

Impressive background and business model..

The Company 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 Company is one of the leading companies in the Indian consumer electrical industry on account of the following:

- The 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;
- The 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;
- The 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;
- The 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, the 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;
- The Company has one of the largest network of electricians, covering 271,264 electricians across India, as of March 31, 2023 and further increased to 298,084 in the three months period ended June 30, 2023;
- In Fiscal 2023, its revenue contribution from FMEG segment is approximately 11%, which is highest among its peers. This has continued to remain the highest at 11% among its peers even in the three months ended June 30, 2023.
- The Company has 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
- Its 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.

The Company's wires and cables segment has been in operation since Fiscal 1999 and includes a wide range of products such as house wires, industrial wires, power cables and special cables. It was the first company in India to introduce low smoke zero halogen ("LSOH") insulation technology in its wires and cables products, and to introduce unilay core technology (heat resistant and flame retardant) products. (Source: Technopak Report).

The Company has actively diversified and expanded its product portfolio in adjacent areas such as FMEG, both organically and inorganically. In Fiscal 2020, it amalgamated the business from one of its group companies, Ram Ratna Electricals Limited ("RREL"). In Fiscal 2020, it also acquired the light emitting diode ("LED") lights and related hardware business ("LED Lights Business") of Arraystorm Lighting Private Limited ("Arraystorm"), along with its trademarks and design certificates, to expand its portfolio to cover office, industrial and warehouse spaces. In May 2022, it acquired the corresponding home electrical business ("HEB") of Luminous Power Technologies Private Limited ("Luminous") and also obtained a limited and exclusive license to use the 'Luminous Fans and Lights' brand for fan and light products for an initial period of two years subject to extension of six months at a time for a maximum of four times and, that includes a right to use 61 registered trademarks, and a portfolio of lights and premium fans, to strengthen our FMEG portfolio.

Type of Issue	Fresh issue of equity shares aggregating upto ₹180 Crore (Approx. 17,39,130 Equity shares at the upper end of the price band) Offer for sale: 17,236,808 Equity shares
Issue size	₹1,964 Crore at the upper end of the price band
Issue date	Sep. 13, 2023 – Sep. 15, 2023
Listing date	Sep. 26, 2023
Price Band	₹983 - ₹1035 (Face value: ₹5)
Bid lot	14 equity shares and in multiple thereof
Issue structure	QIB - 50 %, NIB - 15%, Retail - 35%
Employee reservation	Rs. 10.8 Crore (Approx. 1,04,348 equity shares at the upper end of the price band)
Employee discount	₹98 per share
Post issue shares	11.28 Crore equity shares at upper end of the price band
Promoters & Promoters group	Pre IPO: 66.4 % Post IPO: 62.8 %
Public	Pre IPO: 33.6 % Post IPO: 37.2 %
Post issue market cap	₹11,675 Crore at the upper end of the price band
BRLMS	Axis Capital Limited, HSBC Securities and Capital Markets (India) Private Limited, Citigroup Global Markets Limited, JM Financial Limited
Registrar to the issue	Link Intime India Private Limited

Financial Summary (Restated Consolidated) (₹ Crore)

Particulars	Q1FY24	FY23	FY22	FY21
Revenue from operations	1,597.31	5,599.20	4,385.94	2,723.94
EBITDA	112.95	322.32	303.25	230.15
EBITDA (%)	7.07	5.76	6.91	8.45
Profit before tax	99.39	351.58	322.72	226.89
Net profit for the period	74.35	189.87	213.94	135.40
PAT margin (%)	4.65	3.37	4.83	4.93
Equity share cap.	47.85	47.85	23.92	23.92
Networth	1,523.91	1,419.69	1,250.3	1,046.6
Total borrowings	403.7	515.8	521.1	498.7
Post IPO EPS (₹)	6.6	16.83	18.97	12.00
P/E (x)#	39*	61	55	86
RoNW(%)	5.05^	14.22	18.63	13.88
RoCE (%)	5.95^	15.57	17.41	13.59

Source: Red Herring Prospectus (RHP), # denotes P/E at the upper end of the price band, * denotes Q1FY24 annualised EPS, ^ denotes not annualized, Return on Equity is calculated as (Profit for the period/year less preference dividend) divided by average equity, profit for the period/year is not annualized.

