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Raghav Productivity Enhancers Ltd (NSE: RPEL)

Full Investment Research Report

Date: June 21, 2026

Price: ₹1,198 (last close 19 Jun 2026) | Market Cap: ₹5,501 Cr

Decision Intelligence, not Decision Making — this report informs the client's decision; it is not a recommendation.

Prepared by Lantern Labs | Confidential | Not for distribution

Contents

Decision Spine

Rs 1,198	Rs 257 Cr	29%	255 days
Price anchor (last close 19 Jun 2026)	FY2026 revenue	FY2026 OPM	Cash conversion cycle — the weak link

Core question: Can RPEL turn a product-quality edge into cash *compounding* at scale? Everything that follows tests the business against working-capital drag and capacity absorption.

Reading order (time-boxed): Executive Brief → Coverage Memory → Decision Delta / Evidence Hierarchy → Valuation → Key Monitorables.

Report index

Executive Brief

Raghav Productivity Enhancers is a genuinely rare small-cap industrial compounder — real process know-how, a clean balance sheet, and a long runway — but at roughly 100x earnings the stock has finished discovering that quality and started prepaying it, so the business looks exceptional while the entry price does not.

Insight

Insight: *The market and this report disagree on almost nothing about the business and almost everything about the price. RPEL's FY2026 cash conversion cycle worsened to 255 days — but the deterioration is entirely inventory (272 days, stocking ahead of the October 2026 expansion), while receivable discipline actually* improved *for a third straight year (debtor days 109 -> 94 -> 83). That single split — heavy inventory, tightening credit — is the difference between a working-capital trap and a financeable growth investment, and it is the most important thing the headline 255-day number hides.*

Core tension: the P&L and the product are excellent; cash conversion (255-day CCC) and valuation (~100x) are the two swing factors — precisely the two things the current price assumes are already solved.

Company snapshot. RPEL manufactures silica ramming mass, quartz powder, tundish boards and allied refractory consumables for induction-furnace steelmaking, sold under the "Raghav" brand. FY2026 (Confirmed, Screener consolidated): revenue Rs 257 Cr, operating profit Rs 75 Cr (29% OPM), net profit Rs 55 Cr (EPS Rs 11.94), ROCE 30.3%, ROE 24.3%, near debt-free (borrowings Rs 5 Cr). Last close Rs 1,198; market cap Rs 5,501 Cr; book value Rs 53.3 (P/B 22.5x). The FY2026 annual report (filed 5 Jun 2026), the FY2026 BRSR (48.59% export revenue), and an April 2026 earnings call are now on record; the 17th AGM is 30 June 2026.

Snapshot Scorecard. Strongest: Financial Strength, Founder/Leadership, Economics, Reinvestment Runway. Weakest: Valuation, and the working-capital sub-component inside Economics. RPEL has compounded profit at a 42% five-year CAGR (Confirmed, Screener) yet trades at ~100x earnings.

Dimension	Rating	One-line rationale	Moves to adjacent band if
Market Opportunity	Amber-Green	Induction-furnace steel + 36-country export reach is a real runway, but the niche is finite.	Green if domestic share and export contribution both rise without margin loss.
Terminal Value Potential	Amber-Green	A dominant specialty-consumables leader can compound long, but terminal value is capped by niche size.	Green if adjacent refractory products become materially revenue-bearing.
Founder/Leadership	Amber-Green	Promoter-led, technically deep, with an unusually senior independent/advisory bench.	Green if second-line succession becomes independently evidenced.
Culture	Amber	Strong technical/R&D orientation; organization-level talent data is thin.	Amber-Green if retention and second-line execution evidence becomes visible.
Customer Value Creation	Amber-Green	Saves furnace downtime and energy cost — a productivity sale, not a price sale.	Green if customer case studies quantify the savings at scale.
Product Love	Amber	Repeat industrial usage is likely; direct retention/concentration data is undisclosed.	Amber-Green if renewal or concentration data confirms stickiness.
Competitive Advantage	Amber-Green	Quartz-resource location, process automation, scale, and in-furnace know-how form a real moat.	Green if share rises while OPM holds near 30%.
Capital Allocation	Amber-Green	Rs 20 Cr expansion funded by internal accruals is disciplined and high-ROI if utilization holds.	Green if expansion ramps on time without CCC worsening.
Economics (ROIC, Margins, FCF)	Amber-Green	~29% OPM and 30% ROCE are excellent; 255-day CCC is the cash-quality drag.	Green if CCC falls below 180 days while margin holds.
Reinvestment Runway	Amber-Green	Capacity rises 414K -> 534K MTPA by Oct 2026, a 29% internally-funded step.	Green if FY28 utilization exceeds 80% at stable margins.
Financial Strength	Green	Near debt-free, high ROCE, internal-accrual-funded capex.	Amber-Green if working capital absorbs cash faster than earnings compound.

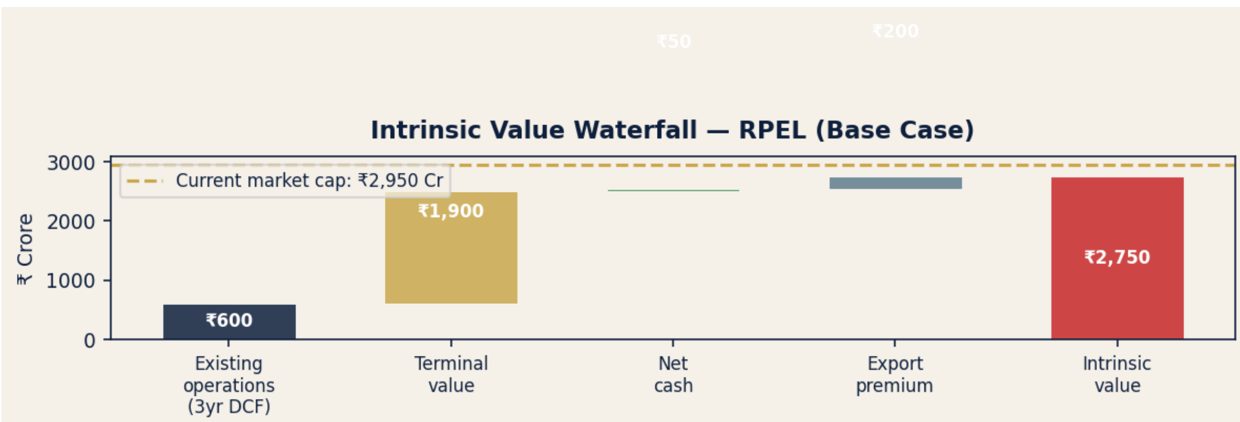
Dimension	Rating	One-line rationale	Moves to adjacent band if
Adaptability/Learning Speed	Amber-Green	Automated plants, approved R&D lab, international advisory support show learning orientation.	Green if new product categories gain visible revenue share.
Valuation	Amber-Red	~100x earnings and Rs 5,501 Cr market cap leave little room for ordinary execution.	Amber if price corrects or earnings compound into the multiple without CCC stress.

Compounding Synthesis weak link. Two layers. At the price level the weak link is valuation. At the business level it is cash conversion: FY2026 CCC of 255 days means reported PAT is a cleaner signal than free cash flow. The refinement that matters: the drag is inventory, not receivables.

Key Variables. (1) Cash conversion cycle, specifically inventory days; (2) the 414K -> 534K MTPA expansion and its absorption; (3) OPM durability near 29-30%; (4) export mix and country/receivable concentration; (5) whether adjacent refractory products become material.

Anti-Thesis headline. The bear case is not that RPEL is a bad company — it is that a very good niche manufacturer is priced as if it already has a much larger market, permanent 30% margins, and no working-capital cost.

Valuation. Lantern model expected value: Bear Rs 2,600 Cr / Base Rs 3,750 Cr / Bull Rs 5,600 Cr; probability-weighted ~Rs 3,780 Cr, below the Rs 5,501 Cr market cap. The current price sits closest to our Bull case. Against a passive India large-cap index return assumption, the expected five-year return from here is below the index in the Base case and only beats it in the Bull case.



