, which have experienced multiple re-rating in the past few years.
- We cut valuation multiples for C&W companies under our coverage (20% for POLYCAB, KEII, and RRKABEL each and 10% for HAVL, given the diversified product portfolio and the highest TAM). We also believe that UTCCEM might initially see a mild negative reaction, as the investors have traditionally viewed the company as a pure-play cement firm. We downgrade our rating on KEII and RRKABEL to Neutral from BUY, while maintaining the ratings for POLYCAB (BUY) and HAVL (Neutral).

Brief overview of the domestic C&W industry vs. UTCCEM's approach

- The Indian C&W industry stood at INR800b (FY24), posting a CAGR of ~9% over FY14-24, which was 1.5x of the GDP growth. The industry continues to expand, given the growing demand for electricity and power infrastructure, the rapid growth of renewable energy, the real estate upcycle, the growth of telecom, the rise of data centers, mobility, smart cities, and rapid urbanization. As per estimates, the C&W industry is estimated to grow in the mid-teen over the next five years. The industry remains relatively organized, with branded players making up ~74% of the industry (vs. ~61% in FY14), which is expected to further increase to ~80% by FY27.
- Historically, C&W companies have generated lower OPM compared to cement companies. However, they typically achieve higher RoCE due to the higher fixed assets turnover ratio. The average EBITDA margin (over FY20-24) of our coverage companies in C&W stood in the range of ~7-13% (with leading companies like POLYCAB/KEII posting average EBITDA margin of ~13%/10%), compared to ~21% for UTCCEM during the same period. However, the average RoCE (over FY20-24) of our coverage companies in C&W was in the range of ~13-19% (with leading companies like POLYCAB/KEII posting an average ROCE of ~19% each) compared to ~11% for UTCCEM during the same period.

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- During FY19-24, the Indian C&W market posted a CAGR of ~6%. However, the revenue CAGR for our coverage companies in C&W stood at ~18%, led by market share gains and increasing exposure to international markets. Given the robust revenue growth and limited new entrants in the industry, leading players (POLYCAB/KEIL) have experienced a strong re-rating, with their market cap posting ~60% CAGR from Jul'19 to Jun'24.

UTCEM's strong balance sheet could help scale up investments in C&W

- The Aditya Birla Group has recently ventured into new businesses, such as Paints, B2B E-commerce, Renewables, and Jewelry. The management had previously indicated its intention to become a meaningful player ([either number one or two](#)) in any business segment it enters.
- UTCEM, through steady expansions (including inorganic growth) and a strategic approach to balance its market presence, is maintaining its leadership position in the Indian cement industry. The company's domestic grey cement capacity is anticipated to increase to 209.3mtpa by FY27. Further, its capex cost/t (over FY19-24) stood at USD78/t, one of the lowest among its peers.
- Though, UTCEM's net debt increased to INR161.6b in Jan'25 (after completion of open offer for ICEM acquisition) v/s INR27.8b in Mar'24 due to acquisition of Kesoram Industries' cement assets and ICEM; we estimate net debt-to-EBITDA to remain comfortable at 0.6x in FY27 as FCF generation is expected to remain healthy (aggregate FCF of INR134b during FY25-27).
- There does not seem to be much overlap between the distribution networks of C&W and the group's existing businesses, though UTCEM can initially leverage its UBS outlets (4,432 in Dec'24). Additionally, approvals for supply of C&W into projects can take 6-9 months after the products are ready. In contrast, paints were sold in hardware stores where the Group already had a presence through white cement/wall putty and strong connections with influencers-painters.
- UTCEM announced a capex of INR18.0b over the next two years in the C&W sector. We note that UTCEM's capex guidance is ~25% of the aggregate gross block (FY24) for the top four players (ex-HAVL) in the C&W industry. 60% of UTCEM's capacity would be towards wires; while 40% will be for cables.

C&W does not seem to have as high a moat as the Paints business

- The Paints business is typically considered a high-moat business and making inroads into the distribution channel was considered an uphill task. However, GRASIM, within one year of commissioning the Paints business, has built a strong distribution network (onboarding new dealers MoM) and is on track to reach a dealer network of 50,000+ by Mar'25. It has expanded its presence in 5,500+ towns and has 131 depots operational across India (2nd biggest depot network in the industry).
- The Group's investments in building plant infrastructure (cement/paints) are significantly higher than those of peers, with their infrastructure among the best in the industry. In C&W, 65% of sales come from cables, where we believe that obtaining approvals, rather than the brand name, is critical. While securing these approvals may be time-consuming, we believe it will not be a daunting task for the company, given its focus/ability to invest in plant & machinery and backward integration.

Does this raise questions about UTCCEM's capital allocation?