Investment recommendation and rationale

At the upper end of the price band of ₹1,035, the Company's IPO is valued at P/E of 39x at Q1FY24 annualised EPS and at a P/E of 61x at post IPO FY23 EPS as compared to industry average P/E of 59x of (Listed peers – Havells India Limited, Polycab India Limited, KEI Industries Limited, Finolex Cables Limited, V-Guard Industries Limited, Crompton Greaves Consumer Limited, Bajaj Electricals Limited). We recommend investors to "SUBSCRIBE the issue for listing gains" due to the following factors: a) Scaled B2C business in the large and growing wires and cables industry, b) Diverse suite of products driven by its focused research and development efforts with global certifications and accreditation, c) Extensive domestic and global distribution network, d) Well recognized consumer brands, e) Technologically advanced and integrated precision manufacturing facilities, f) Well-positioned for growth in FMEG segment and to benefit from the global shift from China-based manufacturing to China plus one strategy resulting in a share gain for Indian manufacturers in the global market, g) Experienced and committed professional management team, h) brand recognition, strong network of electricians and good presence in B2C segment will augur well in long term, the Company's topline has witnessed a CAGR of 43.4 percent over a period of FY21-23 and EBITDA CAGR of 18.3 percent in FY21-23, g) Company has raised ₹585.62 Crore from marquee anchor investors which instills confidence in the issue.

Objects of the issue

Fresh Issue: Upto ₹ 180 Crore

The Net Proceeds are proposed to be used by the Company in accordance with the details set forth below

Objects	Amount (₹ Crore)
Repayment or prepayment, in full or in part, of borrowings availed by the company from banks and financial institutions	136
General Corporate purposes*	-

Source: Red Herring Prospectus (RHP), *To be finalised upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount to be utilized for general corporate purposes will not exceed 25% of the Gross Proceeds.

Offer for sale - Upto 17,236,808 Equity Shares

Name of the selling shareholders	Type	No. of Equity shares of Face Value ₹ 5 each Equity Shares offered in the Offer for sale	Weighted Average Cost of Acquisition (In ₹)
Mahendrakumar Rameshwarlal Kabra	Promoter Selling Shareholder	Up to 754,417 Equity Shares	5.42
Hemant Mahendrakumar Kabra	Promoter Group Selling Shareholder	Up to 754,417 Equity Shares	7.05
Sumeet Mahendrakumar Kabra	Promoter Group Selling Shareholder	Up to 754,417 Equity Shares	7.68
Kabel Buildcon Solutions Private Limited	Promoter Group Selling Shareholder	Up to 707,200 Equity Shares	1.65
Ram Ratna Wires Limited	Other Selling Shareholder	Up to 1,364,480 Equity Shares	1.62
TPG Asia VII SF Pte. Ltd.	Investor Selling Shareholder	Up to 12,901,877 Equity Shares	270.08

Source: Red Herring Prospectus (RHP)

Competitive strengths

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

Wires and cables, primarily used for distribution and transmission of electrical power, are an important constituent, representing nearly 40% of the consumer electrical industry in India (comprising wires and cables and FMEG). (Source: Technopak Report) 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. (Source: Technopak Report.) As per Technopak, the trends shaping the wires and cables industry are, among other things, the shift towards branded play driven by rising awareness among consumers towards safety and quality, introduction of the goods and services tax ("GST") regime, technological innovations by branded players and above the line focused brand building by branded players. The key growth drivers for the wires and cables industry in India include rural electrification, increase in per capita consumption of electricity in India, expansion in the residential and commercial real estate sector, transition towards clean and green energy, global shift from 'China-based manufacturing' to China plus one strategy and several government initiatives supporting infrastructure and housing such as 'Housing for All' scheme (Pradhan Mantri Awas Yojana). (Source: Technopak Report)

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. (Source: Technopak Report) 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. The Company believes that it 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 its distribution network.

