

BSE SENSEX 81,160
S&P CNX 24,891

CMP: INR1,263 **TP: INR1,430 (+13%)** **Neutral**

Capex-led growth; plant operations integrated and scalable



Bloomberg	RRKABEL IN
Equity Shares (m)	113
M.Cap.(INRb)/(USD\$b)	142.9 / 1.6
52-Week Range (INR)	1815 / 751
1, 6, 12 Rel. Per (%)	4/33/-21
12M Avg Val (INR M)	354
Free float (%)	38.2

Financials & Valuations (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	87.6	100.5	115.8
EBITDA	6.3	7.5	8.9
Adj. PAT	3.9	4.4	5.3
EBITDA Margin (%)	7.2	7.4	7.7
Cons. Adj. EPS (INR)	34.9	39.0	46.4
EPS Gr. (%)	26.8	11.6	19.1
BV/Sh. (INR)	218.3	250.3	288.7

Ratios

Net D:E	0.2	0.2	0.2
RoE (%)	17.1	16.6	17.2
RoCE (%)	16.1	15.4	16.0
Payout (%)	20.0	18.0	17.2

Valuations

P/E (x)	36.2	32.4	27.2
P/BV (x)	5.8	5.0	4.4
EV/EBITDA (x)	23.3	19.9	16.7
Div Yield (%)	0.6	0.6	0.6
FCF Yield (%)	(3.1)	0.3	0.8

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	61.8	61.8	61.9
DII	13.6	14.7	13.5
FII	8.6	7.2	6.5
Others	16.0	16.3	18.1

FII Includes depository receipts

We attended the plant visit event organized by R R Kabel (RRKABEL) at its Waghodia plant in Gujarat, where we interacted with the senior management team, followed by a tour of the plant. Key highlights from the interaction are as follows: 1) the company holds ~6% market share in domestic cables & wires (C&W) and exports to over 74 countries (with Israel recently added to the list); 2) a higher share of in-house manufacturing for key raw materials drives strong backward integration; 3) it has planned capex of INR12.0b spread over the next three years to expand its cable capacity, supporting ~18% CAGR in C&W revenue during this period; and 4) better product mix (increase in cables share) and scale improvement are expected to expand margins.

Key takeaways from the management meeting

- RRKABEL continues to demonstrate strong technical and manufacturing capabilities across its C&W business. The company offers a diverse portfolio of products across various categories: housewires, industrial wires, power cables (low, medium, and high voltage), and special cables.
- In power cables, the company offers a comprehensive range, spanning from 0.08 sq. mm to 1000sq. mm, with an operating temperature range of -65°C to +200°C, and voltage ratings from 12kv to 66kv. The company also plans to expand into 220kv voltage power cables (an EHV cable in the lower range).
- RRKABEL holds 57 system and product certifications. It is the largest exporter of C&W, with a presence in over 74 countries (including the recent addition of Israel). It is the first company in India to launch products compliant with European regulations, such as REACH, ROHS, and CPR. Moreover, it is the first company in India to introduce LSOH insulation technology and UCT products.
- The company's market share in domestic C&W is ~6%. It has a pan-India presence with a leadership position (among the top three players) across Gujarat, Madhya Pradesh, Rajasthan, and Maharashtra. Additionally, it is expanding in the southern and eastern markets as part of its broader growth targets.
- Internationally, the Europe market remains stable, while US demand remains impacted by tariff-related uncertainties (the US is contributing ~2.5% to the company's revenue, with margins in the country being higher).
- The company's manufacturing process is backward integrated, with in-house production of several key materials, including polyvinyl chloride (PVC) compound (95% in-house), LSOH compound, cross-linked polythene (XLPE) compound, and solar cable compound.
- The company has earmarked a capex of INR12.0b to be spent over the next three years, primarily for expanding cable capacity at its Waghodia plant in Gujarat. So far, it has incurred INR1.0-1.5b, with an estimated full-year (FY26) capex of INR4.0b. The new capex is likely to generate revenue of INR40b-45b (with an asset turnover of 3.5x-4.0x) at full-scale operation. Capacity addition will be gradual over the three-year period, with a steady ramp-up in capacity utilization.