- UTCCEM has already achieved a domestic grey cement capacity of 175mtpa and plans to increase it to 209mtpa by end-FY27. The C&W industry is not as concentrated as the Paints sector (~55% of decorative paints market dominated by one player). Hence, the investments required would be lower even if the company intends to become a large player.
- Asset turn in the C&W industry is 4-5x, and with an estimated revenue CAGR of ~15% over the next three years, an investment of INR50-60b could enable UTCCEM to create a sizeable capacity. While UTCCEM investors view the company as a focused firm on the cement business, unlike GRASIM, which is seen as a diversified player, we believe this investment will not be considered a shift from UTCCEM's focus on the cement business. However, further clarity would be required from management regarding future investments in other business segments.

Valuation and view: Impact on UTCCEM limited; C&W de-rating ahead

- We expect a mild negative reaction for UTCCEM; however, C&W players may experience a de-rating in valuation multiples. While there will be no change in earnings estimates for C&W companies over the next two years, there could be a de-rating in their valuation multiples due to the entry of a sizeable player.
- We cut our target valuation multiple for all C&W companies (20% for POLYCAB, KEI, and RRKABEL each and 10% for HAVL, given the diversified product portfolio and highest TAM). C&W business also appears to be highly competitive, with margins lower than UTCCEM's existing business. Additionally, the company's strategy of entering the distribution channel needs to be observed.
- We now value **POLYCAB** at 40x FY27E EPS to arrive at our revised TP of INR6,950 (earlier TP of INR8,380 valued at 50x Dec'26E EPS) and reiterate our BUY rating with an upside of +21%. We value **KEI** at 40x FY27E EPS to arrive at our revised TP of INR4,000 (earlier TP of INR4,780 valued at 50x Dec'26E EPS), while downgrading to Neutral with an upside of +5%. We value **RRKABEL** at 28x FY27E EPS to arrive at our revised TP of INR1,240 (earlier TP of INR1,600 valued at 35x Dec'26E EPS), downgrading to Neutral with an upside of +12%. We value **HAVL** at 50x FY27E EPS to arrive at our revised TP of INR1,650 (earlier TP of INR1,740 valued at 55x Dec'26E EPS), maintaining a Neutral rating with an upside of +7%.

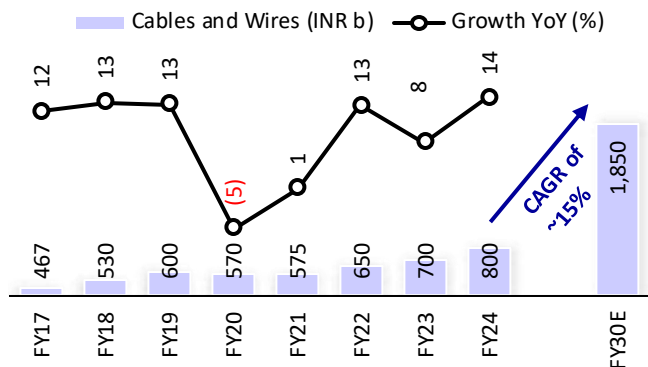
Exhibit 1: Valuation summary

Company	M-cap (INR b)	CMP (INR)	TP (INR)	Rating	EPS (INR)			EPS CAGR (FY25-27E)	P/E (x)			RoE (%)			RoIC (%)		
					FY25E	FY26E	FY27E		FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
POLYCAB	865	5,759	6,950	BUY	125	148	174	18%	46	39	33	19.5	19.7	19.9	25.0	25.1	25.3
KEI	361	3,796	4,000	Neutral	68	82	101	21%	56	46	38	14.6	12.8	13.8	19.6	17.5	18.2
RRKABEL	125	1,110	1,240	Neutral	22	33	44	41%	50	33	25	13.1	17.5	20.2	12.5	16.4	19.2
HAVL	970	1,548	1,650	Neutral	22	27	33	23%	70	58	47	16.5	17.9	19.2	22.0	25.5	29.4
VOLT	423	1,278	1,640	BUY	25	30	38	23%	51	42	34	12.6	13.6	15.0	28.3	30.5	33.1

