Choice Institutional Equities

Q2FY26 Result Update

RRKABEL: Strong Volume Growth Boosts Margin

November 4, 2025 CMP: INR 1391 | Target Price: INR 1,820

BUY

Expected Share Price Return: 30.8% I Dividend Yield: 0.4% I Potential Upside: 31.2%

Sector View: Positive

Change in Estimates	✔
Change in Target Price	✘
Change in Recommendation	✘

Company Info	
BB Code	RRKABEL IN EQUITY
Face Value (INR)	5.0
52 W High/Low (INR)	1,610 / 750
Mkt Cap (INR Bn)	157.4
Shares o/s (Mn)	113.1
3M Avg. Daily Volume (000s)	186.23

Change in CIE Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	88.4	87.8	0.7%	102.3	101.7	0.6%
EBITDA	6.3	6.3	(0.3%)	8.6	8.6	0.6%
EBITDAM (%)	7.1	7.2	(7)Bps	8.5	8.5	(0)bps
PAT	3.8	3.6	3.2%	4.8	4.7	3.6%
EPS (INR)	33.3	32.2	3.3%	42.9	41.4	3.5%

Key Financials

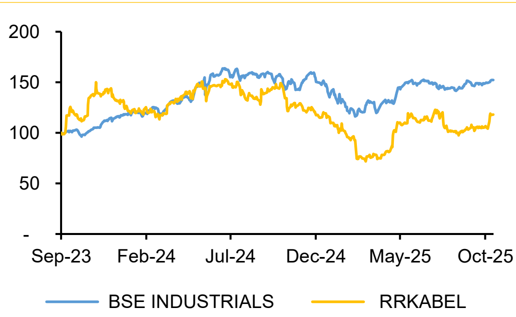
INR Bn	FY24	FY25	FY26E	FY27E	FY28E
Revenue	65.9	76.2	88.4	102.3	119.1
YoY (%)	17.8%	15.5%	16.1%	15.7%	16.4%
EBITDA	4.6	4.9	6.3	8.6	10.5
EBITDAM %	7.0%	6.4%	7.1%	8.5%	8.8%
Adj PAT	3.0	3.1	3.8	4.8	6.5
EPS (INR)	26.4	27.6	33.3	42.9	57.4
ROE %	18.3%	15.7%	16.3%	18.3%	21.1%
ROCE %	18.7%	17.5%	18.0%	20.0%	23.0%
PE(x)	52.7x	51.2x	42.4x	32.9x	24.6x
EV/Sales	2.4x	2.1x	1.8x	1.6x	1.4x
EV/EBITDA	34.5	32.8	25.9	19.3	15.6
Debt/Equity	0.1	(0.0)	0.2	0.3	0.1

Shareholding Pattern (%)

	Sep-25	Jun-25	Mar-25
Promoters	61.76	61.76	61.80
FIIs	8.18	8.57	7.18
DIIs	13.87	13.63	14.75
Public	16.18	16.04	16.27

Relative Performance (%)

	Since Listing	1Y	YTD
BSE Industrials	52%	1%	18%
RRKABEL	18%	-3%	54%



Click here to read our Initiating Coverage Report

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Sustained Margin Expansion post Q1:

RRKABEL posted superior margin in Q2FY26 of 8.1% vs 4.7% YoY, an increase of 339 bps. This margin expansion was driven by operational efficiency gains, improved product mix and benign costs scenarios. Exports jumped by 34% YoY to INR 21.6 Bn. Moreover, as capacities scale up, we expect further margin expansion to 8.8% by FY28E. FMEG segment is also expected to add to consolidated margin by Q4FY26E.

View and Valuation

We believe RRKABEL is well-positioned to capitalise on structural tailwinds from infrastructure spending, renewable energy and data centre push. Further, the ongoing capacity addition which is expected to come online by FY27E will support revenue and margin growth.

We modify our FY26E / FY27E PAT estimate upwards by 3.3% / 3.5%. However, we maintain our target price at **INR 1,820 using the DCF approach**. Our target price implies a PE multiple of 55x / 42x on FY26E / FY27E EPS. Accordingly, we reaffirm our '**BUY**' rating.