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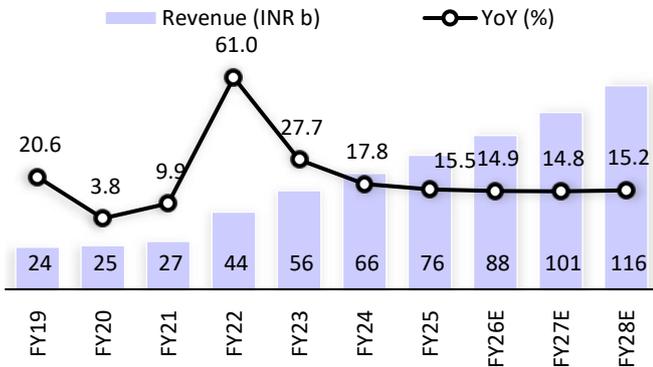
- Management is confident that the capex will enable the company to achieve its revenue CAGR target of ~18% over the next three years in the C&W segment, with cables expected to experience higher growth potential compared to wires. The change in product mix (increase in cables share) and scale improvement (as new expansion allows longer-length cables manufacturing, thereby enhancing efficiency and reducing delivery time) are expected to drive margin expansion. The company's margin in cables is estimated to expand to ~9-10% vs. ~6-7% currently.
- In FMEG, the contribution of fans stands the highest at ~50%, followed by lighting at 31%, appliances at ~10%, and switches/switchgear at ~8-9%. In FMEG, the company's in-house manufacturing share is ~35%, with third-party purchases accounting for the remaining share. The company manufactures in-house ceiling fans (including BLDC fans), high-end lighting, and switches.

Valuation and view

- RRKABEL's volume growth in 1Q was below the industry average due to the spillover of domestic orders and cable capacity operating at optimum levels. The ongoing expansion at the Waghodia plant is estimated to boost cable volumes over the next three years. Management remains confident of achieving its full-year volume growth guidance of ~18%, supported by a robust 25% growth in cables during 9MFY25. Additionally, the company projects to achieve break-even in the FMEG business in FY26.
- We estimate RRKABEL's revenue/EBITDA/PAT CAGR at 15%/22%/19% over FY25-28. We estimate its C&W segment margin at 7.8%/8.0%/8.2% in FY26/FY27/FY28 vs. 7.4% in FY25. We project the net debt (excluding acceptances) to increase to INR8.6b by FY28 vs. INR1.1b in FY25, led by higher capex. The stock is trading fairly at 36x/32x FY26E/27E EPS. Reiterate Neutral with a TP of INR1,430