Source: MOFSL, Company

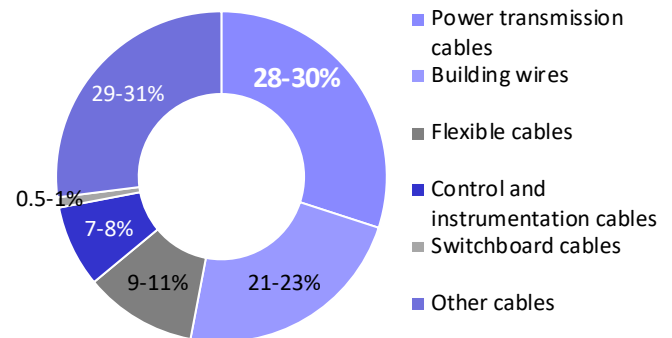
Story in charts

Exhibit 2: C&W domestic market to clock ~15% CAGR



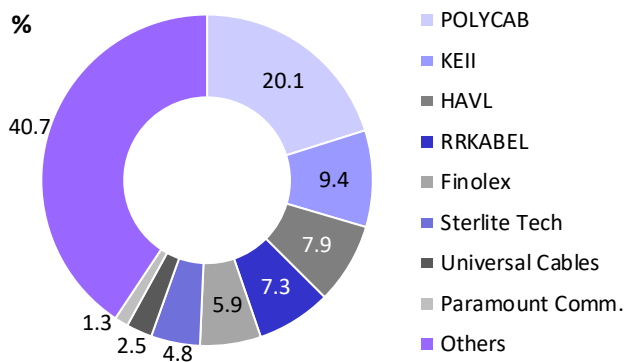
Source: MOFSL, Industry

Exhibit 3: Segment-wise split of the C&W market



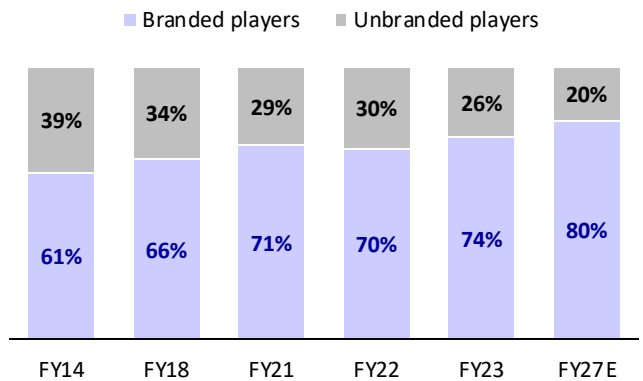
Source: MOFSL, Company

Exhibit 4: Market share of key players in value terms (FY24)



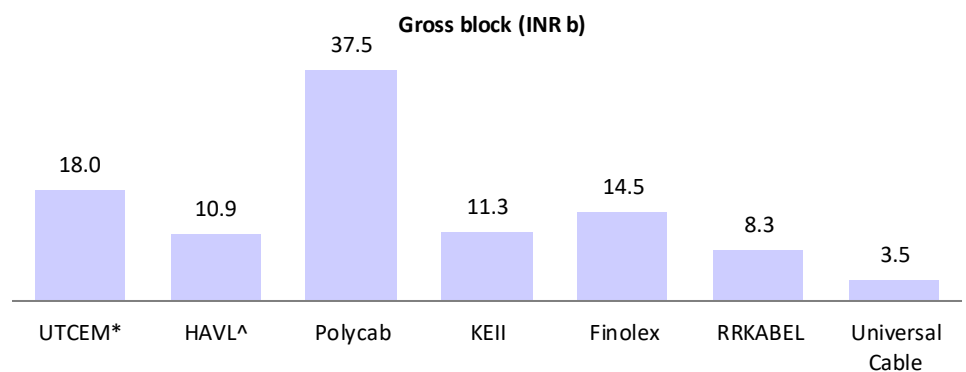
Source: MOFSL, Industry

Exhibit 5: Organized players' share in C&W continues to rise



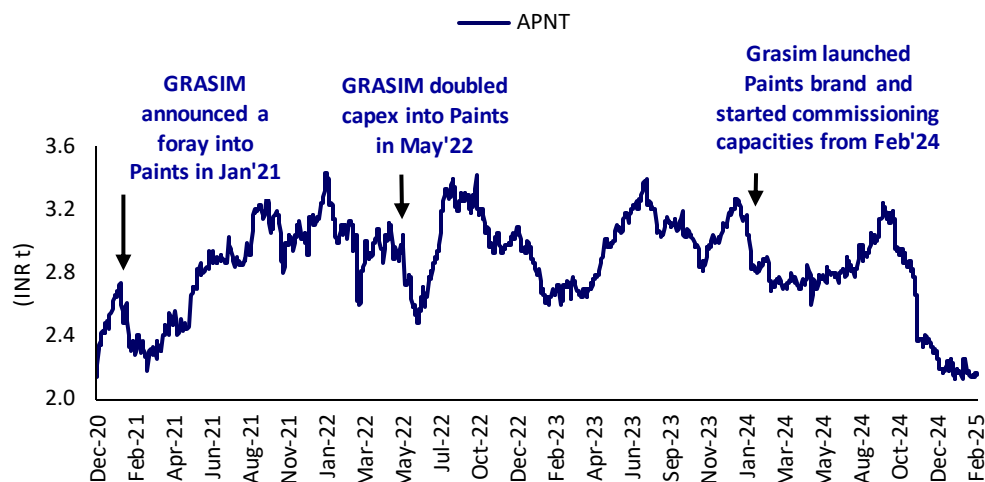
Source: MOFSL, Company

Exhibit 6: Gross block of UTCЕМ vs. C&W industry players (FY24)