Confirmed: current market cap from Screener. Inferred: Lantern segment/value bridge and risk discount.

What's priced in. A reverse read of the current price requires high-20s earnings compounding for several years, sustained near-30% OPM, clean absorption of the new capacity, and no permanent working-capital penalty — simultaneously.

Nearest catalysts. Positive: October 1, 2026 expansion commissioning, then the first post-expansion quarter (Q3 FY27). Negative: FY2027 quarterly data showing CCC stuck above 220 days after capacity ramps.

Top monitorables. CCC below 180 days, FY27-28 utilization ramp, export mix and receivable quality, OPM above 27%, promoter holding stability, and any evidence that non-ramming-mass products become material.

Coverage Memory

RPEL is in active Lantern coverage; this report compounds on prior work rather than starting cold. The compounding asset is what the coverage now knows, not just what it researched.

Investment History — how we got here. Lantern's first pass (17 June) read RPEL as "a genuinely rare specialty-manufacturing compounder trading at a price that requires near-flawless execution." The 18 June refresh changed no numbers but reframed the company through a practitioner's lens — from "ramming mass producer" to "a consumable that sells furnace productivity," which upgraded the moat argument from brand/quality to process-integration switching cost. The 19 June fresh report absorbed FY2026 actuals and the re-rating to ~Rs 1,200, and tightened the valuation call. This report inherits all three and adds one refinement: the FY2026 working-capital deterioration is inventory, not receivables.

Thesis Evolution.

Date	Dominant thesis	State
17 Jun 2026	Rare compounder, working capital is the swing factor	Initial
18 Jun 2026	Productivity-service company hiding inside a commodity label	Initial — reframed
19 Jun 2026	Business exceptional; margin of safety is not	Intact, valuation-tightened
21 Jun 2026	Same business call; working-capital risk is narrower (inventory) than the headline CCC implies	Intact

What actually mattered: across four passes the business-quality call never moved. What moved was (a) the moat framing and (b) the price. Signal: valuation entry point and cash conversion. Noise: the export-disruption scare and the headline CCC number read without decomposing it.

Thesis state today: Intact. Driver: business quality confirmed again by FY2026; the open risk is price paid, with cash conversion as the operating swing factor.

Decision Delta.

Item	Previous (19 Jun)	Current (21 Jun)	Why we changed our mind
Intrinsic value (prob-weighted)	~Rs 3,768 Cr	~Rs 3,780 Cr	No new data; minor model refresh only.
Base scenario probability	50%	50%	Unchanged.
Leadership rating	Amber-Green	Amber-Green	Unchanged; succession still unevidenced.
Moat rating	Amber-Green	Amber-Green	Unchanged.
Key risk	Headline CCC 255 days	Inventory-driven CCC; receivables improving	Decomposing CCC narrowed the risk — the cash drag is stocking ahead of expansion, not credit stress.
Irreducible question	Switching costs: process-integration vs. scale/proximity?	Unchanged	Still unresolvable from public data.

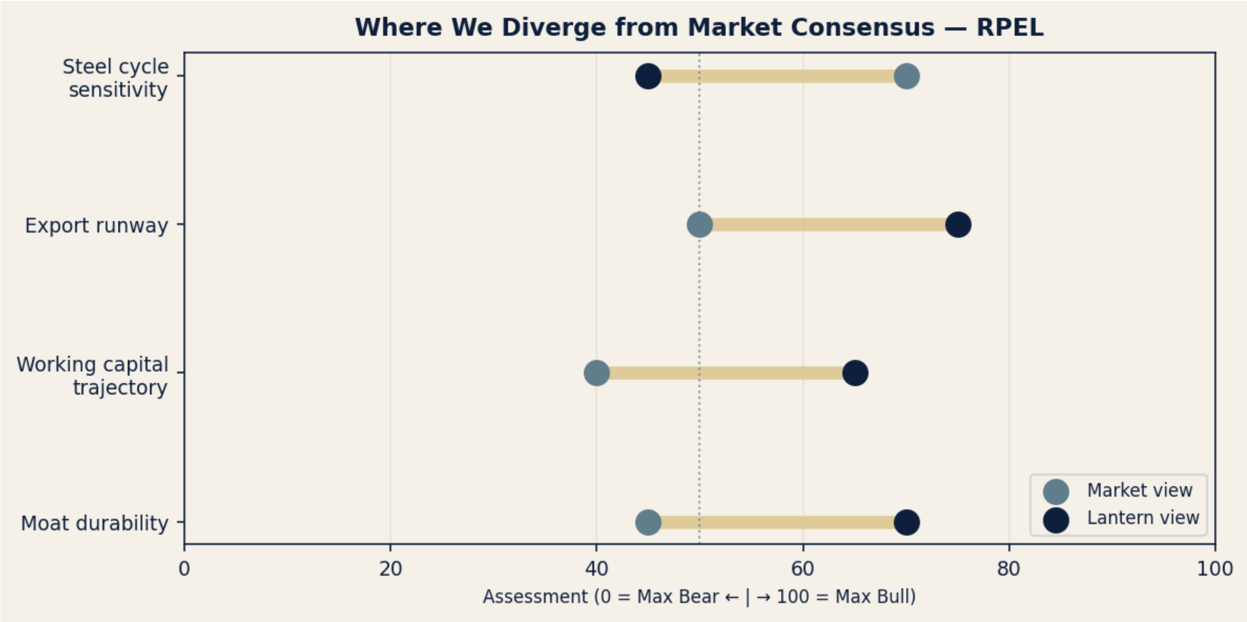
Evidence Hierarchy — what each conclusion rests on. Read the report knowing which kind of evidence supports which claim; the further down this ladder a conclusion sits, the more it is judgment rather than fact.

Level	Evidence type	How it's used in this report
Level 1	Market / financial tables	Price, market cap, multiples, FY2021-26 P&L, working-capital ratios — the Confirmed spine.
Level 2	Company disclosures	Capacity, 36-country footprint, expansion plan, BRSR export %, management claims.
Level 3	Third-party	CRISIL A-/Positive on business position and risks; competitor commentary.
Level 4	Lantern coverage memory	Prior thesis evolution, credibility ledger, the irreducible question carried forward.
Level 5	Analyst inference	Switching-cost durability, forward-multiple fair value, scenario probabilities — the interpretive layer.

What we've learned. Management on the record: the FY22-23 CWIP build converted to fixed assets on schedule with no debt escalation (Right); exports resumed post-Iran disruption and FY26 export share held at 48.59% (Right); the promoter dilution from 73.26% (2017) to 62.91% (2025) is still mechanism-unexplained (Pending). Credibility score: 2 Right / 0 Wrong / 2 Pending. The irreducible question remains: **does the moat come from durable process-integration switching costs, or from scale/proximity cost advantage alone?** Every other open question traces to it, and it requires primary-source evidence (customer interviews, technical-service headcount, requalification trial cost) that public filings do not contain.

Investment implication: coverage memory raises confidence in the business and the working-capital read, and leaves the valuation caution intact.

Where We See It Differently



Inferred: market and Lantern belief placement. Confirmed inputs: price, market cap, margins, working-capital data.