Strong Volume Growth With Margin Expansion

- Consolidated Net Revenues grew by 19.5% YoY, coming in at INR 21.64 Bn.
- Gross margin improved by 296 bps YoY and by 69 bps QoQ coming in at 18.9% for Q2FY26.
- EBIDTA came in at INR 1.76 Bn with a margin of 8.1%, an increase of 339 bps YoY.
- PAT increased by ~135% YoY, coming in at INR 1.2 Bn, versus INR 0.5 Bn in Q2FY25.

C&W Segment

- Revenue grew by 22% YoY to INR 19.7 Bn. EBIT more than doubles to INR 1.8 Bn in Q2FY26 from INR 0.8 Bn YoY.

FMEG Segment

- Revenue degrowth of 3% YoY to INR 1.9 Bn.
- EBITM decreased 16 bps YoY and 289 bps QoQ, coming in at -6.1%.

CapEx to Drive Revenue Growth, Major Outlay Towards Cables

RRKABEL is implementing an upgrade of its production capacity by 70%, the maximum revenue generation potential is INR ~40 Bn at a Fixed Asset turnover of 3.5–4x.The total CapEx is expected to be INR 1.2 Bn over 2 years, with 80% of spent towards High Voltage (HV) Power Cables up to 220 kV. HV Cables offer higher margins of 10–12% v/s 4–6% as compared to Low Voltage Cables. As the mix tilts towards Cables, margin is expected to be buoyant and further RoE gains will accrue.

Particulars (INR Mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Revenue	21,638	18,101	19.5%	20,586	5.1%
COGS	17,554	15,221		16,843	
Gross Profit	4,084	2,880	41.8%	3,743	9.1%
Employee Cost	1,012	894		931	
Operating Expenses	1,314	1,128		1,392	
EBITDA	1,758	858	104.9%	1,421	23.7%
Depreciation	219	175		203	
Other Income	169	72		124	
Interest	162	156		151	
PBT	1,546	599	158.1%	1,190	29.9%
Tax	364	155		294	
PAT	1,163	495	134.7%	898	29.5%
EPS	10.3	4.4		7.9	

Segment Revenue	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
C&W Revenue (INR Mn)	19,712	16,118	*22.3%*	18,335	7.5%
C&W EBIT (INR Mn)	1,804	818	*120.5%*	1,391	29.7%
FMEG Revenue (INR Mn)	1,926	1,984	*-2.9%*	2,251	-14.4%
FMEG EBIT (INR Mn)	(117)	(117)	*0%*	(71)	63.8%

Source: RRKABEL, Choice Institutional Equities

Management Call - Highlights

Strong demand across retail, infra, and industrial segments drives confidence in maintaining H2 momentum above industry growth.

Operational & Strategic Execution
- Demand remains strong across retail and B2B channels with healthy traction in residential, industrial and infrastructure applications.
- Housing and electrification momentum expected to sustain volumes over the medium term.
- Stronger execution expected in core Cables & Wires following recent leadership strengthening.
- Scale is improving fixed-cost absorption, aiding profitability.
- Company expects to outgrow industry growth of 13–14% backed by structural demand drivers.

Premiumisation, cable-led scale, and operational efficiencies support sustainable gross and EBIT margin improvement.

Financial & Margin Performance
- FY27 margin expectations in line with Project RRise roadmap; FY28E C&W EBITM ~10.5%.
- Focus on working capital discipline to support stronger cash conversion; negative Operational Cashflow expected to normalize by year-end.
- Capital allocation remains disciplined, prioritizing faster-return growth initiatives.
- Topline growth to remain a key profitability driver through operating leverage.
- ROE target: >20% over next 2–3 years.

Segment-Level Highlights
- C&W segment: Strong performance with 16% YoY volume growth supported by realization improvement.
- Cables segment B2B-led, expected to lead margin expansion given favorable pricing and quality superiority.
- Special / High Voltage cables highlighted as a key future growth and value driver.
- Cable product mix remains fungible, ensuring flexibility in catering to high-demand cable categories.
- FMEG business on track to breakeven by Q4FY26E.