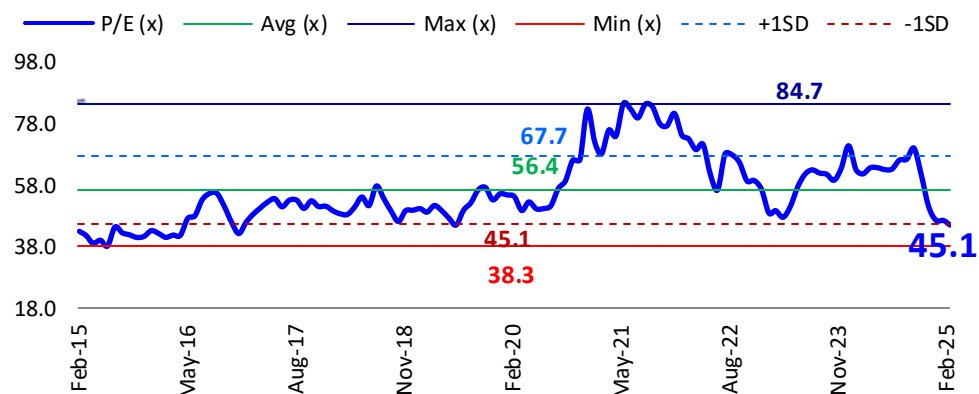
Source: Company, MOFSL; * C&W business, ^capital employed for C&W in Dec '24

Exhibit 7: APNT market cap data: de-rating following GRASIM's paints business announcement, with higher correction after the commissioning of plants



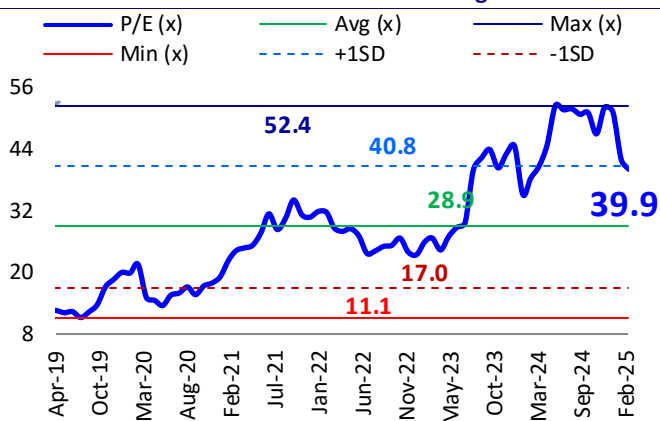
Source: Company, MOFSL;

Exhibit 8: APNT historically traded at a premium valuation of over 40x EPS



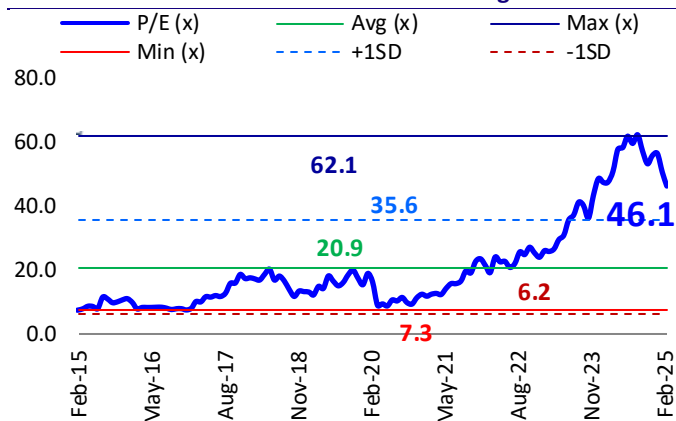
Source: Company, MOFSL

Exhibit 9: POLYCAB saw a valuation re-rating from Jul'23



Source: MOFSL, Company

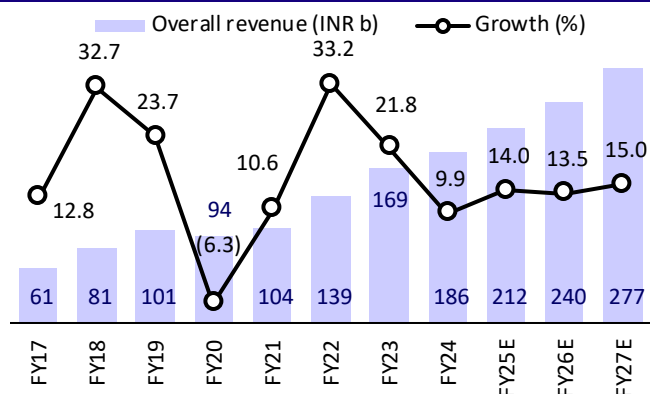
Exhibit 10: KEIL also saw a valuation re-rating from Jul'23