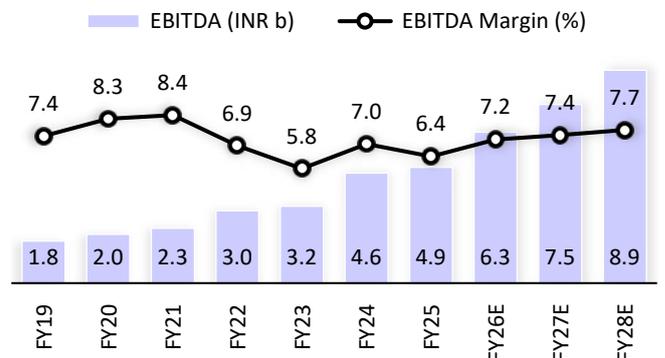
Story in charts

Exhibit 1: Estimate revenue CAGR of ~15% over FY25-28



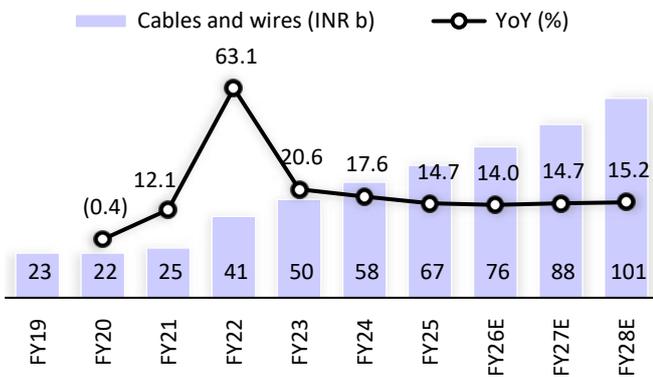
Source: MOFSL, Company

Exhibit 2: Estimate EBITDA CAGR of ~22% over FY25-28



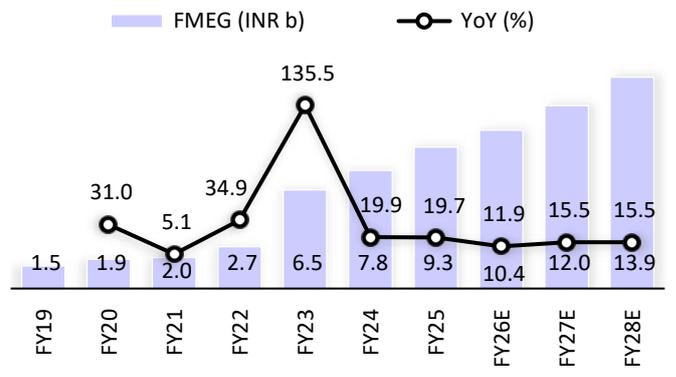
Source: MOFSL, Company

Exhibit 3: C&W revenue CAGR of ~15% over FY25-28E



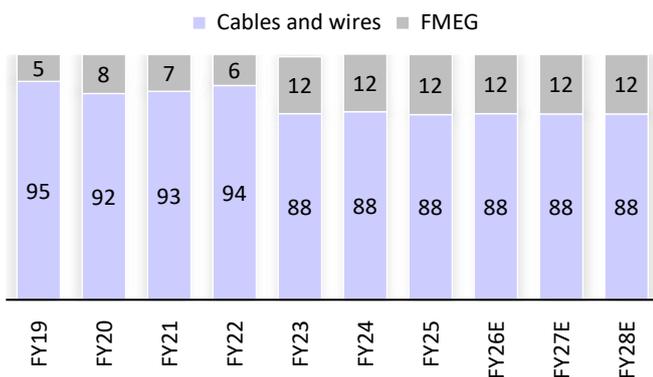
Source: MOFSL, Company

Exhibit 4: FMEG revenue CAGR of ~14% over FY25-28E



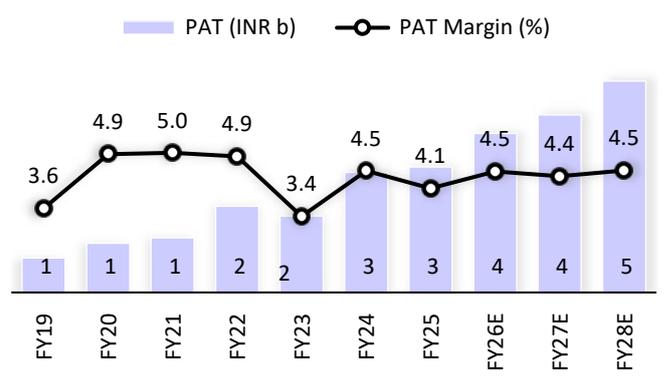
Source: MOFSL, Company

Exhibit 5: Revenue mix



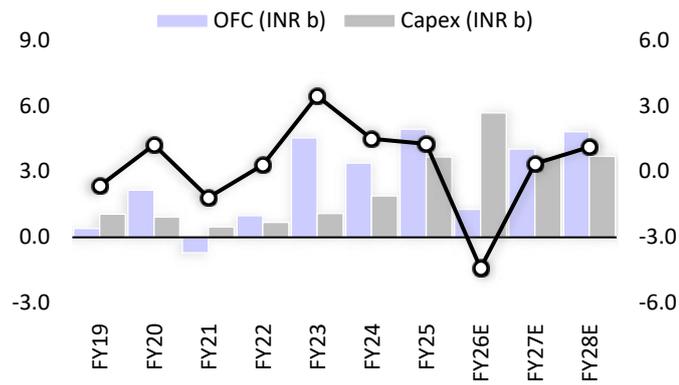
Source: MOFSL, Company

Exhibit 6: PAT margin to remain stable over FY26-28E



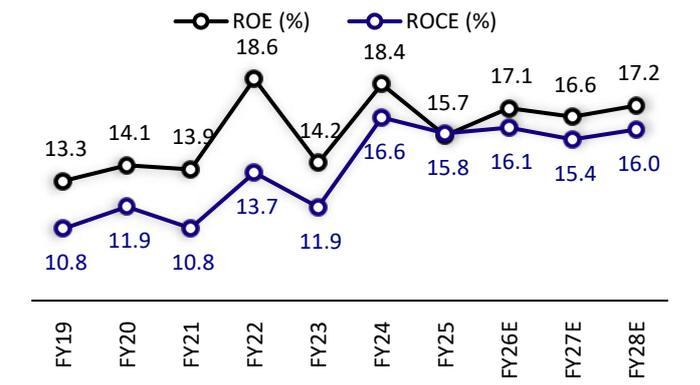
Source: MOFSL, Company

Exhibit 7: Higher capex led to net cash outflow in FY26E



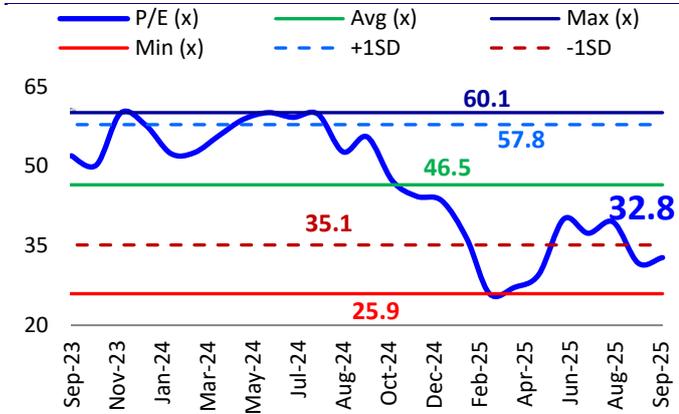
Source: MOFSL, Company

Exhibit 8: RoE/RoCE to remain stable



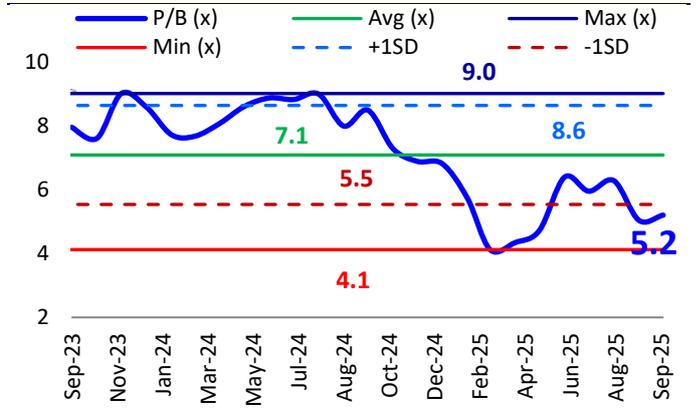
Source: MOFSL, Company

Exhibit 9: One-year forward P/E chart



Source: MOFSL, Company

Exhibit 10: One-year forward P/B chart



Source: MOFSL, Company

Key highlights of the plant visit – Waghodia plant

- RRKABEL's 190-acre Waghodia facility in Vadodara, Gujarat, is an integrated plant for C&W and switches, contributing ~70% to the company's C&W production. The plant features in-house aluminum rod manufacturing, ensuring backward integration and quality control. Additionally, it operates on ~70% green power.
- Manufacturing capacity stands at 5,400mt/month of copper (with online annealing and softening), 3,000mt/month of aluminum, and 5,000mt/month of PVC compounds (with another 1,000mt/month PVC addition under pipeline). Additionally, it produces 500mt/month of XLPE and HFFR E-Beam compounds, and has commissioned a CCV line for HT cables with a dry-cure process. Approximately 50% of wire production from this plant is exported.