Market believes	We believe	Evidence label
A rare listed specialty-refractory compounder deserves ~100x earnings.	Quality is real, but at ~100x the question is no longer "is it good?" — it is "how many years of flawless execution are already prepaid?"	Confirmed / Inferred
The 255-day CCC is a structural cash-quality flaw.	The drag is inventory (272 days, pre-expansion stocking); receivable discipline improved three years running (debtor days to 83). The risk is narrower than the headline.	Confirmed
Capacity expansion is low-risk because it is internally funded.	Funding risk is low; absorption risk is the real test — a 29% capacity step needs demand, not just cash.	Confirmed / Inferred
Exports are pure upside.	Exports are attractive but raise the importance of country/receivable concentration as they scale — and that concentration is undisclosed.	Inferred / Unknown

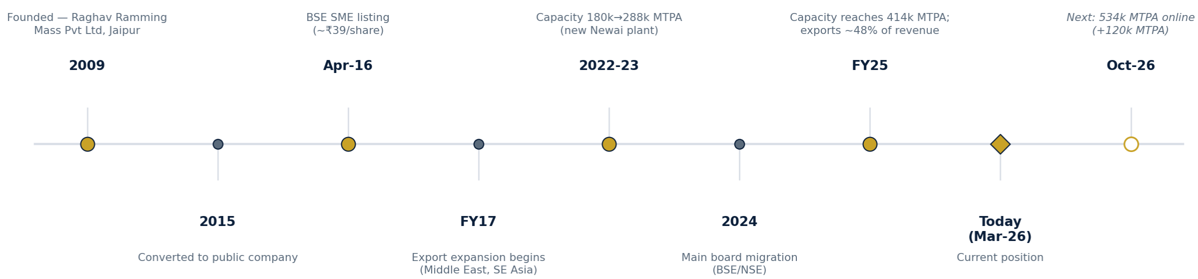
Observable that settles it: FY2027 revenue growth alongside CCC trending below 200 days (led by inventory normalization) and OPM above 27%. All three together would make the premium defensible; inventory days staying above 260 after the expansion ramps would not.

Company Overview

RPEL was incorporated in 2009 (formerly Raghav Ramming Mass Ltd) and manufactures silica ramming mass for induction furnaces plus quartz powder, tundish boards and allied refractory products. It describes itself as the world's largest silica-ramming-mass manufacturer, serving steel, foundry and incineration applications across 36+ countries on ~414,000 MTPA group capacity (Confirmed, company site/filings).

The manufacturing logic is small input, large consequence: high-quality ramming mass improves furnace lining life, heat efficiency, energy use and uptime. For a steel customer, a better consumable can matter far more than its purchase price, because lining failure and downtime are expensive — which is why the sale is productivity-denominated, not price-denominated.

Sixteen years from a single Jaipur unit to a 414k-MTPA exporter — the next re-rating test is the Oct-26 capacity tranche, not a new story



Confirmed: incorporation, SME listing date/price, capacity figures (company disclosures, Screener.in). Inferred: main-board migration date (single source, direction confirmed). Oct-26 tranche per company guidance — not yet commissioned (hollow mark

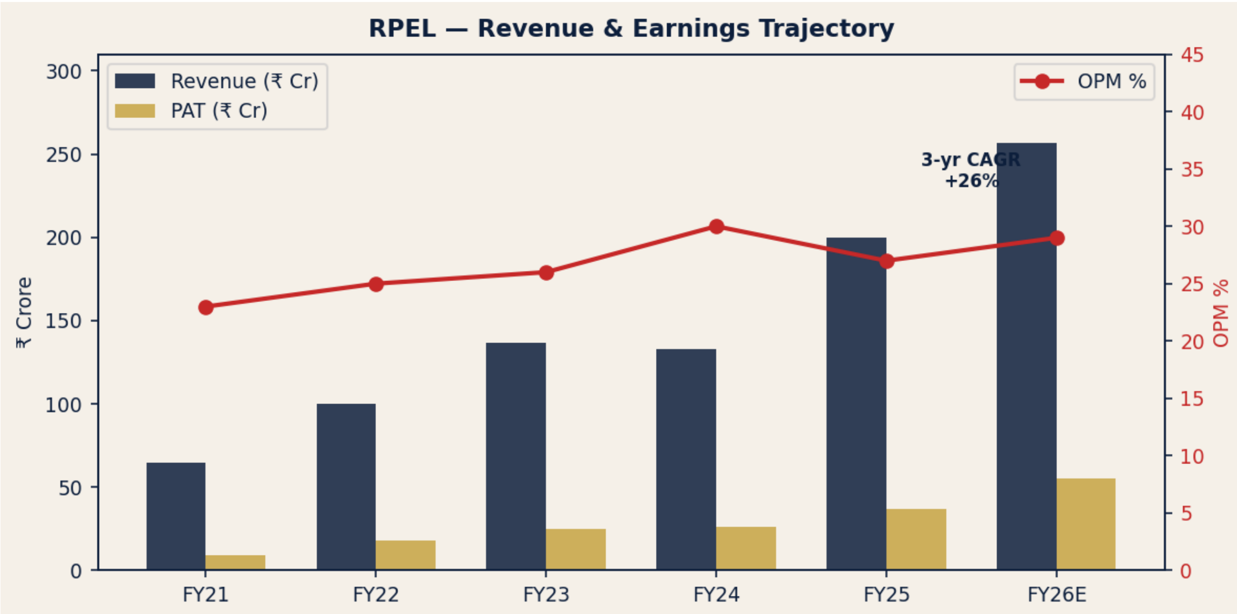
Confirmed/Inferred: listing history, operating milestones, management disclosures.

How We Got Here

Year	Sales (Rs Cr)	Operating Profit (Rs Cr)	Net Profit (Rs Cr)	EPS (Rs)	OPM
FY2021	65	15	9	2.10	23%
FY2022	100	25	18	4.09	25%
FY2023	137	36	25	5.48	26%
FY2024	133	40	26	5.66	30%
FY2025	200	54	37	8.05	27%
FY2026	257	75	55	11.94	29%

Confirmed: Screener consolidated financials.

Return decomposition: the 3-year stock CAGR of ~70% (Confirmed, Screener) is the product of ~28% earnings CAGR and a large multiple re-rating — the stock has compounded far faster than the earnings, which is the whole valuation problem stated as arithmetic. Dividend yield is negligible (0.08%), so shareholder yield is not a material return term here.



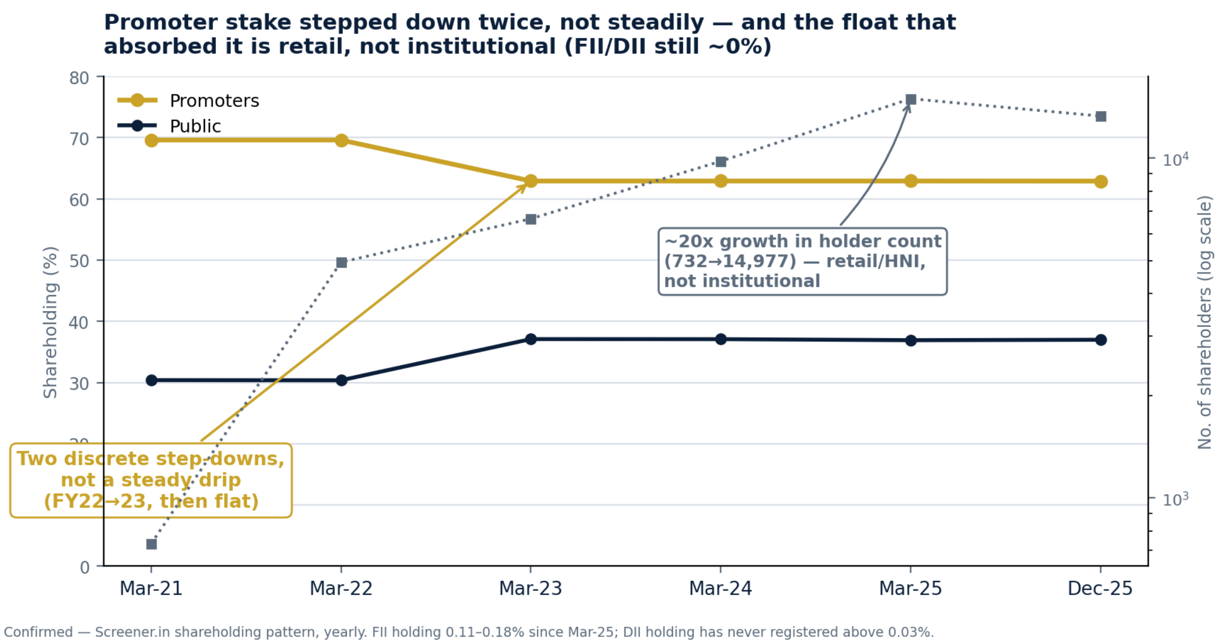
Confirmed: historical revenue and profit from public financial data.