Source: MOFSL, Company

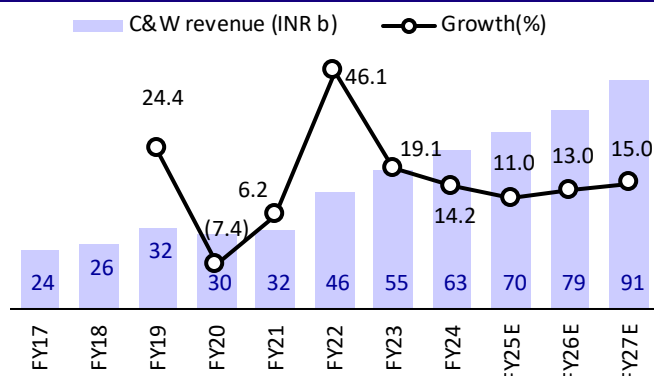
HAVELLS - Financial Summary

Exhibit 11: Expect 14% revenue CAGR over FY25-27E



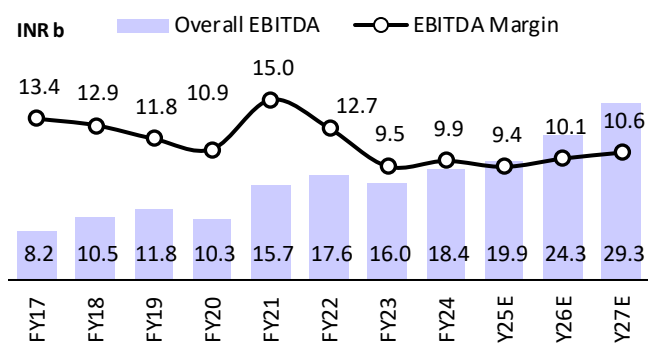
Source: Company, MOFSL

Exhibit 12: Expect 14% revenue CAGR over FY25-27E



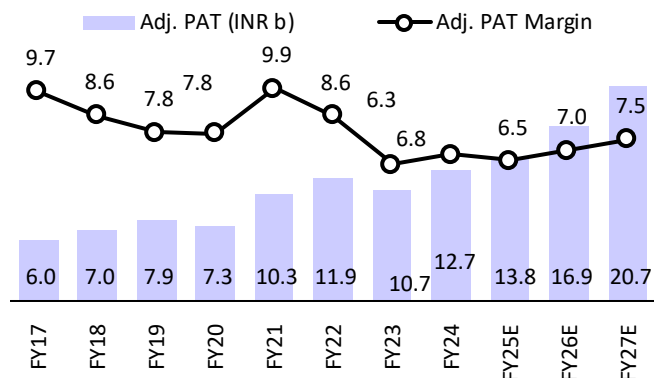
Source: Company, MOFSL

Exhibit 13: Overall EBITDA to improve



Source: Company, MOFSL

Exhibit 14: Overall PAT margin to expand



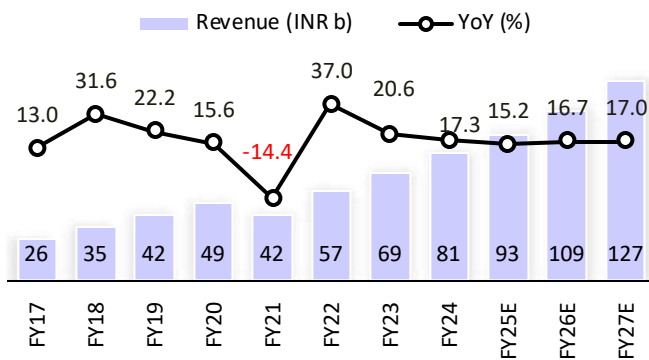
Source: Company, MOFSL

Exhibit 15: Valuation summary (INR b)

Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Sales	104.3	138.9	169.1	185.9	211.9	240.5	276.7
EBITDA	15.7	17.6	16.0	18.4	19.9	24.3	29.3
Adj PAT	10.3	11.9	10.7	12.7	13.8	16.9	20.7
EBITDA Margin (%)	15.0	12.7	9.5	9.9	9.4	10.1	10.6
EPS (INR)	16.5	19.1	17.1	20.3	22.0	26.9	33.1
EPS Gr. (%)	40.4	16.0	(10.3)	18.5	8.7	22.1	23.0
BV/Sh (INR)	82.5	95.6	105.8	118.8	133.1	150.6	172.1
Ratios							
Net D/E	(0.2)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)	(0.5)
RoE (%)	19.9	20.0	16.2	17.1	16.5	17.9	19.2
RoCE (%)	18.1	18.3	15.7	16.7	16.2	17.5	18.9
Payout (%)	18.2	34.1	43.9	37.0	35.0	35.0	35.0
Valuations							
P/E (x)	94.1	81.1	90.5	76.3	70.2	57.5	46.8
P/BV (x)	18.8	16.2	14.6	13.0	11.6	10.3	9.0
EV/EBITDA (x)	61.2	53.9	59.5	51.0	47.0	38.3	31.4
Div Yield (%)	0.2	0.4	0.5	0.6	0.5	0.6	0.7
FCF Yield (%)	0.6	1.5	(0.0)	1.3	0.5	1.0	1.4