- With ongoing capacity additions and strong domestic as well as export demand, the cable segment is expected to drive growth, shifting the company's product mix from the current 70:30 (wires:cables) to 60:40 over the next three years.

RRKABEL follows the process outlined below for manufacturing power cables:

STEP 1: Procurement of raw material

- The manufacturing of wires and cables at RRKABEL starts with raw material procurement, primarily aluminum ingots sourced from Hindalco, NALCO, and other approved suppliers. These ingots are melted and cast within the company's integrated Waghodia facility to produce aluminum rods, ensuring backward integration and quality consistency.

Exhibit 11: Aluminum ingots



Source: MOFSL, Company

Exhibit 12: Raw material for cables and wires



Source: MOFSL, Company

STEP 2: Rod breakdown

- The aluminum rods undergo rod breakdown, where they are drawn through a series of precision dies in multiple stages to gradually reduce their diameter while improving ductility, tensile strength, and electrical conductivity. The wires are then annealed, a heat-treatment process that restores flexibility and reduces brittleness, making them suitable for further processing.

Exhibit 13: Diameter of rods reduced as per requirements



Source: MOFSL, Company

Exhibit 14: Rod breakdown process



Source: MOFSL, Company

STEP 3: Conductor stranding

- The fine wires are then processed through conductor stranding, in which multiple strands are twisted or bunched together to create a conductor with the required cross-sectional area. Stranding enhances flexibility, durability, and the overall current-carrying capacity of the conductor, making it suitable for a wide range of cable applications.