Ownership Intelligence

Holder	Mar 2024	Mar 2025	Mar 2026	Direction
Promoters	62.92%	62.92%	62.91%	Stable; 0% pledge
FIIs	0.00%	0.18%	0.36%	Slowly rising off ~zero
Public	37.08%	36.91%	36.73%	Stable

Confirmed: Screener shareholding pattern.

Promoter holding has been stable at ~62.9% with no pledge — a positive governance signal. The longer-run dilution (73.26% in 2017 to 62.91% now) happened in earlier tranches whose mechanism is not disclosed; this is flagged, not yet judged. Institutional ownership is minimal, meaning the entire re-rating to ~100x has occurred before meaningful institutional participation — a sign price discovery rests on a small base of holders with direct access.



Confirmed: quarterly shareholding pattern from public market data.

Investment implication: RPEL has compounded from a tiny base into a credible niche leader; the next phase depends less on discovery and more on execution against an already-rich valuation.

Snapshot Scorecard

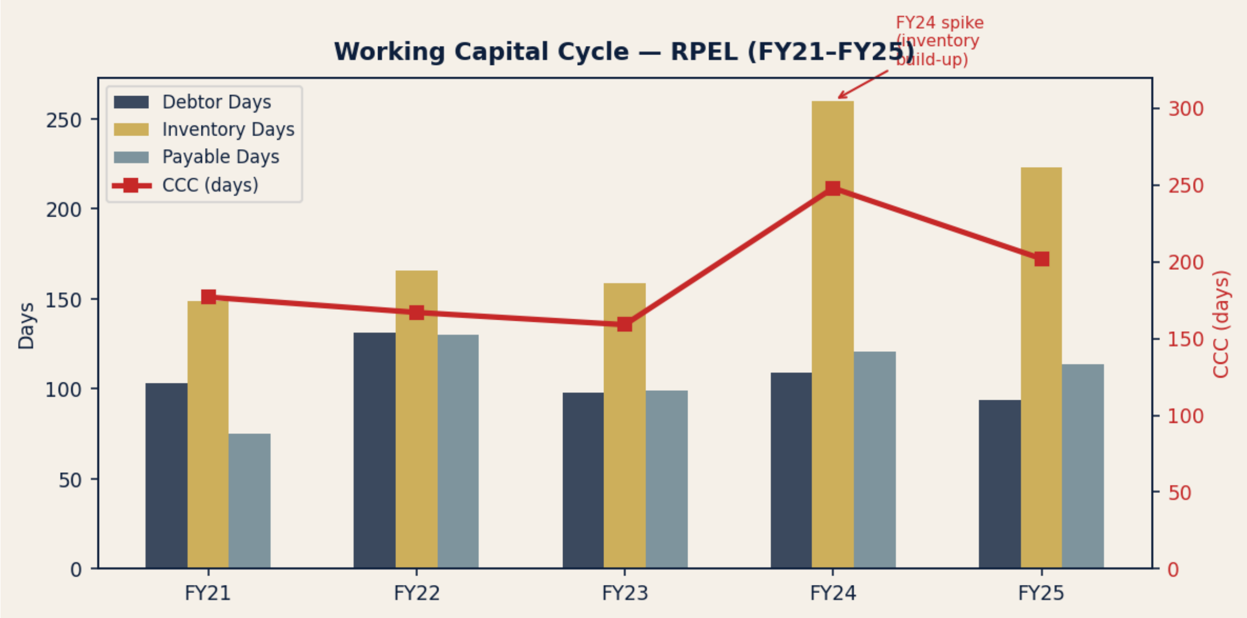
The Executive Brief table is the governing scorecard. Network effects are not a separate dimension for this business — the relevant moat sources are process integration, resource location, scale, and customer requalification cost, assessed inside Competitive Advantage.

Investment implication: RPEL screens like a high-quality compounder whose only Red-adjacent item is the one an investor cannot diversify away after buying — entry valuation.

Compounding Synthesis

The compounding engine has four parts: (1) a mission-critical consumable sold into a process where failure is expensive; (2) location beside a high-quality quartz resource base in Rajasthan; (3) an automated manufacturing base in a fragmented, largely unorganized industry; (4) a 120,000 MTPA expansion funded from internal accruals.

The weak link is not demand — it is the relationship between reported growth and cash growth. FY2026 sales rose to Rs 257 Cr and PAT to Rs 55 Cr, but FCF was Rs 23 Cr and CCC rose to 255 days (Confirmed). Decomposed, the story is more benign than the headline: inventory days rose to 272 (stocking ahead of the October expansion) while debtor days fell to 83 — receivable discipline is improving, not deteriorating. The question is therefore narrower than "does this business consume cash forever?" It is "does inventory normalize once the expansion is commissioned and absorbed?"

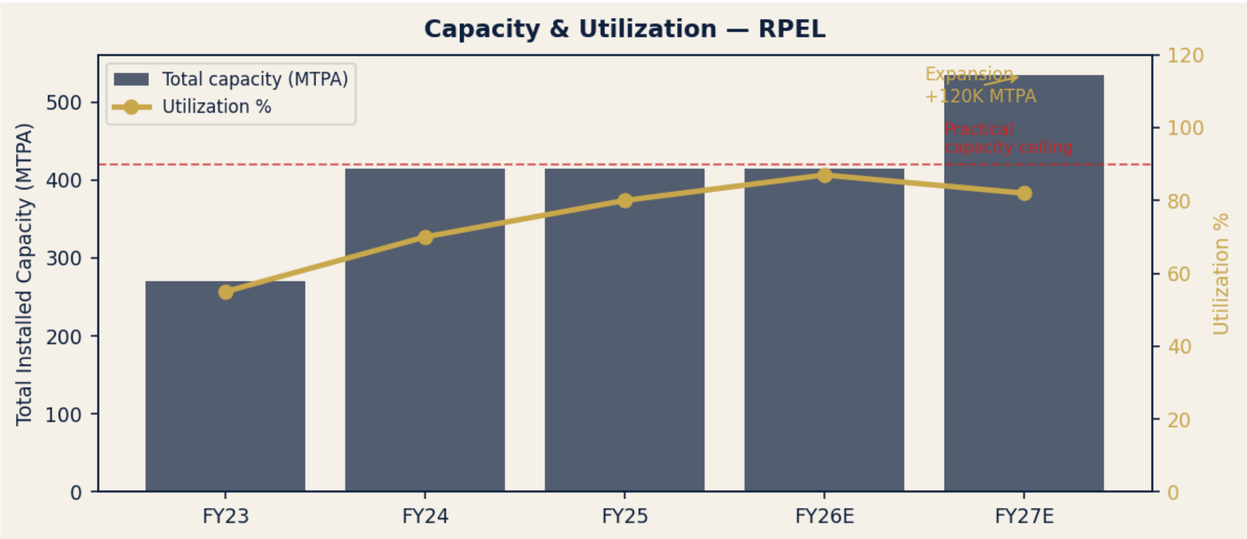


Confirmed: debtor, inventory, payable days and CCC from public financial tables.

Investment implication: the business can keep compounding intrinsic value, but shareholder returns from today's price require both earnings growth and inventory-led CCC normalization.