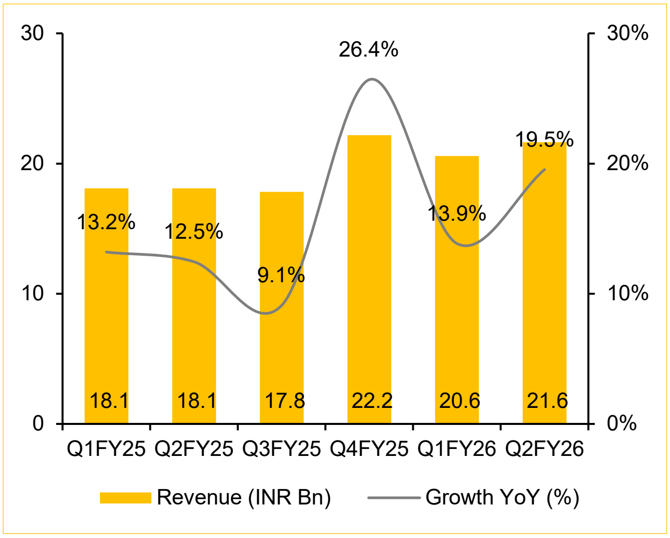
INR 12 Bn growth capex focused on high-voltage cables boosts capacity, utilization, and long-term ROE (>20% target).

Capex & Capacity Expansion
- INR 12,000 Mn CAPEX plan underway in C&W, ~80% directed toward cable capacity up to 220kV.
- Capex to improve utilization and strengthen long-term competitiveness.
- Utilization currently robust: ~70% in Wires and ~90% in Cables, aiding operating leverage.

Exports & Geography
- Strong momentum in exports with Europe and Middle East remaining the largest markets.
- Continued onboarding of new export customers to enhance geographical diversification.

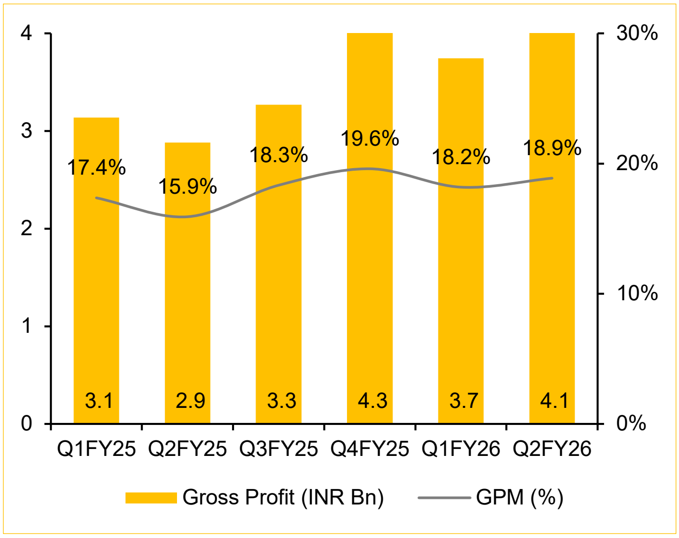
Management Guidance & Confidence
- Confident of maintaining growth momentum in H2 FY26.
- Positive multi-year outlook supported by mix enrichment, channel expansion and infrastructure-led demand.
- Brand equity gains expected to reinforce premium pricing capability.

Revenue grew by 19.5% YoY supported by strong volumes



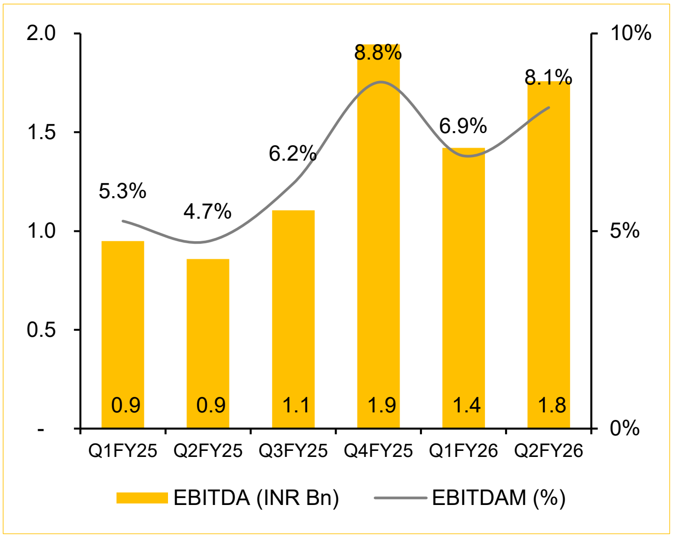
Source: RRKABEL, Choice Institutional Equities