Exhibit 15: Drawing of multiple wires



Source: MOFSL, Company

Exhibit 16: Bunching/stranding of multiple wires



Source: MOFSL, Company

Step 4: Core insulation

- Following stranding, the conductors undergo core insulation, where they are coated with specialized insulating materials such as PVC or other advanced

polymers. This insulation serves to prevent electrical leakage, withstand thermal stress, and provide mechanical protection. Depending on the end-use, the insulated conductors are then laid up together to form the basic cable core.

- Triple extrusion is an insulation process for medium to extra-high voltage cables, where the conductor screen, insulation, and insulation screen layers are applied simultaneously using catenary continuous vulcanizing (CCV) with dry cure and dry cool extrusion.

Exhibit 17: Insulation process



Source: MOFSL, Company

Exhibit 18: Multi-core layup



Source: MOFSL, Company

Step 5: Armoring

- For medium-voltage and heavy-duty cables, the core is subjected to armoring, where steel or aluminum wires (or strips) are wound around it. This armoring provides protection against mechanical stress, environmental hazards, and rodent attacks, ensuring operational reliability in demanding conditions.

Exhibit 19: Armoring process



Source: MOFSL, Company

Exhibit 20: Steel/aluminum armoring



Source: MOFSL, Company

Step 6: Outer sheathing

- The final stage is outer sheathing, in which a robust protective layer of PVC or polyethylene is applied as a coating over the armored (or non-armored) core. The sheath safeguards the cable against moisture, chemicals, and UV exposure, while also providing the desired finish and flexibility for installation.