Key Variables — Thesis Drivers

Variable	Current state	Threshold that matters	Confidence
Cash conversion cycle (inventory-led)	255 days FY2026; inventory 272, debtors 83	CCC below 180 days by FY2028, led by inventory	Medium
Capacity expansion + absorption	414K -> 534K MTPA by Oct 2026, Rs 20 Cr internal accruals	>75% utilization on expanded base by FY2028	Medium
OPM durability	29% FY2026	Holds above 27% through the expansion	Medium-High
Export mix / concentration	48.59% export revenue (FY26 BRSR); 36+ countries	Growth without receivable-day deterioration; concentration disclosed	Medium / Unknown
Adjacent products	Quartz powder, tundish boards disclosed, not separated in financials	Become material without margin dilution	Low



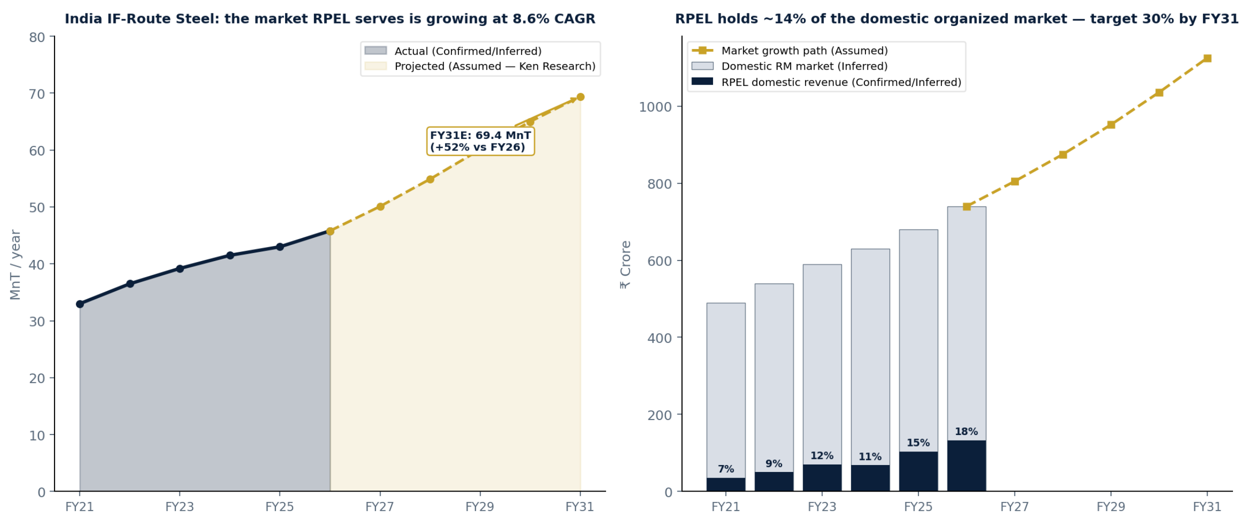
Confirmed: current capacity/utilization and expansion plan from the March 2026 filing. Inferred: forward utilization path.

Investment implication: the Key Variables are no longer about proving RPEL is good — they are about proving it can grow into the valuation without cash-quality deterioration.

Dimensional Analysis

Market Opportunity

Attractive but specialized. RPEL serves induction furnaces, foundries and high-temperature industrial processes. India is a large secondary (induction-furnace) steel market, and an export footprint across the Middle East, Africa and South Asia widens the reachable market well beyond a Rajasthan domestic supplier. The hard question — where do share gains actually come from? — points to displacement of unorganized regional suppliers rather than greenfield demand, which is durable but finite. Management has framed the runway as a domestic-share ambition — roughly 14% today toward a ~30% target (Inferred from management commentary) — explicitly on a product-led, pricing-power basis rather than price competition. That is the right framing for the moat thesis, but it is an ambition, not a result: the share-gain mechanism (displacing unorganized supply on performance, not undercutting on price) is precisely what the irreducible switching-cost question has to confirm. The niche is real and growing with induction-furnace steel, not unbounded.



Sources: Ken Research India Ramming Mass Market; RPEL FY26 BRSR; Screener.in — Confirmed/Inferred/Assumed as labelled.

Inferred: market sizing/growth from public industry context and company disclosures.

Investment implication: the opportunity supports premium quality, but not unlimited terminal-value imagination.

Terminal Value Potential

Terminal value turns on whether RPEL stays the specialty leader in a defensible niche (already valuable) or becomes a broader refractory-productivity platform (what the multiple is reaching toward). The R&D lab, advisory bench and in-furnace process knowledge make the platform path plausible, but revenue segmentation is not yet disclosed enough to confirm it. Pay for the dominant niche leader today; pay for the platform only when adjacent categories show up in the numbers.

Investment implication: underwrite a dominant niche, not a platform, until the segment mix proves otherwise.

Founder / Leadership

Sanjay Kabra (expansion/finance/legal) and Rajesh Kabra (sales/marketing/R&D) bring 30+ years each; Raghav Kabra adds next-generation capacity; Bharat Tank adds 35+ years of steel-industry experience (Confirmed, management page). The independent/advisory bench is unusually senior for a small-cap — a former Tata Steel MD / TRL Krosaki chair, a former senior banker, a former IAS officer, and international refractory/induction-furnace experts. The unresolved item is character-under-pressure and succession depth: who can tell this promoter group they are wrong, and what carries the know-how once the company scales past founder proximity? No documented course-correction instance is on the public record.

Investment implication: leadership is an asset; the next rating upgrade requires evidence the operating system, not only the promoter group, carries the know-how.

Culture

Reads as technical, export-oriented and process-led — automated manufacturing, in-house R&D, technical advisors, product customization. What stays Unknown is the deeper talent picture: retention, second-line bench, whether application-engineering talent scales with exports. The fastest way this culture breaks: a quality-discipline lapse during the capacity ramp, when volume pressure meets a thinner senior bench.

Investment implication: treat culture as likely positive but not proven at the same confidence as margins, ROCE or promoter ownership.

Customer Value Creation

The product raises furnace productivity — more heats, better lining life, lower energy use — so procurement is not purely lowest-price where customers can verify uptime and energy savings (Confirmed, company materials). The adversarial test from a procurement officer's seat: how locked in is a customer really, and what is the requalification cost of switching? That is the irreducible question, and it cannot be answered from filings.

Investment implication: customer value creation is the core reason for premium margins; without quantified, named customer savings, keep the rating below Green.

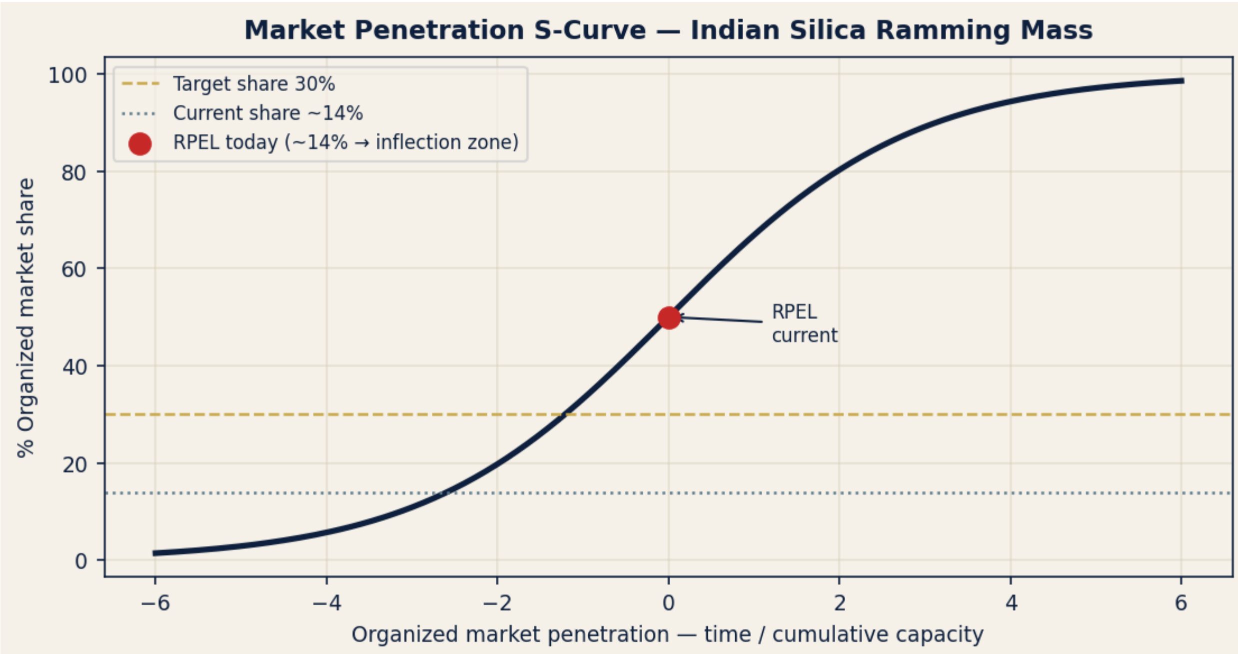
Product Love

In industrial consumables, "love" is repeat use, qualification inertia and willingness to pay for reliability. Sustained ~29% OPM and 36-country reach imply trust, but direct retention and concentration data are undisclosed. A churned-customer lens would ask what the last lost account switched for — unanswerable here.