Diverse suite of products driven by our focused research and development efforts with global certifications and accreditations

The Company manufactures and sell a diverse portfolio of products across categories, giving it an opportunity to cross sell its products. The Company's products in the wires and cables segment include 'Firex LSOH', 'Superex', 'Unilay', medium and high voltage power cables and control cables. The Company also manufactures a range of special application cables that can be customized as per customer specifications. For instance, in Fiscal 2021, the Company began supplying ready-to-use cable harnesses to a large Swiss textile machinery manufacturer in India and providing this manufacturer an alternative product manufactured in India and substituting its import of such products. In addition, its products in the FMEG segment are fans such as Jaipur Mahal fans, Audie fans and Droot fans, LED lights such as bulbs, battens, panels and street lights of different watts, as well as appliances such as Ardent and Calid. The Company been investing in global trends and have built capabilities to cater to the growing demand for products such as cables used by telecom operators which rollout 5G capabilities, electric vehicle ("EV") charging cables, smart fans and designer lights.

Since its incorporation as a B2C manufacturer of wires and cables, the Company has diversified into the FMEG segment and are transforming itself to a diversified consumer electrical company. According to Technopak, the Company's FMEG products cover approximately 77% of the FMEG industry by value in India as on March 31, 2023. In particular, the success of its diverse portfolio of products has been driven by its focused research and development efforts, as well as the global certifications and accreditations awarded to them. As a result of its focus on quality in manufacturing, certain products manufactured at its Waghodia Facility have over 30 global accreditations and registrations, including from BASEC, UL, CSA, VDE, Intertek, TUV Rheinland



































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and BIS. (Source: Technopak Report) As on June 30, 2023, the Company has a dedicated team of 60 employees focused on research and development, of which 22 employees exclusively work on research and development involving FMEG products.

During the three months ended June 30, 2023, the Company had launched 6 and 28 new products in the wires and cables and FMEG segments, respectively. Further, as of June 30, 2023, the Company has 15 and 55 products under development for wires and cables and FMEG segments, respectively, of which no products under wires and cables segment and 12 products under FMEG segment have been launched as of the date of the Red Herring Prospectus.