Exhibit 21: Protective layer over the wires



Source: MOFSL, Company

Exhibit 22: Final outer layer processed



Source: MOFSL, Company

Financials and valuations (Consolidated)

Income Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	27,239	43,859	55,992	65,946	76,182	87,550	1,00,533	1,15,848
Change (%)	9.9	61.0	27.7	17.8	15.5	14.9	14.8	15.2
EBITDA	2,301	3,032	3,223	4,617	4,856	6,326	7,483	8,917
Change (%)	12.4	31.8	6.3	43.2	5.2	30.3	18.3	19.2
Margin (%)	8.4	6.9	5.8	7.0	6.4	7.2	7.4	7.7
Depreciation	448	461	596	655	705	848	931	1,106
Int. and Fin. Charges	271	233	421	539	589	702	1,168	1,299
Other Income	220	463	344	626	511	548	559	570
Profit before Taxes	1,803	2,802	2,550	4,050	4,074	5,324	5,943	7,082
Change (%)	14.3	55.4	(9.0)	58.8	0.6	30.7	11.6	19.2
Margin (%)	6.6	6.4	4.6	6.1	5.3	6.1	5.9	6.1
Tax	460	704	661	1,080	978	1,384	1,545	1,841
Tax Rate (%)	25.5	25.1	25.9	26.7	24.0	26.0	26.0	26.0
Profit before JV/Associates/Minority Interest	1,343	2,097	1,889	2,970	3,095	3,940	4,398	5,241
Share of JV/Associates	11	42	9	11	21	10	10	10
Adjusted PAT	1,354	2,139	1,899	2,981	3,116	3,950	4,408	5,251
Change (%)	11	58	(11)	57	5	27	12	19
Margin (%)	5.0	4.9	3.4	4.5	4.1	4.5	4.4	4.5
Reported PAT	1,354	2,139	1,899	2,981	3,116	3,950	4,408	5,251

Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Share Capital	239	239	478	564	565	565	565	565
Reserves	10,227	12,264	13,718	17,721	20,961	24,119	27,735	32,082
Net Worth	10,466	12,503	14,197	18,285	21,526	24,684	28,301	32,647
Loans	4,987	5,211	5,158	2,890	2,220	7,020	8,120	8,620
Deferred Tax Liability	79	131	149	247	302	302	302	302
Capital Employed	15,532	17,845	19,504	21,422	24,049	32,007	36,724	41,570
Gross Fixed Assets	5,526	5,914	7,574	8,302	11,236	16,915	20,589	24,286
Less: Depreciation	1,527	1,923	2,403	2,956	3,546	4,395	5,326	6,432
Net Fixed Assets	3,999	3,991	5,172	5,346	7,690	12,521	15,263	17,855
Capital WIP	67	423	436	1,636	2,347	2,347	2,347	2,347
Investments	406	622	777	1,065	1,868	1,868	1,868	1,868
Curr. Assets	12,679	15,471	19,951	20,646	23,264	24,454	27,791	31,648
Inventory	5,341	7,096	8,602	8,978	10,109	11,670	13,400	15,442
Investments	1,960	2,055	2,849	2,350	524	524	524	524
Debtors	4,204	5,171	5,919	6,412	8,232	7,915	9,089	10,474
Cash & Bank Balance	85	123	811	988	2,269	1,716	1,777	1,769
Loans & Advances	58	143	129	326	367	433	497	573
Other Current Assets	1,032	882	1,642	1,592	1,764	2,196	2,504	2,867
Current Liab. & Prov.	1,619	2,661	6,832	7,271	11,120	9,183	10,545	12,148
Creditors	1,135	1,679	4,401	4,292	7,623	5,496	6,312	7,270
Other Liabilities	369	771	1,982	2,582	3,052	3,267	3,752	4,323
Provisions	115	212	448	397	445	419	481	554
Net Current Assets	11,061	12,809	13,119	13,375	12,144	15,272	17,246	19,500
Application of Funds	15,532	17,845	19,504	21,422	24,049	32,007	36,724	41,570

Financials and valuations (Consolidated)

