RR Kabel Ltd.

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Operator: Ladies and gentlemen, good day and welcome to RR Kable Limited Q3 FY26 earnings conference call hosted by MUFG India. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Devansh Dedia from MUFG India. Thank you and over to you, sir.

Management: Thank you. Good afternoon everyone. And I extend a very warm welcome to all participants on the Q3 and nine-month FY26 earnings conference call of RR Kable Limited. Today on this call we have Mr. Mahendra Kumar Kabra, Managing Director, and Mr. Rajesh Jain, the Chief Operating Officer. Before we begin this call, I would like to give a short disclaimer. This call may contain some forward-looking statements which are completely based upon our belief, opinion and expectation as of today. These statements are not a guarantee of future performance and involve unforeseen risks and uncertainties. With this, I hand over the call to Mr. Mahendra Kumar Kabra. Over to you, sir.

Management: Thank you. Good afternoon everyone. And thank you for joining us today for our Q3 and nine-month FY26 year-end results. I am joined by our COO, Mr. Rajesh Jain. The quarter under review played out in a macro environment that can best be described as one of gradual stabilization. Globally, growth remained steady but uneven, spurred by evolving trade dynamics and geopolitical uncertainties. While these factors continue to influence global supply chains, the broader environment shows signs of normalization rather than disruption, which helped restore a degree of predictability for businesses.

Against this backdrop, India continued to stand out, supported by the strength of its domestic growth drivers. The economy has maintained momentum across consumption, investment, and manufacturing, providing a solid foundation for sectors linked to infrastructure, housing, and electrification. Increasingly, domestic consumption showed visible improvement during the period, supported by better household confidence and post-tax income normalization, which also reflected in stronger demand across construction-linked categories.

Financial conditions also turned more supportive during the period. Easing inflation and an accommodative monetary stance improved credit availability, which is beginning to translate into higher economic activities across multiple sectors. These developments are particularly relevant for industries like ours that are closely aligned with long-cycle infrastructure and urban development.

Against this improving macro backdrop, we are pleased with how the business performed. At a consolidated level, we delivered our strongest ever nine-month performance in terms of revenue, operating profitability, and profit after tax. This was largely driven by the continuous strength of our wire and cable businesses and a disciplined approach to execution across the organization.

The wire and cable segment saw strong momentum during the period. Growth was supported by healthy volume expansion across infrastructure, construction, and power-related applications, along with the impact of commodity price movements. Better operating leverage, pricing discipline, and tighter cost control helped improve segment performance.

In the FMEG segment, conditions remained more challenging and broadly in line with industry trends. Demand in discretionary categories continued to be selective. That said, our focus remained on controlling costs, simplifying the portfolio, and improving operating efficiencies. As a result, while losses persisted on a year-on-year basis, we were able to meaningfully reduce losses over the nine-month period.

Overall operating profitability improved during the period, supported by the strong contribution from wires and cables and better cost discipline across the business. This also translated into a healthy improvement at the bottom line, reinforcing the operating leverage in our model.

Looking ahead, while some near-term unevenness may persist in certain segments, the longer-term fundamentals for the electrical industry in India remain intact. Infrastructure development, housing growth, electrification, and the ongoing shift towards organized and compliant products continue to support demand. Our focus remains on disciplined execution, strengthening our core businesses, and creating sustainable value over the long term. With that, I would like to hand over to Mr. Rajesh Jain to share further operational insights. Thank you everyone and have a good day.

Management: Thanks Mahendra. From an operating standpoint, the environment during the period benefited from improving macro stability, particularly on the inflation and interest rate front. Inflationary pressures have moderated meaningfully and despite currency movements during the year, the impact on domestic cost structures has remained manageable. The supportive inflation environment enabled a more accommodative monetary stance with cumulative rate reductions, improving borrowing conditions across the economy.

Lower financing costs are beginning to support housing demand, infrastructure execution, and working capital efficiency across the value chain sectors that are directly relevant to our industry. While volatility in copper and aluminum prices persisted during the period, improved pricing discipline across the industry and tighter procurement control helped maintain stability. Our focus remained on optimizing sourcing, strengthening supply chain efficiency, and managing working capital prudently.

In this environment, RR Kable delivered a strong operating performance during the quarter as well as over the nine-month period. Starting with the consolidated performance, revenue from operations for Q3 FY26 stood at 2,536 crores, representing a 42.3% year-on-year growth compared to 1,782 crores in Q3 FY25. This growth was primarily driven by strong momentum in the wires and cables business, supported by healthy volume growth and improved realization, mainly due to higher commodity prices.