Gross margin improves to 18.9% YoY, on lower material costs



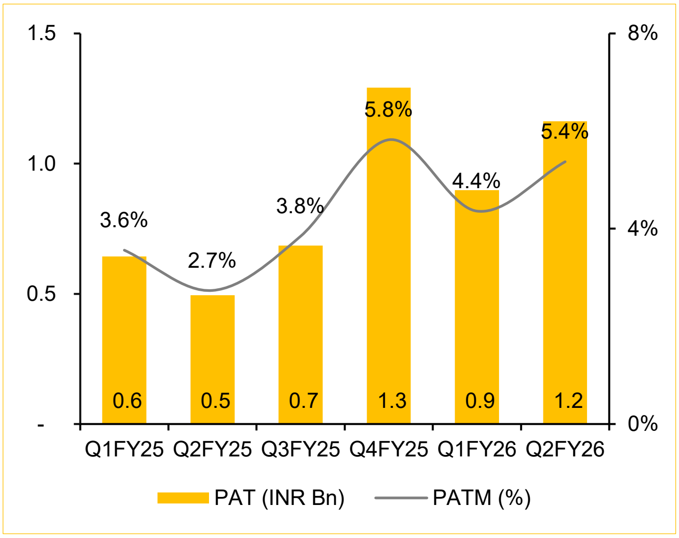
Source: RRKABEL, Choice Institutional Equities

Strong Improvement seen in EBITDA rising by 339bps YoY



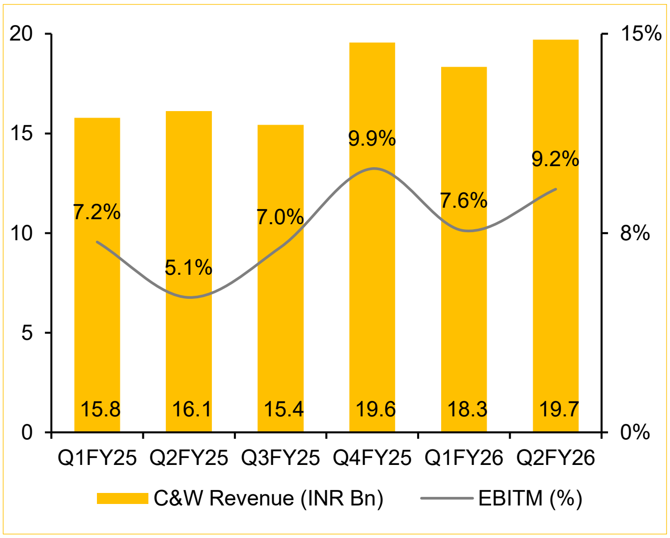
Source: RRKABEL, Choice Institutional Equities

PAT grew by 135% YoY / ~30% QoQ



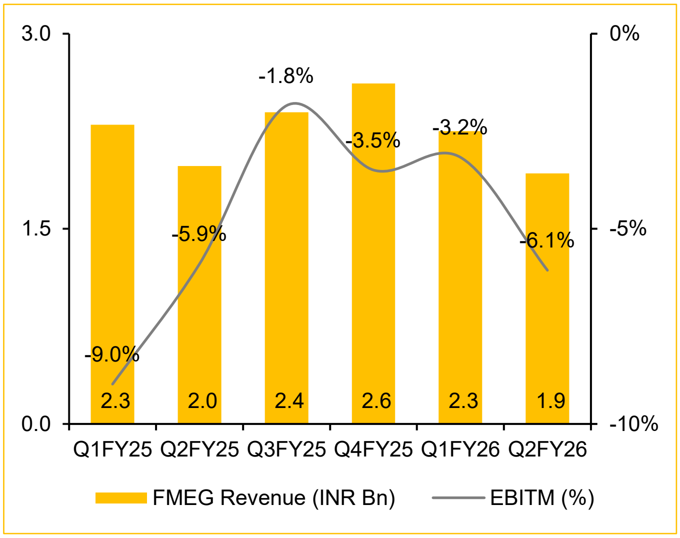
Source: RRKABEL, Choice Institutional Equities