Ratios								
Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	12.0	18.9	16.8	26.4	27.6	34.9	39.0	46.4
Cash EPS	15.9	23.0	22.1	32.2	33.8	42.4	47.2	56.2
BV/Share	218.7	261.3	148.4	162.1	190.4	218.3	250.3	288.7
DPS	0.0	0.0	0.0	3.0	6.0	7.0	7.0	8.0
Payout %	0.0	0.0	0.0	11.4	21.8	20.0	18.0	17.2
Valuation (x)								
P/E	105.5	66.8	75.2	47.9	45.8	36.2	32.4	27.2
Cash P/E	79.3	54.9	57.3	39.3	37.4	29.8	26.8	22.5
EV/Sales	5.4	3.3	2.6	2.2	1.9	1.7	1.5	1.3
EV/EBITDA	63.3	48.1	44.8	30.8	29.3	23.3	19.9	16.7
P/BV	5.8	4.8	8.5	7.8	6.6	5.8	5.0	4.4
Dividend Yield (%)	0.0	0.0	0.0	0.2	0.5	0.6	0.6	0.6
Return Ratios (%)								
RoE	13.9	18.6	14.2	18.4	15.7	17.1	16.6	17.2
RoCE	10.8	13.7	11.9	16.6	15.8	16.1	15.4	16.0
RoIC	10.2	12.3	12.3	16.1	14.8	13.6	14.1	14.7
Working Capital Ratios								
Debtor (Days)	56.3	43.0	38.6	35.5	39.4	35.0	35.0	35.0
Creditor (Days)	15.2	14.0	28.7	23.8	36.5	22.9	22.9	22.9
Inventory (Days)	71.6	59.1	56.1	49.7	48.4	48.7	48.7	48.7
Asset Turnover (x)	1.9	2.6	3.0	3.2	3.4	3.1	2.9	3.0
Leverage Ratio								
Debt/Equity (x)	0.5	0.4	0.4	0.2	0.1	0.3	0.3	0.3

Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Profit before tax	1,803	2,844	2,560	4,061	4,095	5,334	5,953	7,092
Depreciation	448	461	596	655	705	848	931	1,106
Exceptional Income	-	-	-	-	-	-	-	-
Interest Paid	271	233	421	539	589	702	1,168	1,299
Others	23	(69)	9	(259)	(136)	(548)	(559)	(570)
Direct Taxes Paid	(419)	(733)	(582)	(965)	(965)	(1,384)	(1,545)	(1,841)
(Incr)/Decr in WC	(2,837)	(1,754)	1,534	(641)	656	(3,680)	(1,914)	(2,262)
CF from Operations	(711)	982	4,537	3,390	4,944	1,272	4,034	4,823
Incr in FA	(474)	(682)	(1,083)	(1,897)	(3,671)	(5,679)	(3,673)	(3,698)
Pur of Investments	367	(2)	(1,188)	982	1,937	-	-	-
Interest/MF/Div Income	39	11	27	58	30	548	559	570
Others	10	47	(1,090)	22	13	-	-	-
CF from Invest.	(59)	(627)	(3,335)	(835)	(1,690)	(5,131)	(3,114)	(3,127)
Changes in Net worth	-	-	-	1,800	83	-	-	-
Incr in Debt	1,029	184	(160)	(2,408)	(836)	4,800	1,100	500
Dividend Paid	-	(278)	(500)	(838)	(621)	(792)	(792)	(905)
Interest paid	(287)	(222)	(355)	(506)	(538)	(702)	(1,168)	(1,299)
Others	(33)	(40)	-	(98)	-	-	-	-
CF from Fin. Activity	708	(356)	(1,015)	(2,050)	(1,912)	3,307	(859)	(1,704)
Incr/Decr of Cash	(61)	(1)	187	505	1,342	(553)	60	(8)
Add: Opening Balance	113	85	623	483	815	2,269	1,716	1,777
Closing Balance (inc. bank balance)	85	123	811	988	2,269	1,716	1,777	1,769

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Explanation of Investment Rating	
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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