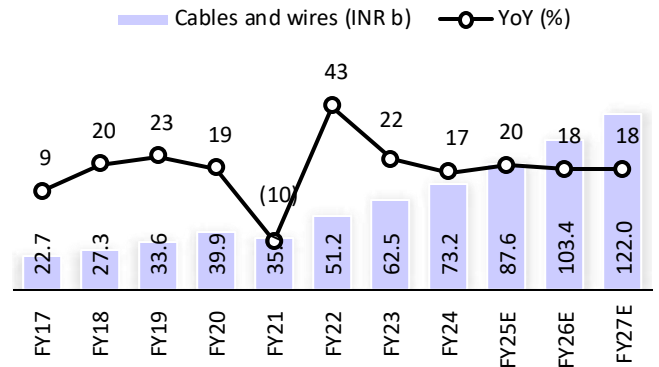
KEI - Financial Summary

Exhibit 16: Expect 17% revenue CAGR over FY25-27E



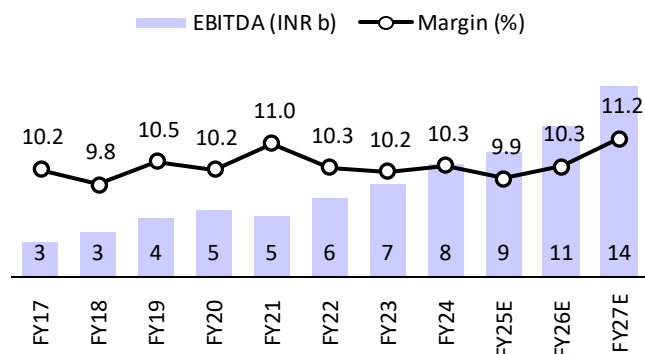
Source: Company, MOFSL

Exhibit 17: Expect 18% CAGR over FY25-27E



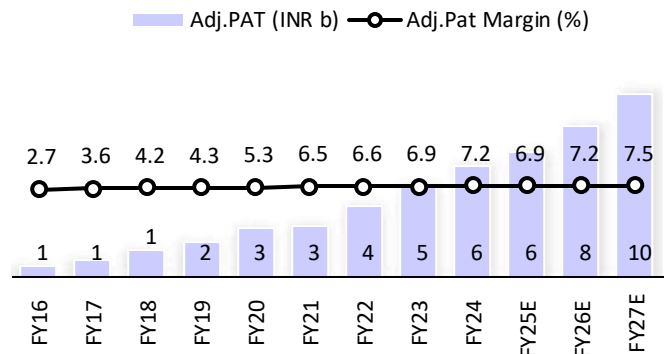
Source: Company, MOFSL

Exhibit 18: EBITDA margin to expand



Source: Company, MOFSL

Exhibit 19: PAT margin to expand



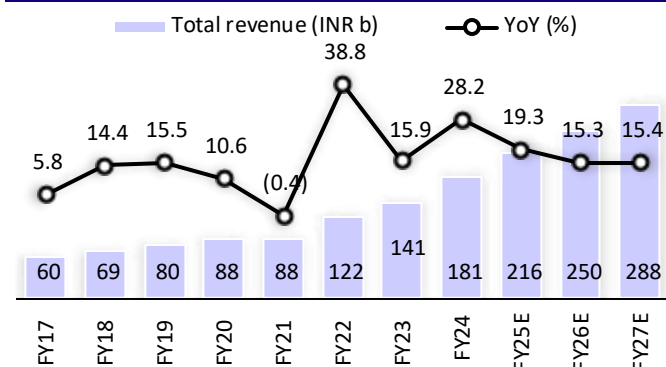
Source: Company, MOFSL

Exhibit 20: Valuation summary (INR b)

Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Sales	41.8	57.3	69.1	81.0	93.3	108.9	127.4
EBITDA	4.6	5.9	7.0	8.4	9.3	11.2	14.2
Adj PAT	2.7	3.8	4.8	5.8	6.5	7.8	9.6
EBITDA Margin (%)	11.0	10.3	10.2	10.3	9.9	10.3	11.2
EPS (INR)	30.4	41.7	52.9	64.4	68.2	82.4	100.7
EPS Gr. (%)	5.3	37.2	26.8	21.7	6.0	20.7	22.3
BV/Sh (INR)	198	237	287	349	605	682	776
Ratios							
Net D/E	0.0	(0.0)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
RoE (%)	16.6	19.2	20.2	20.3	14.6	12.8	13.8
RoCE (%)	16.0	17.7	19.2	20.3	14.9	13.1	14.2
Payout (%)	6.6	6.0	5.7	4.8	7.0	7.3	6.0
Valuations							
P/E (x)	124.8	91.0	71.7	59.0	55.6	46.1	37.7
P/BV (x)	19.2	16.0	13.2	10.9	6.3	5.6	4.9
EV/EBITDA (x)	74.2	58.0	48.2	40.2	36.8	30.5	24.0
DivYield (%)	0.1	0.1	0.1	0.1	0.1	0.1	0.1
FCF Yield (%)	0.4	0.5	1.2	0.6	(1.8)	(0.2)	0.3