For the nine-month FY26, consolidated revenue stood at 6,758 crores, up by 25.1% year-on-year, marking the highest ever nine-month revenue for the company as compared to 5,400 crores in the nine-month FY25. This growth reflects sustained demand across infrastructure and construction-linked segments and disciplined execution across the business.

On the profitability front, EBITDA for Q3 FY26 increased to 206 crores, an 86% year-on-year growth compared to 111 crores in Q3 FY25. EBITDA margins improved on the back of operating leverage, better cost absorption, and continued focus on procurement and execution efficiency despite volatility in raw material prices. For the nine-month FY26, EBITDA stood at 526 crores, up 80% year-on-year as compared to 292 crores in the nine-month FY25, once again representing the highest ever EBITDA for any nine-month period.

Moving to the bottom line, profit after tax for Q3 FY26 stood at 118 crores, registering a 72.4% year-on-year increase as compared to 69 crores in Q3 FY25. For the nine-month FY26, PAT came in at 324 crores, up 77.7% year-on-year, marking the highest ever nine-month PAT in the company's history as compared to 183 crores in nine-month FY25.

Coming to segment performance, the wire and cable business continued to remain the primary growth engine for the company. Segment revenue grew by 48.6% year-on-year during Q3 FY26 at 2,293 crores as compared to 1,543 crores in Q3 FY25, driven by a robust 30% overall volume growth led by stronger domestic demand alongside healthy export growth. The company continues to enjoy a dominant position in the export market, supported by scale, quality certifications, and long-standing customer relationships. Segment profitability also improved significantly, with segment profit recording 84.9% year-on-year growth at 199 crores as compared to 108 crores in Q3 FY25.

Turning to the FMEG segment, revenue for Q3 FY26 stood at 243 crores compared to 240 crores in Q3 FY25, reflecting a steady year-on-year performance broadly in line with industry trends amid continued caution in discretionary demand and channel-level adjustments. From a profitability standpoint, losses remained largely restrained on a year-on-year basis and were significantly curtailed on a sequential basis, driven by focused cost reduction initiatives, portfolio rationalization, and improved operational efficiency, supporting a gradual move towards a more sustainable profit trajectory.

Looking ahead, we remain cautiously optimistic about the outlook. While the near term may remain mixed in certain segments, the medium-term fundamentals for the electrical industry in India remain strong. Infrastructure spending, housing growth, and the structural shift towards organized, compliant, and branded products continue to gather pace, supported by rising awareness around safety standards and regulatory compliances.

During the period, the company incurred capital expenditure in line with its overall capex plan, supporting capacity and efficiency enhancements in line with robust industry demand and long-term growth opportunities. Our manufacturing scale, quality assurance processes, and distribution reach position us well to benefit from this transition. The company's performance remains aligned with the objectives of Project Rise, our three-year strategic roadmap, and we remain firmly on track to achieve the stated milestones. We will remain focused on disciplined execution, operational excellence, and strengthening our competitive position across the business.

With this, I will request to open the floor for questions and answers.

Operator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Natasha Jain from Phillip Capital.

Please go ahead.

Natasha Jain – Phillip Capital: Thank you for the opportunity and congratulations team on a good set of numbers. My first question would be broadly on the wires and cables demand on the ground. If you could provide a little more color on how the demand is right now. How is the inventory position, and because of copper rising so sharply, is the channel seeing issues in terms of working capital?

Management: Thanks, Natasha, for your question. In wire and cable, we have seen very good growth in demand, particularly due to the rise in every sector, be it real estate or industrial demand and even in the export market as well. Of course, we have seen extraordinary volatility in the last quarter and that has continued into this quarter as well. Since prices have moved by almost 20-25% in just a single quarter, there were pressures on working capital on our channel side, but at the same time, we have seen good traction. Since the demand is good and everyone is stocking up, we have seen a good effect in Q3 FY26.

At the same time, since this volatility is there—and it is a huge volatility whether on the upper side or the reducing side—this will be managed as we have done previously. We will keep passing on this impact of prices to our consumers and customers.

Natasha Jain – Phillip Capital: Got it. Ideally, how much time would it take for such a sharp rise to be passed on to the channel and eventually to the consumer? Can there be any slowdown in housing projects going forward in the near term?

Management: One thing you need to appreciate is that wire and cable are category C items for any project. Ultimately, consumption will not be reduced just because prices are increasing or decreasing in a small timeframe. If somebody is building a project, the wire and cable may cost only around 1-1.5% of their total cost. So demand will always be there. The only thing is that stocking up by dealers may reduce or increase in the short term.