<h3 style="text-align: center;">Wires</h3> <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 10px;"> <h4 style="text-align: center;">House Wires</h4> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">  <p>Heat Resistant Wires</p>  <p>Fire Resistant Wires</p>  <p>Flame Retardant Wires</p> </div> <div style="width: 50%;"> <h4 style="text-align: center;">Applications (Infrastructure)</h4> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Residential <input checked="" type="checkbox"/> Commercial <input checked="" type="checkbox"/> Public </div> </div> </div> <div style="border: 1px solid #ccc; padding: 5px;"> <h4 style="text-align: center;">Industrial Wires</h4> <div style="display: flex; justify-content: space-around; margin-bottom: 5px;">    </div> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <h4 style="text-align: center;">Applications</h4> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Power Panels <input checked="" type="checkbox"/> Control Panels <input checked="" type="checkbox"/> Switchgears <input checked="" type="checkbox"/> Relay <input checked="" type="checkbox"/> Instrumentation Panels </div> <div style="width: 50%;"> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Control Panels <input checked="" type="checkbox"/> Production & Assembly Lines <input checked="" type="checkbox"/> Industrial Process Automation <input checked="" type="checkbox"/> Plant Engineering <input checked="" type="checkbox"/> Industrial Machinery <input checked="" type="checkbox"/> Robotic Technology </div> </div> </div>	<h3 style="text-align: center;">Cables</h3> <div style="border: 1px solid #ccc; padding: 5px; margin-bottom: 10px;"> <h4 style="text-align: center;">Power Cables</h4> <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">  <p>LT Power Cable</p>  <p>Medium & High Voltage Power Cables</p> </div> <div style="width: 50%;"> <h4 style="text-align: center;">Applications</h4> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Power Transmission <input checked="" type="checkbox"/> Power Distribution </div> </div> </div> <div style="border: 1px solid #ccc; padding: 5px;"> <h4 style="text-align: center;">Specialty Cables</h4> <div style="display: grid; grid-template-columns: repeat(3, 1fr); gap: 5px;"> <div style="border: 1px solid #ccc; padding: 2px; text-align: center;">  <p>Data & Communication Cables</p> </div> <div style="border: 1px solid #ccc; padding: 2px; text-align: center;">  <p>Instrumentation Cables</p> </div> <div style="border: 1px solid #ccc; padding: 2px; text-align: center;">  <p>Solar Cables</p> </div> <div style="border: 1px solid #ccc; padding: 2px; text-align: center;">  <p>Fire & Security Cables</p> </div> <div style="border: 1px solid #ccc; padding: 2px; text-align: center;">  <p>Silicon Rubber Cables</p> </div> <div style="border: 1px solid #ccc; padding: 2px; text-align: center;">  <p>Auto Cables</p> </div> <div style="border: 1px solid #ccc; padding: 2px; text-align: center;">  <p>Battery Cables</p> </div> <div style="border: 1px solid #ccc; padding: 2px; text-align: center;">  <p>Lift & Elevator Cables</p> </div> <div style="border: 1px solid #ccc; padding: 2px; text-align: center;">  <p>Appliance Wiring Material</p> </div> <div style="border: 1px solid #ccc; padding: 2px; text-align: center;">  <p>Power Cord</p> </div> </div> </div>
<h3 style="text-align: center;">Fans</h3> <div style="display: grid; grid-template-columns: repeat(3, 1fr); gap: 10px;"> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Ceiling Fans</p> </div> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Table Pedestal & Wall Fans</p> </div> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Exhaust Fans</p> </div> </div>	<h3 style="text-align: center;">Lighting</h3> <div style="display: grid; grid-template-columns: repeat(2, 1fr); gap: 10px;"> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Bulbs</p> </div> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Street Lights</p> </div> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Panels</p> </div> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Downlights</p> </div> </div>
<h3 style="text-align: center;">Switch & Switchgear</h3> <div style="display: flex; justify-content: space-around; margin-bottom: 10px;">  <p>Modular Switches</p> </div> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>MCB</p> </div> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Distribution Box</p> </div> </div>	<h3 style="text-align: center;">Appliances</h3> <div style="display: grid; grid-template-columns: repeat(2, 1fr); gap: 10px;"> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Room Heater</p> </div> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Irons</p> </div> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Water Heater</p> </div> <div style="border: 1px solid #ccc; padding: 5px; text-align: center;">  <p>Cooler</p> </div> </div>

Source: Red Herring Prospectus (RHP)



2) Extensive domestic and global distribution network

The Company's distribution footprint encompasses both domestic sales and export sales, as follows:

Domestic: The Company has an extensive pan-India distribution presence and as on June 30, 2023, the Company has 3,450 distributors, 3,656 dealers and 114,851 retailers. As part of its distribution strategy, the Company strives to provide its end-users a seamless experience through several touchpoints. Distributors purchase products from the Company and on-sell its products to end-users through retailers. Dealers purchase products from the Company and either, directly or through retailers, on-sell to end-users. The dealers, distributors and retailers, directly and indirectly, cover electricians. The Company has one of the largest network of electricians, covering 271,264 electricians across India, as of March 31, 2023. (Source: Technopak Report). Pursuant to several initiatives undertaken by the Company, it has 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. The Company has long-standing relationships with many distributors and believes this provides it with a competitive edge.

As on June 30, 2023, the Company had 789 employees in its sales and marketing team, who manage and coordinate with distributors, dealers and retailers. The Company has also established an "Individual Bungalow team" in certain Metros and Tier I cities, to help identify new constructions of individual bungalows and contact the end-users. According to Technopak, Metro cities are Delhi National Capital Region and Mumbai, and Tier I cities are cities with a population between 1 million and 5 million. This enables it to be involved at all stages of the construction, i.e. from the construction phase when wires are installed until the final stage when switches and fans are purchased. The Company's acquisition of the HEB of 'Luminous Fans and Lights' HEB in May 2022 also gave it a presence on recognized e-commerce platforms.