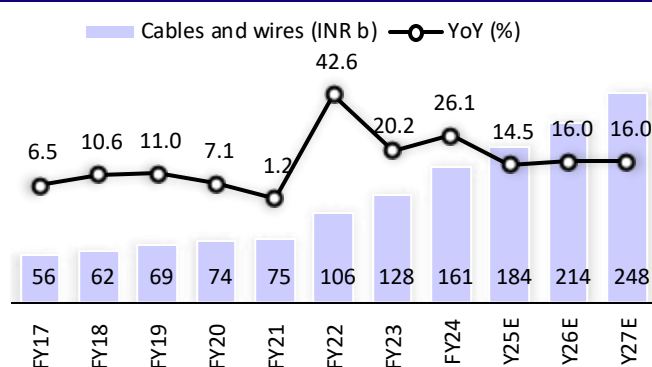
Polycab - Financial Summary

Exhibit 21: Expect 15% revenue CAGR over FY25-27E



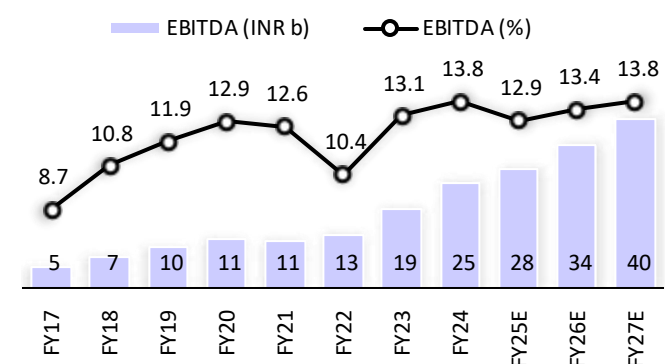
Source: Company, MOFSL

Exhibit 22: Expect 16% revenue CAGR over FY25-27E



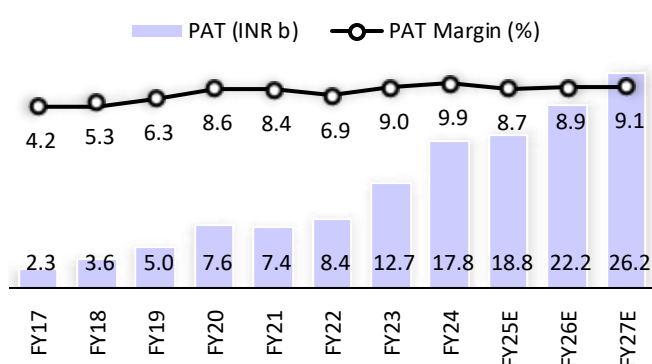
Source: Company, MOFSL

Exhibit 23: Expect EBITDA to improve



Source: Company, MOFSL

Exhibit 24: Expect PAT to improve



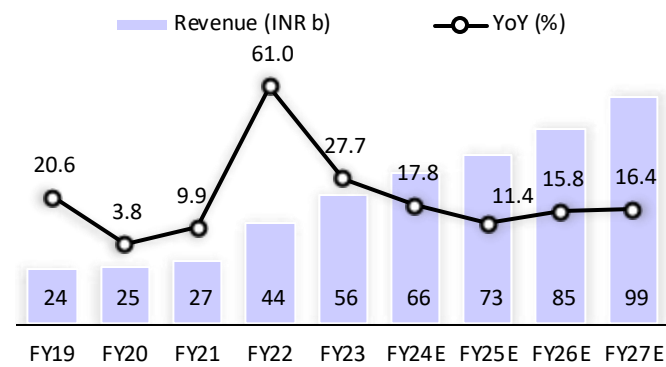
Source: Company, MOFSL

Exhibit 25: Valuation summary (INR b)

Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Sales	87.9	122.0	141.1	180.4	216.4	249.6	287.9
EBITDA	11.1	12.7	18.5	24.9	27.9	33.5	39.7
Adj PAT	7.4	8.4	12.7	17.8	18.8	22.2	26.2
EBITDA Margin (%)	12.6	10.4	13.1	13.8	12.9	13.4	13.8
EPS (INR)	49.5	56.0	84.9	118.8	125.0	148.0	174.3
EPS Gr. (%)	(2.9)	13.1	51.6	40.0	5.3	18.4	17.7
BV/Sh (INR)	318.8	371.0	443.2	545.0	640.0	753.0	877.3
Ratios							
Net D/E	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)	(0.1)
RoE (%)	15.5	15.1	19.1	21.8	19.5	19.7	19.9
RoCE (%)	15.3	15.4	19.7	22.5	20.8	21.0	21.2
Payout (%)	20.2	25.0	23.6	16.8	24.0	23.6	28.7
Valuations							
P/E (x)	116.4	102.9	67.9	48.5	46.1	38.9	33.0
P/BV (x)	18.1	15.5	13.0	10.6	9.0	7.6	6.6
EV/EBITDA (x)	77.0	67.8	46.2	34.6	30.8	25.6	21.5
DivYield (%)	0.2	0.2	0.3	0.5	0.6	0.7	0.9
FCF Yield (%)	1.2	(0.0)	1.1	0.5	0.6	1.0	1.3