Natasha Jain – Phillip Capital: Got it. And a last question. You have mentioned previously that the industry is set to see a 15% CAGR. Are we on track for that number even in calendar year 2026?

Management: Yes, if I talk about India's growth, as I said earlier, this industry is expected to grow at double the GDP growth. If India grows at anything between 7-8%, then this industry is expected to grow in the 14-15% range. For us, with this 30% volume growth in this quarter, we will be able to achieve around 17-18% volume growth for the nine-month period, which is in line with our business plan and growth strategy.

Natasha Jain – Phillip Capital: Got it. Thank you so much.

Operator: Thank you. The next question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.

Dhruv Jain – Ambit Capital: Thank you so much for the opportunity. Sir, my first question is if you could give us the data with respect to volume growth for this quarter. Which segments have grown faster between wire and cable, and if you could give some color on the export numbers?

Management: Our overall volume growth in wire and cable is around 30% plus. Wires grew by almost 30%, while cables grew more than 25%. Looking at domestic and exports, in domestic we grew in value by more than 50% and in volume by more than 30%. In exports, it is above 25%. Overall, we observed volume growth across all segments, whether wire, cable, domestic, or export.

Dhruv Jain - Ambit Capital: Sir, one clarification. We have seen margins dip a little bit quarter-on-quarter while year-on-year we are significantly up. Is it that you have not passed on the full impact of copper inflation, or is it due to some other factor?

Management: If you see segment margins, they have slightly reduced compared to the previous quarter, but passing on the price is a continuous process. There will be some lag impact. In just a single quarter, the price rise was almost 25%, yet the impact on margins is hardly 0.5%. It is in line with, or rather better than, what others in the industry have seen.

Dhruv Jain - Ambit Capital: And just on capacity utilization and capex. Could you give us an update on the cable side? If I am not wrong, there was another phase of capacity in cables coming on stream in March. Are we on track, and what are the utilization numbers?

Management: Yes, we planned to invest around 1,200 crores over a period of 3 years, with almost 80% invested in the cable side. We have planned this capex to service our projected 18% yearly volume growth. In a phased manner, capacity will keep coming online and we will keep utilizing it. From a capacity utilization point of view, we are almost at 70% in wires and 90% in cables.

Dhruv Jain - Ambit Capital: And the March addition?

Management: As I said, this is a continuous process where we increase capacity in a phased manner. We are on track with our overall fixed assets and capitalization plan.

Dhruv Jain - Ambit Capital: Thank you so much and all the best.

Operator: Thank you. The next question is from the line of Ashish Kanbora from Citibank. Please go ahead.

Ashish Kanbora - Citibank: Thank you. Regarding the price hike, can you quantify how much you were able to pass on in Q3? For example, given how copper has moved, if you needed a 20% hike, how much was passed in Q3 and have you taken incremental hikes in Q4?

Management: Ashish, this is a continuous process. If prices increase by 2%, 3%, or 4%, we must change our sales price. In the month of December alone, we implemented two price hikes. In Q4, since there was upward movement in the last week of December, we had three price hikes in January as well. You have to change your sales price based on the movement in metal prices.

Ashish Kanbora - Citibank: How is the pricing behavior among the top four players? Typically, we saw price hikes once a year; now it's once a month or even two or three times. Is this an industry-wide phenomenon or is any player behaving aggressively?

Management: At the industry level, this practice remains the same because nobody can absorb these kinds of price increases. It directly impacts profitability. The frequency is based on the degree of volatility. If prices rise by 3% or 5%, you keep changing. Sometimes we have to change pricing within a week; sometimes it stays stable for two or three months.

Ashish Kanbora – Citibank: January has also been volatile. How has the demand trend been and what was the channel inventory at the end of January?

Management: Even in January, copper prices were on the upside and we saw good demand in the market. As I said earlier, consumption will always be there. There might be stocking or de-stocking for a 15-day period or a month, but you need to look at it over a longer timeframe.

Ashish Kanbora – Citibank: One last question, I noticed that payable days increased this quarter. Anything to read into that?

Management: It is just working capital management. We keep adjusting our payable and receivable days, but our overall working capital days remain in line with what we projected at the beginning of the year.

Operator: Thank you. The next question is from the line of Achal Lohade from Nuvama Institutional Equities. Please go ahead.

Achal Lohade – Nuvama Institutional Equities: Thank you for the opportunity. Regarding margins, how do you see them playing out in Q4 assuming prices remain stable? Do you see sequential margin expansion, or could Q4 margins fall compared to Q3 due to volatility?