C&W segment witnessed sharp growth in EBIT YoY



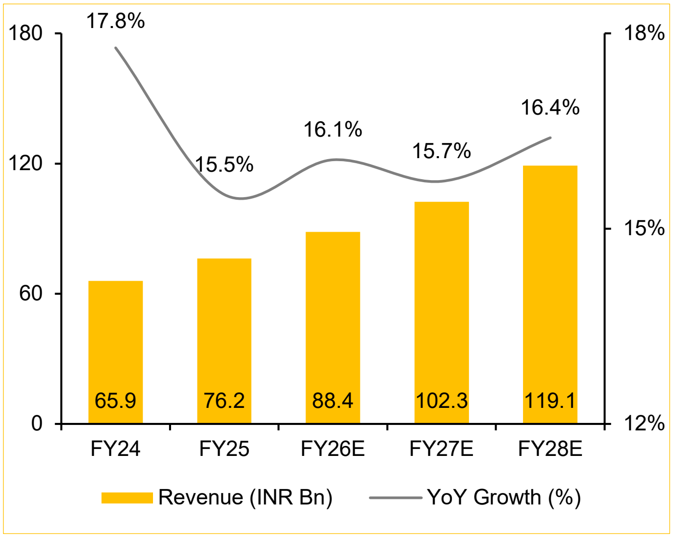
Source: RRKABEL, Choice Institutional Equities

FMEG segment degrows with a decline in margin



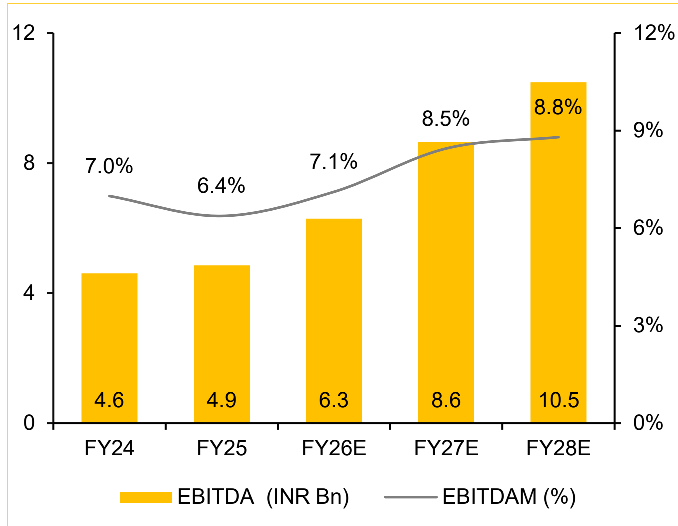
Source: RRKABEL, Choice Institutional Equities

Revenue expected to grow at 16% CAGR during FY25-28E



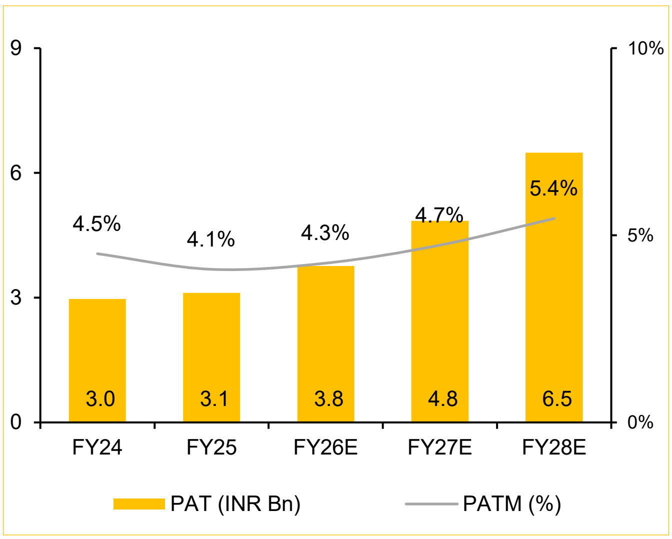
Source: RRKABEL, Choice Institutional Equities

Operational Leverage to aid Margin expansion



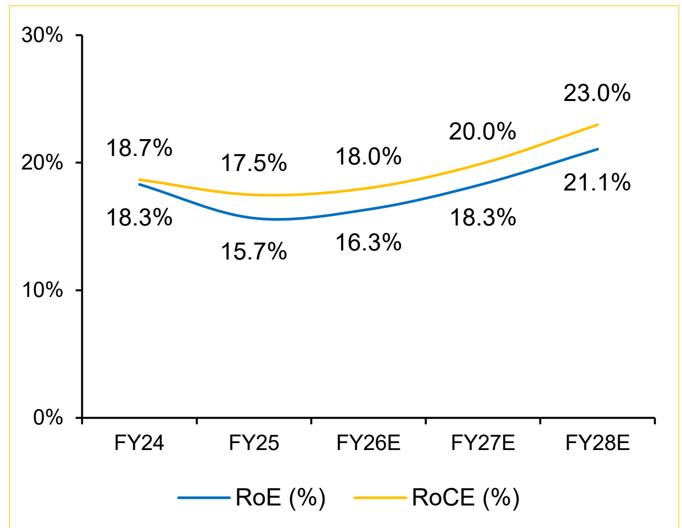
Source: RRKABEL, Choice Institutional Equities