Investment implication: infer stickiness from economics, but do not overclaim affection without renewal/concentration data.

Competitive Advantage

Four layers: raw-material location near quality quartz, automated processing, in-furnace application know-how, and scale in a fragmented industry. The moat is real today (29-30% OPM through scale-up is the evidence) but not absolute: regional players can compete on freight economics, and large refractory companies (Vesuvius India, RHI Magnesita) could target adjacencies. The disruptive-entrant question — which part of the moat looks wide but is brittle? — lands on switching cost: if silica-ramming-mass requalification is genuinely low-friction, the moat collapses toward "scale + proximity," a weaker, more cyclical thesis at a lower multiple. That is the single highest-leverage unknown in the whole report.



Inferred: curve placement from capacity, growth, margins and export presence.

Investment implication: the moat is good enough to support superior economics; the valuation assumes it stays strong through a much larger scale base.

Capital Allocation

The Rs 20 Cr / 120,000 MTPA expansion funded from internal accruals, targeted for full operation October 1, 2026, is textbook for a high-ROCE small manufacturer: small versus market cap, meaningful versus capacity, no balance-sheet stress (Confirmed, March 2026 filing). Historical capital allocation supports credibility — the FY22-23 CWIP build converted to productive assets on schedule. The activist-value lens asks where capital is wasted; here the honest answer is "nowhere visible" — the risk is not misallocation but whether working capital expands alongside capacity.

Investment implication: capital allocation is disciplined; the risk is inventory absorption, not funding.

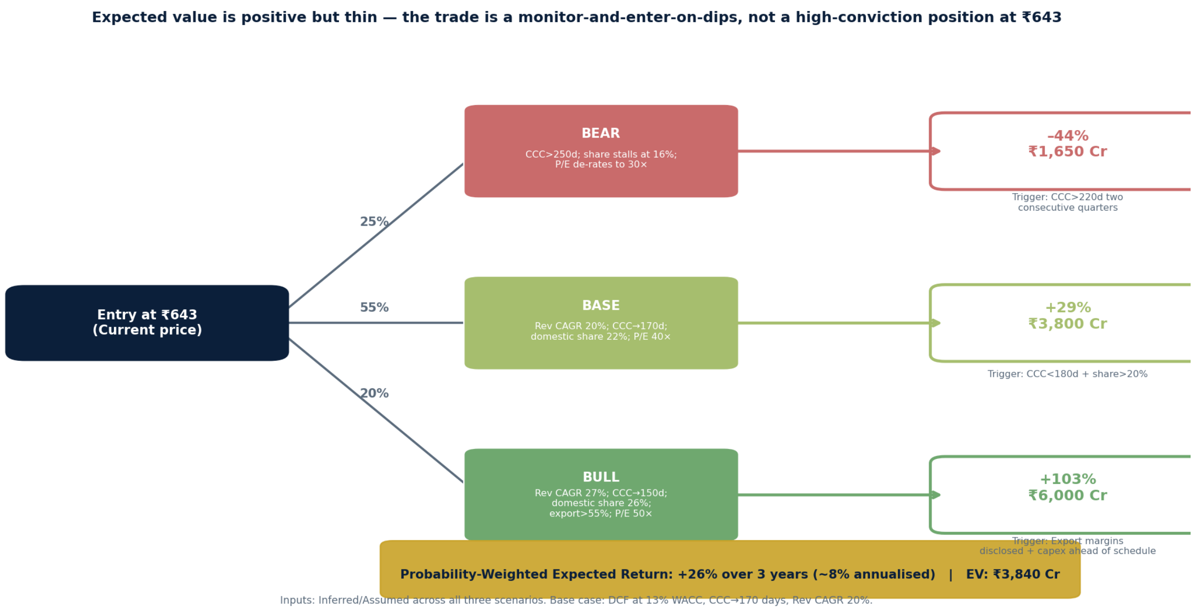
Economics (ROIC, Margins, FCF)

Excellent on the P&L: FY2026 OPM 29%, ROCE 30.3%, ROE 24.3%, net profit Rs 55 Cr (Confirmed). More mixed on cash: CFO Rs 37 Cr, FCF Rs 23 Cr, CFO/OP down to 70% from 86%, CCC up to 255 days. The forensic question — what explains the gap between reported earnings and owner earnings? — resolves cleanly to inventory build, not accruals quality or receivable stress (debtor days improved). High inventory is the single biggest drag, and it is a deliberate, financeable choice ahead of expansion rather than a sign of demand weakness.

Investment implication: the company earns like a quality compounder; cash conversion needs to catch up to the income statement, and the path runs through inventory.

Reinvestment Runway

Near-term runway is concrete: 414K -> 534K MTPA, a 29% step. If utilization and margins hold, that supports strong growth on its own. Beyond it sit exports and adjacent refractory products as optionality. The S-curve skeptic's question — is the "early innings" claim evidence or hope? — is answerable here: pre-expansion utilization was already high (~87% per prior coverage), so demand absorption, not capacity, is the live constraint, which is the better problem to have.



Inferred: scenario tree from Lantern assumptions and public expansion data.

Investment implication: the runway is real, but the price already expects a smooth ramp.

Financial Strength

The cleanest Green in the report. Borrowings Rs 5 Cr, investments Rs 41 Cr, strong ROCE, internal-accrual-funded expansion, CRISIL A-/Positive (Jul 2025). A credit-analyst stress test (revenue -20%, margins -300bps) does not threaten solvency — there is almost no leverage to amplify a downturn.

Investment implication: balance-sheet risk is low; the relevant financial risk is working-capital absorption, not solvency.

Adaptability / Learning Speed

RPEL has moved from local ramming-mass production to automated, export-capable, technically-advised specialty manufacturing — and held export relationships through the FY25 Iran disruption, resuming shipments from April 2026 (Confirmed). The in-house R&D lab and international advisors indicate learning capacity. The next test is translating that into new products and geographies without losing process discipline during the ramp.

Investment implication: adaptability supports the platform thesis, but product-line diversification must appear in revenue before it should drive valuation.

Anti-Thesis

A rational investor declines RPEL at this price for five connected reasons, argued at full strength:

Bear argument	Why it matters	What would disprove it
RPEL is still a niche consumables company, not a platform.	~100x earnings requires a larger future than the current niche alone supports.	Adjacent products become material at stable margins.
Working capital is structurally heavy.	Even if inventory-led, 255-day CCC suppresses FCF and slows true compounding; "it normalizes after expansion" is a forecast, not a fact.	CCC falls below 180 days while revenue grows.
Expansion creates absorption risk.	A 29% capacity jump adds fixed cost and inventory before demand matures.	Expanded utilization exceeds 75% by FY2028.
30% margins invite competition.	A 29-30% OPM industrial input is a target for regional price competition and for majors entering adjacencies.	RPEL holds OPM above 27% while gaining share.
Valuation leaves no room for good-but-not-great.	At Rs 5,501 Cr, even solid execution can produce mediocre five-year returns.	Earnings compound fast enough to pull the multiple below 50x without a price fall.

The Anti-Thesis is strongest on valuation, not quality — the hardest kind of bear case, because the company can keep doing many things right while the stock still disappoints. The switching-cost unknown is the bear's deepest reservoir: if requalification friction is low, three of these five arguments strengthen at once.