To strengthen its distribution network, the Company has undertaken several initiatives. The Company has launched an initiative 'Project KaRRma' in Fiscal 2020 in two phases to achieve a higher market share in housing wires by expanding retail outlets, electricians, sales force and product portfolio. The Company intends to double the market share and retail outreach in domestic house wires, by increasing its micro and nano market reach. The Company has carried out initiatives such as making connections with retail outlets through routine visits, launch of loyalty management programs for electricians as well as long term loyalty management programs for retailers. The Company also launched another five-year long initiative 'Project Lakshya' in Fiscal 2020, comprising two phases beginning with an object to organically and inorganically grow its fans and lights product portfolio, and thereafter integrating the HEB of 'Luminous Fans and Lights' brand. The Company aims to integrate the Luminous HEB by enhancing synergies at the back and front end from manufacturing to sales, including by design integration and integration of functions, such as warehousing, logistics, procurement and sales integration.

From Fiscal 2021 to Fiscal 2022, and from Fiscal 2022 to Fiscal 2023, the Company's revenue from operations from FMEG segment grew by 34.84% and 133.25%, respectively. Further, according to Technopak, electricians are key decision makers in the consumer electrical industry, and in respect of housing wires, form the major segment of customers in the value chain. The Company has implemented a partner loyalty program for retailers and electricians, including RR Connect's mobile phone application and web portal, and rewards schemes, such as RR Dosti 3.0 and Udaan 3.0. The Company's Kabel Star initiative further provides scholarships to the children of electricians who have registered on its RR Connect application. As on June 30, 2023, the Company has 21 warehouses across 17 states and union territories in India. The Company intends to consolidate its warehouses over time. The Company's warehouses are strategically located to optimize its distribution by transport with the objective to achieve optimal balance between lead time to service and total distribution cost.

In addition, the Company has a focused approach to expand its geographical market share in India by identifying micro and nano markets for a specific product. For instance, for its 90 meters housing wires, the Company has classified its geographical presence in India into 'winner', 'growing' and 'opportunity' states. The Company classify 'winner states' as states where it has more than 9% market share by value, in Fiscal 2023 and three months ended June 30, 2023; 'growing states' as states where it has 5% to 8.9% market share by value, in Fiscal 2023 and three months ended June 30, 2023; and 'opportunity states' as states where it has less than 5% market share by value, in Fiscal 2023 and three months ended June 30, 2023. Over time, the Company intends to classify its geographical presence in the same manner for all of its products.

Exports: The Company has extended its business strategy to export markets and focus on recurring B2C exports. In calendar year 2022, the 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. (Source: Technopak Report). The Company exports its range of wires and cable products directly as well as through distributors across the world. The Company's revenue from operations from outside India increased by a CAGR of 47.13% from ₹5 86.77 Crore in Fiscal 2021 to ₹1,270.19 Crore in Fiscal 2023 and from ₹3 43.63 Crore in three months ended June 30, 2022 to ₹4 30.37 Crore in three months ended June 30, 2023. During Fiscals 2021 to 2023 and three months ended June 30, 2023, the Company sold its products to 63 countries in North America, APAC, Europe and Middle East. In particular, the Company has increased its exports to well-regulated markets such as the United States. The Company increased its exports to the United States from 5.16% of its export revenue in Fiscal 2021 to 11.59% of its export revenue in three months ended June 30, 2023. For the three months period ended June 30, 2023, 99% of its export revenue was derived from distributors, and 1% was derived from OEMs. The Company believes its focus on quality and large range of global certifications enables it to have a wide global presence.

The Company sells the majority of its products under its brand 'RR Kabel' and manufacture under private labels for select customers and has long-standing relationships with 10 distributors in these markets who cover the majority of its exports. Revenue from outside India contributes 26.94% of its revenue from operations for the three months period ended June 30, 2023. The Company believes that it is well-positioned to benefit from the global shift from China-based manufacturing to China plus one strategy resulting in a share gain for Indian manufacturers in the global market. (Source: Technopak Report).

3) Well recognized consumer brands

The Company is the fastest growing consumer electrical company amongst its peers in India, growing at a CAGR of 43.4% between Fiscal 2021 and Fiscal 2023. (Source: Technopak Report). The Company believes that its focus on safety, quality and continuous innovation, together with its distribution network, connect with electricians and its digital and physical marketing efforts have enabled it to develop brand recognition in the consumer electrical industry. The Company has invested in implementing brand initiatives, such as Kabel Nukkad and Kabel Mela, to enhance its brand visibility over the last



few years. The Company's brand also provides it the opportunity to cross-sell its FMEG products to its wires and cables customers. The Company's marketing and sales efforts are spread across multiple touch points where customers discover its brands and product offerings, which create opportunities for cross-selling its products on the back of its brands' focus on safety, quality and innovation. The Company has also mapped the distribution network of its wires and cables products, and identified and worked with distributors and retailers to carry its FMEG products. The Company believes its connections with electricians through incentive driven marketing provides it with a unique competitive advantage and ensures long-term stickiness.