PAT Margin to improve to 5.4% by FY28E



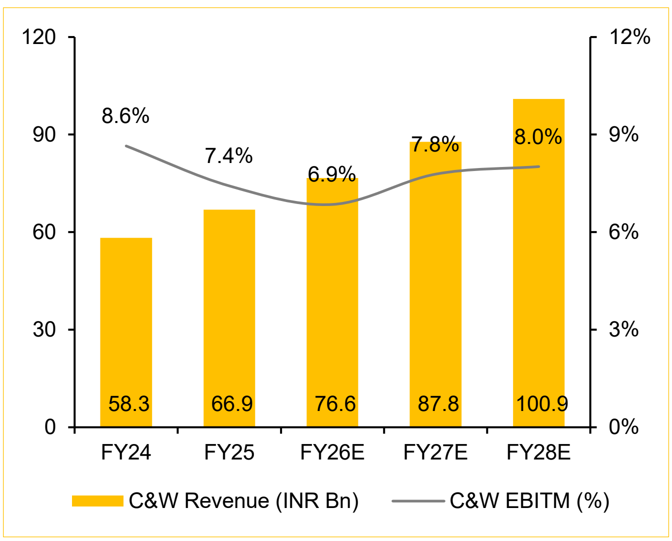
Source: RRKABEL, Choice Institutional Equities

ROEs expected to touch 21% by FY28E, as costs are optimised



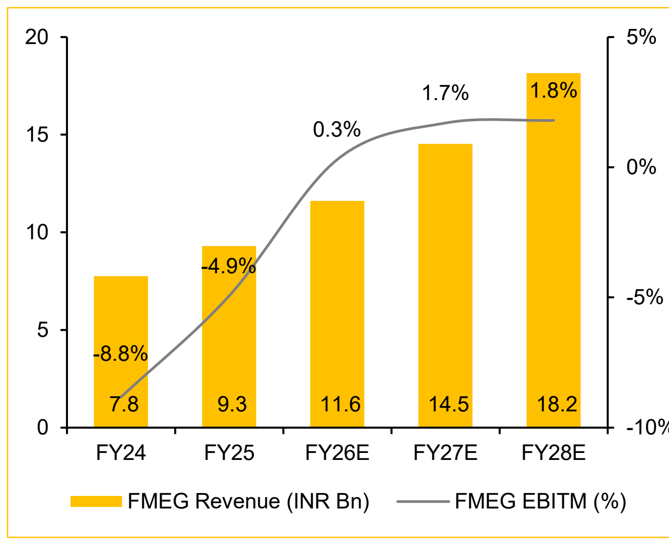
Source: RRKABEL, Choice Institutional Equities

C&W Revenue to grow at 15% CAGR. EBITM expanding by FY28E



Source: RRKABEL, Choice Institutional Equities

FMEG Revenue to grow at 25% CAGR and EBITM to improve



Source: RRKABEL, Choice Institutional Equities

Income Statement (INR Mn)

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	65,946	76,182	88,415	1,02,320	1,19,097
Gross profit	12,448	13,633	16,142	19,440	22,986
EBITDA	4,608	4,857	6,292	8,646	10,481
Depreciation	655	705	1,189	1,549	2,149
EBIT	3,953	4,152	5,103	7,097	8,331
Other income	626	511	690	921	953
Interest expense	539	589	836	1,584	660
PBT	4,052	4,095	4,978	6,455	8,645
Reported PAT	2,972	3,116	3,763	4,847	6,489
EPS (INR)	26.4	27.6	33.3	42.9	57.4