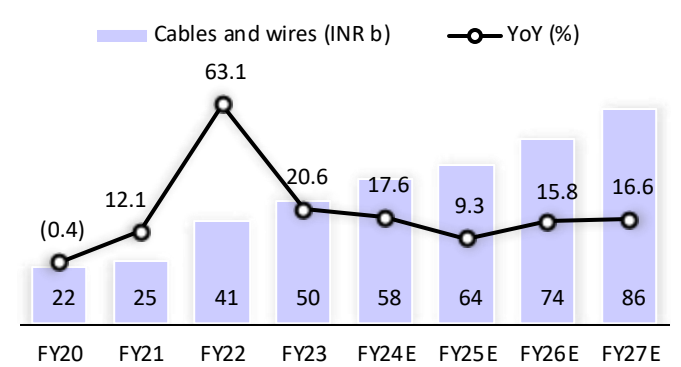
RR Kabel - Financial Summary

Exhibit 26: Expect 16% revenue CAGR over FY25-27E



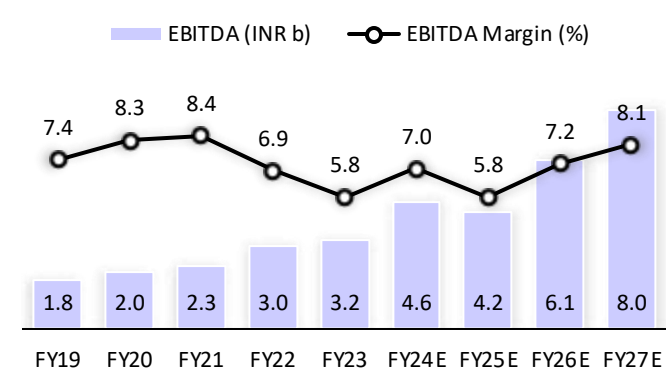
Source: Company, MOFSL

Exhibit 27: Expect 16% revenue CAGR over FY25-27E



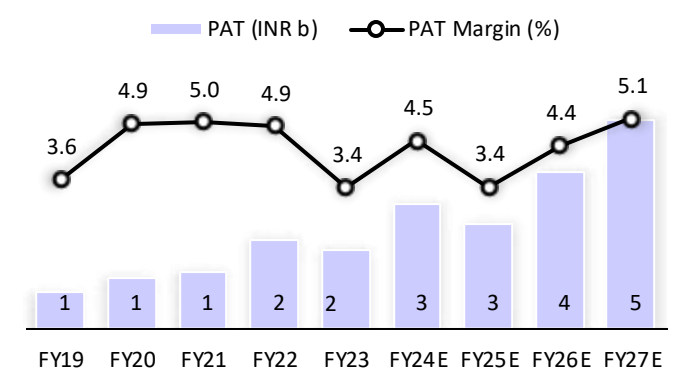
Source: Company, MOFSL

Exhibit 28: EBITDA to improve



Source: Company, MOFSL

Exhibit 29: PAT to improve



Source: Company, MOFSL

Exhibit 30: Valuation summary (INR b)

Y/E March	2021	2022	2023	2024	2025E	2026E	2027E
Sales	27.2	43.9	56.0	65.9	73.5	85.0	99.0
EBITDA	2.3	3.0	3.2	4.6	4.2	6.1	8.0
Adj PAT	1.4	2.1	1.9	3.0	2.5	3.7	5.0
EBITDA Margin (%)	8.4	6.9	5.8	7.0	5.8	7.2	8.1
EPS (INR)	12.0	19.0	16.8	26.4	22.3	33.2	44.3
EPS Gr. (%)	10.6	58.0	(11.2)	57.0	(15.8)	49.2	33.5
BV/Sh (INR)	218.7	261.3	148.4	162.1	177.3	201.5	236.9
Ratios							
Net D/E	0.3	0.2	0.1	(0.0)	0.0	0.0	(0.0)
RoE (%)	13.9	18.6	14.2	18.4	13.1	17.5	20.2
RoCE (%)	10.8	13.7	11.9	16.6	13.3	17.0	19.6
Payout (%)	-	-	-	11.4	31.5	27.1	20.3
Valuations							
P/E (x)	92.4	58.5	65.9	42.0	49.9	33.4	25.0
P/BV (x)	5.1	4.2	7.5	6.8	6.3	5.5	4.7
EV/EBITDA (x)	55.7	42.3	39.3	27.0	29.7	20.5	15.6
DivYield (%)	-	-	-	0.3	0.6	0.8	0.8
FCF Yield (%)	(2.2)	0.6	2.2	1.2	(0.1)	0.9	1.8

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NOTES

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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