4) Technologically advanced and integrated precision manufacturing facilities

The Company owns and operates 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 its range of products. The 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. (Source: Technopak Report). The 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. The Company's manufacturing facilities gives the Company the ability to manufacture 100% of its requirements for wires and cables in-house. The percentage of overall rejection for its wires and cables is low at 0.12% in three months ended June 30, 2023.

The acquisition of HEB of 'Luminous Fans and Lights' in May 2022 allowed it to expand into the premium FMEG segment through its access to manufacturing capabilities for premium FMEG products. For its FMEG segment, the Company manufactures switches at its Waghodia Facility. Further, the Company manufactures fans at its Gagret Facility and both fans and certain of its professional and trade lighting products at its Roorkee Facility at low production costs. The Company's Gagret Facility has automated processes such as an automated varnish shop and usage of robotics in the assembly line. The Company's manufacturing facilities gives it the ability to manufacture up to 37% of FMEG products (by value) in-house and given that they are premium products, manufacturing them in-house provides it with a competitive advantage as it can closely control quality and cost. The Company's capital expenditure from Fiscal 2021 to three months ended June 30, 2023 was ₹345.43 Crore. The Company's Bengaluru Facility is a designer customizable lights factory combined with premium high finish design capabilities. The Company has the ability to manufacture lighting fixtures as per the plans and specifications of the end-user, including interior designers and architects. The Company's Gagret Facility has a design and in-house testing facility for measuring air delivery of fans and its Roorkee Facility has in-house testing facilities for LED fixtures, which enables it to launch new and improved designs and functionality periodically. For three months ended June 30, 2023, the overall defect percent for (i) its products manufactured by OEMs is 1.3%; and (ii) its products manufactured at its Gagret, Bengaluru and Roorkee Facilities is 0.5%, 0.1% and 1.9%, respectively, of raw material consumed.

The Company's manufacturing facilities are subjected to rigorous quality control checks, accreditation requirements, and periodic inspections from various regulatory agencies that have issued it product and system certifications. The accreditation of its products is an essential requirement for its products to be marketed and exported to various highly regulated jurisdictions. The Company is able to obtain these accreditations due to its stringent quality checks and focus on safety. In addition, the Company's manufacturing facilities have obtained several certifications for compliance with quality standards. Further, the Company has a key focus on quality and safety. The Company's central quality and test laboratory for wires and cables at its Waghodia Facility, is accredited by NABL and as of June 30, 2023 is capable of performing 694 tests on its products.

In addition, the Company has quality control departments at its remaining facilities for raw material testing, process monitoring, and type testing of products. Further, it has a dedicated quality control department for quality testing of switches at its Waghodia Facility. The Company has also devoted resources to develop, protect and defend its intellectual property.

The Company's manufacturing facilities and warehouses are strategically located to achieve shorter time to market, greater cost competitiveness (through close proximity to raw material suppliers) and responsiveness of our inventory positions to changes in portfolio market as a result of proximity, thereby allowing them to cater to domestic and international markets. The Company has also taken steps to ensure the risk of raw material is diversified with multiple suppliers and imports. In particular, the Company has a backward integrated its manufacturing process by producing several key raw materials, polyvinyl chloride ("PVC") compound, LS0H compound, cross-linked polythene ("XLPE") compound and solar cable compound in-house at its Waghodia and Silvassa Facilities. The Company believes that its integrated business model brings it advantages over its competitors such as:

- ensuring quality control as PVC is important for insulation, and a key component for quality and fire safety for wires and cables;
- reduction of raw material costs and logistics cost as its produce PVC compound, LS0H compound, XLPE compound and solar cable compound; and
- reduction of reliance on external suppliers for PVC compound, LS0H compound, XLPE compound and solar cable compound, thereby helping to maintain a steady production of wires and cables.