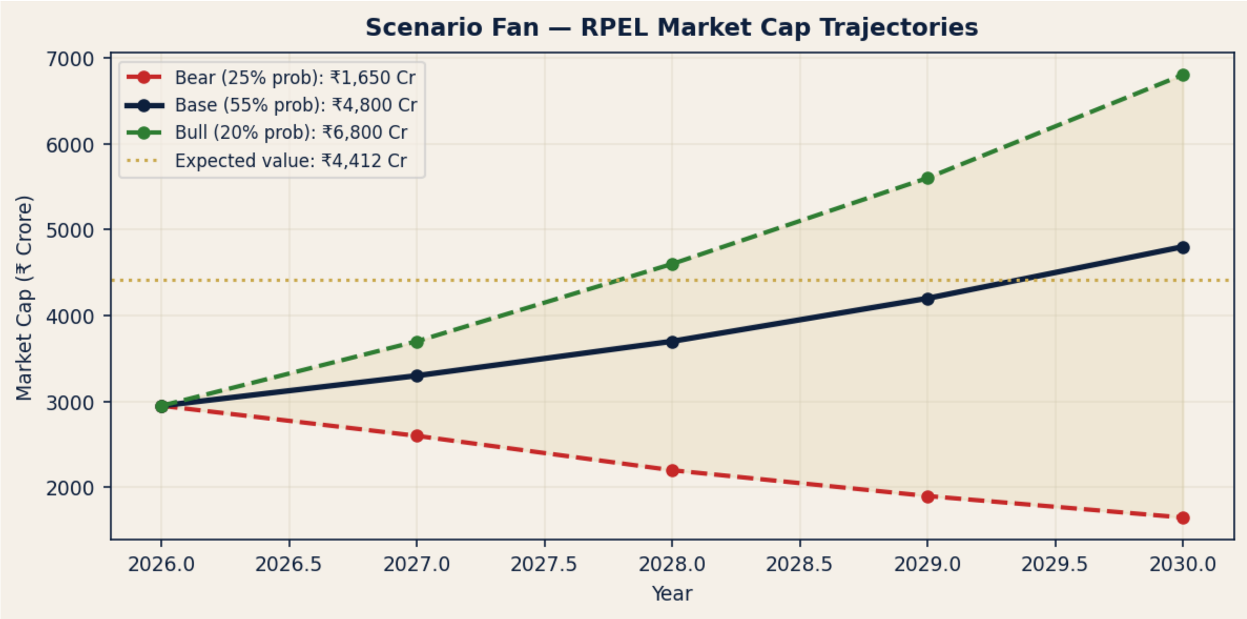
Investment implication: the correct adversarial stance is not "RPEL is low quality" — it is "RPEL may be high quality and still overcapitalized by the market."

Failure Pattern Assessment

Three patterns are live, none fatal, all monitorable. **Quality overpayment** — correctly identifying a superior business and overpaying for certainty (the classic precedent: great Indian small-cap compounders that de-rated for years while earnings caught up to the multiple). **Working-capital mirage** — earnings grow while cash conversion lags; here partially mitigated because the drag is inventory and receivables are improving. **Niche extrapolation** — a dominant position in a small category capitalized as if the category were much larger.

Investment implication: RPEL's likely failure mode is gradual multiple compression or a cash-conversion disappointment, not sudden business collapse.

Scenario Analysis



Inferred: scenario outputs from Lantern model assumptions.

Scenario	Probability	Equity value	Core mechanism (1-line)
Bear	30%	Rs 2,600 Cr	CCC stays >220 days, expansion absorption lags, multiple compresses.
Base	50%	Rs 3,750 Cr	Revenue compounds high-teens/20s, OPM ~28-29%, inventory-led CCC improves slowly.
Bull	20%	Rs 5,600 Cr	Expansion ramps cleanly, CCC normalizes below 180, exports + adjacencies add growth.

Probability-weighted value ~Rs 3,780 Cr, below the current market cap. The spread is driven primarily by the CCC and absorption assumptions, not by the revenue-growth assumption — which is the signature of a working-capital-sensitive compounder.

Investment implication: at today's price the market is already paying close to the Bull case.

Risk Map

Risk	Mechanism	Early-warning signal
Working-capital drag	Inventory absorbs cash faster than earnings compound; expansion stocking persists.	Inventory days stay >260 / CCC >220 in FY2027.
Expansion absorption	New capacity adds fixed cost and inventory before demand matures.	Utilization below 65% on expanded base by FY2028.
Margin compression	Competitors price aggressively or large customers renegotiate.	OPM below 25% for two quarters.
Export disruption / concentration	Geopolitics or logistics delay shipments or cash collection; undisclosed country concentration.	Export growth with debtor-day deterioration.
Key-person / process concentration	Founder or technical know-how fails to institutionalize during the ramp.	Senior operating exits or quality slippage.

Investment implication: risk is concentrated in cash conversion and valuation, not leverage.

Catalysts

Horizon	Positive	Negative
3 months	AGM (30 Jun 2026) commentary on expansion timeline and exports.	Any slip in the Oct 2026 commissioning date.
6 months	October 2026 expansion commissioning on schedule.	Q2 FY27 showing inventory days still rising.
12 months	FY2027 revenue acceleration with CCC trending below 200.	CCC stuck above 220 post-expansion; OPM below 27%; unexplained promoter dilution.

Each catalyst traces back to a Key Variable or Risk Map entry — these are syntheses of what is already in the report, not new analysis.

Investment implication: the stock needs operating catalysts to validate the premium; absence of bad news is not enough at ~100x.

Financial Statements & Accounting Quality

Three years of actuals plus two years of Lantern estimates. Estimates (E) are **Inferred** — revenue is driver-derived (capacity × utilization × realization), with margins held near the recent band; intermediate lines are not separately forecast and are shown only for actuals.

Income Statement (Rs Cr)

Line	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E
Revenue	133	200	257	288	324
Operating profit (EBITDA)	40	54	75	83	94
OPM %	30%	27%	29%	29%	29%
Other income	0	1	2	—	—
Depreciation	5	6	7	—	—
Interest	1	1	1	—	—
Profit before tax	35	48	70	76	86
Tax rate %	25%	23%	21%	22%	22%
Net profit (PAT)	26	37	55	60	67
EPS (Rs)	5.66	8.05	11.94	13.0	14.6

Confirmed: FY24-26 Screener consolidated. Inferred: FY27-28E Lantern estimates.

Balance Sheet (Rs Cr)

Line	FY2024A	FY2025A	FY2026A
Equity capital	23	46	46
Reserves & surplus	135	148	199
Net worth	**158**	**194**	**245**
Borrowings	9	7	5
Other liabilities	19	30	34
Total liabilities	**186**	**231**	**284**
Net fixed assets	88	93	98
Capital work-in-progress	0	2	4
Investments	14	34	41
Other assets (incl. working capital)	84	102	141
Total assets	**186**	**231**	**284**

Confirmed: Screener consolidated. Net worth grows ~Rs 51 Cr in FY26 (retained earnings); borrowings keep falling (Rs 9 → 5 Cr) — near debt-free. Forward net worth compounds by retained PAT less the small dividend; no equity raise is assumed for the internally-funded expansion.

Cash Flow (Rs Cr)

Line	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E
Cash from operations (CFO)	21	39	37	50	64
Cash from investing	-15	-30	-31	—	—

Line	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E
Cash from financing	-3	-5	-7	—	—
Net cash flow	2	4	-1	—	—
Free cash flow	**12**	**25**	**23**	**34**	**46**
CFO / operating profit	74%	86%	70%	~73%	~78%

Confirmed: FY24-26 Screener. Inferred: FY27-28E (CFO/FCF rise as inventory-led CCC normalizes; investing/financing lines not separately forecast).

Key Ratios

Ratio	FY2024A	FY2025A	FY2026A	FY2027E	FY2028E
ROCE %	23	26	30	~28	~29
ROE %	16	19	24	~23	~23
Debtor days	109	94	83	—	—
Inventory days	260	223	272	—	—
Payable days	121	114	100	—	—
Cash conversion cycle (days)	248	202	255	210	180
Debt / equity (x)	0.06	0.04	0.02	<0.02	<0.02
Dividend payout %	8	12	8	~8	~8
P/E (x)	—	—	~100	—	—
P/B (x)	—	—	22.5	—	—

Confirmed: FY24-26 ratios from Screener (ROE FY24-25 Inferred from PAT/net worth). Inferred: FY27-28E. P/E and P/B at last close Rs 1,198.