Ratio Analysis	FY24	FY25	FY26E	FY27E	FY28E
Growth Ratios (%)					
Revenues	17.8%	15.5%	16.1%	15.7%	16.4%
EBITDA	43.0%	5.4%	29.6%	37.4%	21.2%
PBT	58.3%	1.1%	21.6%	29.7%	33.9%
PAT	56.5%	4.8%	20.8%	28.8%	33.9%
Margins (%)					
Gross profit Margin	18.9%	17.9%	18.3%	19.0%	19.3%
EBITDA Margin	7.0%	6.4%	7.1%	8.5%	8.8%
PAT Margin	4.5%	4.1%	4.3%	4.7%	5.4%
Profitability (%)					
ROE	18.3%	15.7%	16.3%	18.3%	21.1%
ROIC	15.0%	15.2%	15.5%	16.7%	17.3%
ROCE	18.7%	17.5%	18.0%	20.0%	23.0%
Financial leverage (x)					
Pre-tax OCF/EBITDA	1.0	1.2	0.8	0.9	0.9
OCF / Net profit	1.1	1.6	1.1	1.2	1.1
EV/EBITDA	34.5	32.8	25.9	19.3	15.6
Working Capital (Days)					
Inventory days	61	59	59	59	59
Receivable days	35	39	39	39	39
Creditor days	29	44	44	44	44
Working Capital Days	67	54	54	54	54
Valuation Metrics					
PE (x)	52.7	51.2	42.4	32.9	24.6
P/BV (x)	8.6	0.0	6.5	5.6	4.8
EV/EBITDA (x)	34.5	32.8	25.9	19.3	15.6
EV/Sales (x)	2.4	2.1	1.8	1.6	1.4

Source: RRKABEL, Choice Institutional Equities

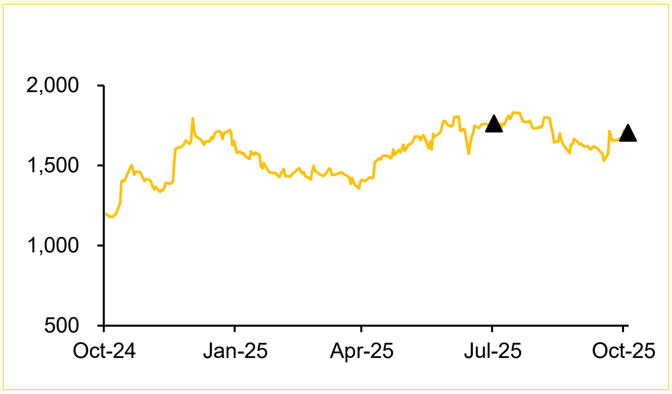
Balance Sheet (INR Mn)

Balance Sheet (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Net worth	18,285	21,526	24,526	28,354	33,260
Borrowings	2,890	2,220	3,800	7,200	3,000
Trade Payables	4,292	7,623	8,808	10,101	11,714
Other non-current liabilities	986	1,022	804	804	804
Other current liabilities	2,240	2,777	2,777	2,777	2,777
Total Net Worth & Liabilities	**28,693**	**35,169**	**40,715**	**49,235**	**51,550**
Net block	4,661	7,076	10,234	13,185	18,536
Capital WIP	1,636	2,347	4,000	6,500	-
Investments	3,415	2,392	2,392	2,392	2,392
Trade receivables	6,412	8,232	9,554	11,057	12,869
Cash & cash equivalents	988	2,269	110	(47)	(540)
Other non-current assets	1,378	1,354	1,354	1,364	1,374
Other current assets	10,203	11,500	13,071	14,785	16,923
Total Assets	**28,693**	**35,169**	**40,715**	**49,235**	**51,550**

Cash Flows (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash flows from operations	3,380	4,942	4,080	6,056	6,960
Cash flows from investing	(835)	(1,691)	(6,000)	(7,010)	(1,010)
Cash flows from financing	(2,040)	(1,911)	(238)	798	(6,443)
Net addition/(reduction)	505	1,340	(2,158)	(156)	(494)

DuPont Analysis	FY24	FY25	FY26E	FY27E	FY28E
EBIT Margin (%)	6.0%	5.4%	5.8%	6.9%	7.0%
Tax Burden (x)	0.7	0.8	0.8	0.8	0.8
Interest Burden (x)	1.02	0.99	0.98	0.91	1.04
Asset Turnover (x)	2.4	2.4	2.3	2.3	2.4
Equity Multiplier (x)	1.7	1.6	1.6	1.7	1.6
RoE (%)	18.3%	15.7%	16.3%	18.3%	21.1%

Historical Price Chart: RRKABEL



Date	Rating	Target Price
July 30, 2025	BUY	1,820
November 4, 2025	BUY	1,820

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in statis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000Cr Market Cap**
***Mid & Small Cap: Less Than INR 20,000Cr Market Cap**

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