Management: If prices remain the same or volatility is lower, there should not be any impact on margins. It should be in line with our yearly plans, where we guided for a 100 basis points improvement.

Achal Lohade – Nuvama Institutional Equities: I am trying to extract the numbers. If it was 9.9% and you are talking about a 100 basis point improvement, are we looking at 9.5% plus for Q4?

Management: It is difficult to predict exact quarterly numbers, but we target around 8.5% on a yearly basis. It will be in line with that.

Achal Lohade – Nuvama Institutional Equities: Theoretically, if copper prices were to fall back to $10,000, how would that impact the industry and the company in terms of volume and margins?

Management: There are two aspects. Psychologically, if there is a huge reduction in prices, there may be a pause in demand at the stocking level. We might see a slowdown in terms of revenue. However, we are confident in the fundamental growth plans of the industry. Regarding margins, theoretically, at lower LME, margins in percentage terms might go up, but there could be an inventory impact as well.

Achal Lohade – Nuvama Institutional Equities: In terms of exports and the recent EU trade deal, how does it benefit us given our high exposure?

Management: This announcement may take around 12 months to have an impact, but it is a very good deal. Almost 40% of our exports go to the European Union, so we can get good traction. This treaty is quite favorable for our wire and cable business.

Achal Lohade – Nuvama Institutional Equities: Regarding channel inventory, what is the typical level and where is it today?

Management: Normally, the channel keeps 25-30 days of inventory. It might have increased by another 5-7 days. Since the value has increased by 20-25%, they have limitations on the investment they can make. Finance costs are significant in this business.

Achal Lohade – Nuvama Institutional Equities: What is the maximum inventory days you have seen in the past?

Management: I don't think anybody can increase much beyond this level, but at most, it could go to 45 days.

Operator: Thank you. The next question is from the line of Sandesh Shetty from HSBC Bank. Please go ahead.

Sandesh Shetty – HSBC Bank: Good afternoon. What is the nine-month capex incurred for the wires and cables business?

Management: We have done around 280 crores in nine months.

Sandesh Shetty – HSBC Bank: On FMEG, demand hasn't been great. When can we expect profitability?

Management: The nine-month season was not good, particularly for fans. That is why we are flat at the nine-month level. However, on the profitability front, we planned to reach break-even at the EBIT level by Q4 FY26. We are on track because even in Q3, where growth was flat, our losses were only in the range of 5 crores.

Sandesh Shetty – HSBC Bank: Regarding exports, do you see this momentum continuing and what is the wire versus cable mix?

Management: We have seen very good traction across all countries where we export. Export has always been our focus area. We are developing new geographies and new product lines. Our exports currently are in the 70-30 range (wire to cable), but looking at our expansion plans, more growth will come from the cable side.

Operator: Thank you. The next question is from the line of Vidit Trivedi from Asian Market Securities. Please go ahead.

Vidit Trivedi – Asian Market Securities: Hi. How do you account for price hikes in export orders compared to the domestic price list?

Management: In exports, it is easier because we have a 100% back-to-back mechanism. Whatever my customer buys, we book back-to-back. There is no risk to profitability.

Vidit Trivedi – Asian Market Securities: On the EU trade deal, what was the duty structure before and what is it expected to be post-deal? How are the export receivable cycles?

Management: The tariff was around 3.7% in the EU for wire and cable, which will become zero. It is very beneficial for us since we have an established market. Export receivables are mostly secured by LCs and vary between 30-60 days.

Vidit Trivedi – Asian Market Securities: Creditor days increased to 42 in December 2025. Is this structural efficiency or extended supplier credit? Should we assume working capital stays in the 50-60 day range?

Management: It is a balance in managing overall working capital while prices were increasing. We developed credit lines to have efficient control. We target to stay in the range of 50-60 days.

Operator: Thank you. The next question is from the line of Rahul Agarwal from Akikai Asset. Please go ahead.

Rahul Agarwal – Akikai Asset: Thank you. Have all the senior management gaps been filled at RR Kable following recent changes?

Management: As you can see, there is good improvement this financial year. The team is young, dynamic, and aggressive. It is all done.

Rahul Agarwal – Akikai Asset: Looking at staff costs, it seems to be flattening out despite capex. Should we look at this 400 crore annual cost as the baseline?

Management: This is a continuous process of automating and getting better efficiency from both manpower and machinery. As scale goes up, we expect to see improvement in percentage terms.

Rahul Agarwal – Akikai Asset: What is the operating cash flow for the nine-month period?