In addition, the Company intends to start manufacturing other raw materials such as thermoset e-beamable LS0H compound in Fiscal 2024. As of the date of the Red Herring Prospectus, the Company has conducted various procedures to develop such manufacturing capabilities, including fine-tuning the formulation design, checking the commercial viability and selecting and procuring the raw materials.

Competition

The Indian wires and cables industry is fragmented in nature. The Indian wires and cables industry has been gradually moving from a largely unbranded play towards branded play including regional and national players as a result of rising awareness among consumers towards safety and quality, the advent of the GST regime, increasing technological and product complexities, as well as growing marketing and branding activities by branded players. Some of the Company's competitors may have greater resources than those available to the Company. The wires and cables and fast moving electrical good industries are highly competitive with the presence of many national and regional players (manufacturers, traders, suppliers and importers etc.), competing on the basis of factors such as products, price, customer service, post sales services, quality and delivery. (Source: Technopak Report)

The Company operates in an increasingly competitive market. The Company faces competition from other manufacturers, traders, suppliers and importers of wires and cable, and consumer electrical products in relation to its offerings. Suppliers in the consumer electrical industry compete based on key attributes including products, price, customer service, post-sales service, quality and delivery. (Source: Red Herring Prospectus)

Key risks

- 1) **Concentration risk:** The Company derives most of its revenues from operations from the manufacture and supply of wires and cables segment. For Fiscals 2021, 2022 and 2023 and three months ended June 30, 2022 and June 30, 2023, revenue from operations from its wires and cables segment amounted to ₹ 2,520.25 Crore, ₹ 4,111.27 Crore, ₹ 4,958.5 Crore, ₹ 1,105.82 Crore and ₹ 1,423.08 Crore which accounted for 92.52%, 93.74%, 88.56%, 89.47% and 89.09% respectively of its total revenue from operations in such periods.
- 2) **Dependency on raw material:** The Company's operations are dependent upon the price and availability of the raw materials that it requires for the production of its wires and cables, FMEGs. The following table sets forth the details of its total cost of materials and its consumption of copper and aluminium for the periods indicated:

Particulars	For the 3 months ended June 2023	For the 3 months ended June 2022	2023	2022	2021
Cost of Materials consumed as a Percentage of Total Expenses (%)	79.02%	85.36%	81.24%	86.11%	84.71%
Consumption of Copper and Aluminium as a Percentage of Cost of Materials Consumed (%)	82.72%	82.80%	82.40%	84.05%	84.62%

- 3) **Competition risk:** The Company faces significant competition in its business from other manufacturers and suppliers of cables and wires and fast moving electrical good products. The wires and cables and fast moving electrical good industries are highly competitive with the presence of many national and regional players (manufacturers, traders, suppliers and importers etc.) competing on the basis of factors such as products, price, customer service, post sales services, quality and delivery. Further, many of its competitors may have competitive advantages, including greater brand recognition and greater access to financial, research and development, marketing, distribution and other resources and larger product offerings than us. Additionally, certain of its competitors may specialize in manufacturing wires and cable, and consumer electrical products within particular product verticals and hence, may be able to dedicate significantly larger resources towards developing and manufacturing technologically superior equipment than it and their brands may gain greater visibility within those product verticals. The Company's competitors may further, enter into business combinations or alliances that strengthen their competitive positions or prevent the Company from taking advantage by entering into such business combinations or alliances. Increasing competition may result in pricing pressures or decreasing profit margins or lost market share or failure to improve its market position, any of which could substantially harm its business and results of operations.
- 4) **Loss in Fast Moving Electric Good Business:** For Fiscals 2021, 2022 an 2023 and three months ended June 30, 2022 and June 30, 2023, the fast moving electrical good segment loss before tax and interest amounted to ₹ (30.06) Crore, ₹ (29.84) Crore, ₹ (69.5) Crore, ₹ (14.88) Crore and ₹ (16.95) Crore respectively. The Company expects its fast moving electrical good business to continue to be operated at a loss and it may not be able to achieve and sustain profitability.



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