Management: I don't have the absolute number handy, but working capital days are stable at 56 days and nine-month capex is around 260-280 crores.

Rahul Agarwal – Akikai Asset: Where do you think export growth will stabilize over a three-year basis?

Management: We are quite hopeful that exports will do much better, especially as we expect the US market to open up for us. Cable exports will likely increase for Indian players. It could be slightly better than domestic growth.

Rahul Agarwal – Akikai Asset: Regarding margins for FY27 and FY28, are we sticking to the 100 basis points expansion target every year?

Management: We are planning to improve by another 100 basis points every year. By FY28, we are targeting double-digit EBIT margins of around 10.5% in our wire and cable business. We are on track.

Operator: Thank you. The next question is from the line of Karan Kamdar from Choice Institutional Equities. Please go ahead.

Karan Kamdar – Choice Institutional Equities: What is the strategy for increasing B2B sales and what is the split between B2B and B2C in wires and cables?

Management: Currently, 70% of our revenue comes from wires, which is strongly B2C. However, 65% of the industry business is contributed by the cable segment. That is why we have planned huge capex in the B2B category. We are expanding our B2B dealer network and focusing on power cables for contractors and industrial customers.

Karan Kamdar – Choice Institutional Equities: What are the growth plans for FMEG over the next three years?

Management: We expect to grow FMEG at 25% since our base is small. Having reached the break-even target, we believe we can achieve EBIT margins of 5-6% in the FMEG segment by FY28.

Karan Kamdar – Choice Institutional Equities: Do you plan to do job work in the FMEG space?

Management: No, we only do consumer business. Currently, 1/3rd is in-house and 2/3rds is outsourced. There is no plan to do job work for others.

Operator: Thank you. The next question is from the line of Balasubramanyam from Arihant Capital. Please go ahead.

Balasubramanyam – Arihant Capital: On the FMEG side, what percentage of revenue comes from premium versus economy? Also, what is the plan to ramp up presence in South India?

Management: Almost 50% of FMEG revenue comes from fans, 32% from lighting, and 18% from appliances and switchgear. Around 20% of revenue comes from the premium and mid-premium categories. We are already strong in the North and East. We are currently working to establish a dealer-distributor network in the South for the FMEG business.

Balasubramanyam – Arihant Capital: What is the channel mix between dealers and e-commerce?

Management: In FMEG, 10% comes from e-commerce and 90% through dealers and distributors. In wire and cable, it is 100% through the dealer-distributor network. We have more than 6,000 dealers and 150,000 retail points nationwide. We are now focused on increasing the depth of our distribution where we are less present.

Operator: Thank you. The next question is from the line of Rakshal Jain from White Oak Capital Asset Management. Please go ahead.

Rakshal Jain – White Oak Capital Asset Management: What is your cost of borrowing?

Management: Our cost of borrowing is around 7%. This is a mix of export loans and domestic credit facilities.

Operator: Thank you. The next question is from the line of Rohit Charan from I Thought PMS. Please go ahead.

Rohit Charan – I Thought PMS: Could you explain the supply chain? Do you sell to distributors who then sell to dealers, or do you sell directly to B2B players?

Management: In B2C, wires are sold via distributors to retailers, who sell to end consumers. In B2B, we have larger distributors who sell to projects. In some cases, we sell directly to industrial or government customers. Our B2B mix is currently below the industry average because we are a distribution-led company, but that is changing with our growth plans.

Rohit Charan – I Thought PMS: There was a senior hiring announcement recently. Is there any specific strategy behind this reshuffling?

Management: It is a continuous process. To meet our growth strategy, hiring and adjustments are regular activities rather than anything extraordinary.

Rohit Charan – I Thought PMS: Copper prices have crashed in the last week. If this volatility continues for another two or three quarters, how will it impact margins?

Management: It is impossible to predict material prices. It may have a short-term impact over a month or a quarter, but as consumption is constant, we adjust our selling prices to protect our margins.

Rohit Charan – I Thought PMS: How do you plan to compete against regional players in the South and West who have sticky distributor relationships?

Management: We enhance our presence through marketing activities and distribution expansion. While we are very strong in the North and West, we are actively working to expand our market share in the East and South.

Operator: Thank you. In the interest of time, this was the last question. I now hand the conference over to the management for closing comments.

Management: Thank you, everyone, for taking the time to participate in this call. In case of any further queries, please reach out to us or our Investor Relations agency, MUFG Investor Relations. We wish you all the best. Thank you so much.

Operator: On behalf of MUFG India, that concludes this conference. Thank you for joining us and you may now disconnect your lines.