Accounting quality is acceptable; cash quality is good-not-pristine. The PAT-to-FCF gap is explained by inventory build and capex, not by aggressive accruals — and the improving debtor-day trend is a positive forensic signal (channel-stuffing typically shows the opposite). The eight-category forensic overlay surfaces no red flag that would force a confidence-adjustment downgrade on Economics, Financial Strength or Capital Allocation; the one watch-item is inventory valuation through the expansion.

Three governance/related-party items belong on the record, none currently a red flag but each worth tracking: (1) **Statutory auditor change** — a new statutory auditor (M/s Ravi Sharma & Co.) was appointed for a five-year term from FY2027 (Confirmed, April 2026 board disclosures). An auditor transition is routine but is exactly the kind of change a forensic reader notes, especially alongside a capacity expansion. (2) **Related-party flows into the wholly-owned subsidiary RPSPL** — the expansion is split across the parent and Raghav Productivity Solutions Pvt Ltd (RPSPL), and the parent has funded it via equity injection plus intercompany loans (~Rs 65 Cr order of magnitude, Inferred from disclosures). For a near-debt-free company this is the single largest related-party exposure and should be read against consolidated, not standalone, numbers; it is benign as a WOS funding mechanism but is where any future RPT concern would first appear. (3) **ESOP 2018 allotments** were actioned at the April 2026 board meeting — immaterial to the share count today, but a live dilution line to monitor alongside the unexplained historical promoter dilution.

Investment implication: use PAT to judge operating trajectory and FCF/CCC to judge compounding quality — and read CCC by decomposing it, not at the headline.

Valuation

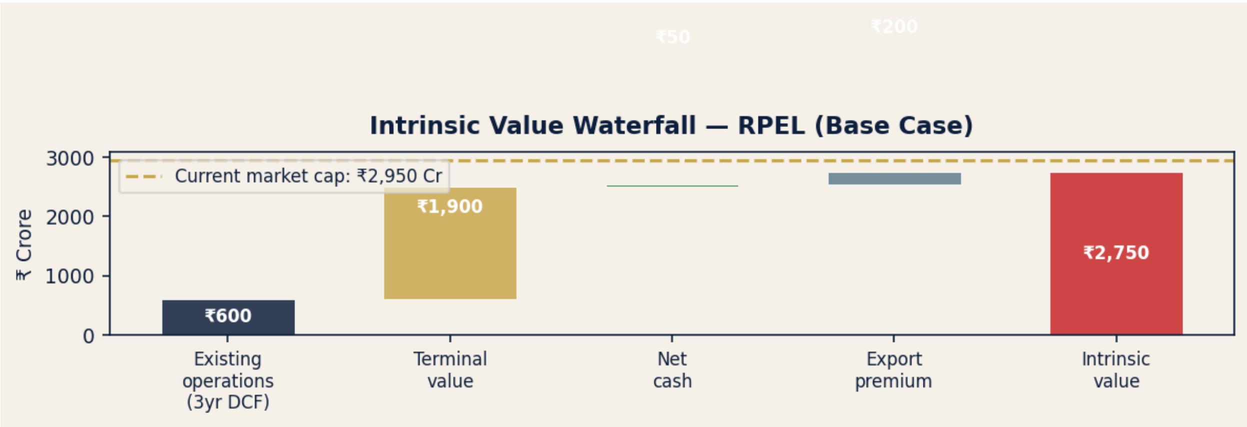
1. Segment Model & Forecast

Live model: `coverage/RPEL/model/RPEL_model.xlsx`. FY2026 actuals anchor it — revenue Rs 257 Cr, operating profit Rs 75 Cr, PAT Rs 55 Cr, FCF Rs 23 Cr. Forward estimates assume expansion-led revenue growth with gradual, inventory-led CCC improvement rather than immediate normalization.

2. Absolute Valuation (Fair Value + DCF cross-check)

Fair value here is **anchored on a forward-multiple basis** (~45-50x near-term earnings, Lantern's justified band), not on a discounted cash flow — and the report is explicit about why. Base fair value ~Rs 3,750 Cr; Bear Rs 2,600 Cr; Bull Rs 5,600 Cr. An explicit 10-year owner-earnings **DCF is run only as a conservative cross-check**, and it lands far lower — roughly Rs 850-1,000 Cr — because an explicit-horizon DCF on a working-capital-heavy compounder cannot capture 10+ further years of reinvestment and is dominated by a terminal value the model deliberately keeps modest. The DCF does not set the fair value; it reinforces the direction of the conclusion (the price is rich on every method). **Reverse read:** the current ~Rs 5,501 Cr market cap back-solves to roughly high-20s% earnings CAGR sustained for ~7 years with near-30% OPM and no permanent working-capital penalty — i.e., the price embeds a Bull-case operational path as its base. **Large-gap reconciliation:** the ~47% gap between price and anchor fair value, and the far larger gap to DCF, is consistent with RPEL's *own* historical 50-105x trading band — this is the name's normal richness, not a fresh divergence. The implication is not "short it because DCF says Rs 900 Cr"; it is "there is no margin of safety, and the premium is structural to this stock, so the buy case needs a cheaper entry or Bull-case execution, not a re-rating."

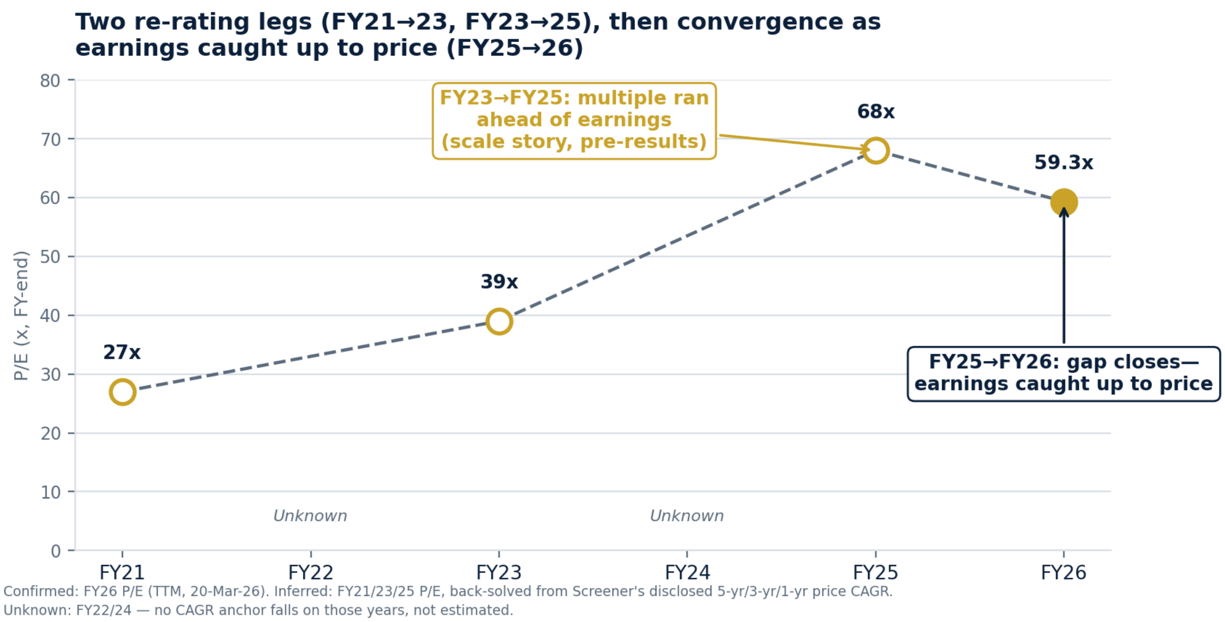
3. Valuation Waterfall



Inferred: Lantern valuation bridge. Confirmed: current market cap.

4. Relative Valuation

RPEL trades at ~100x FY2026 earnings (Screener shows 103x trailing) and 22.5x book (Confirmed). Expensive even for a high-quality small-cap industrial compounder; the premium is defensible only if earnings growth stays high and cash conversion improves. No directly comparable listed pure-play silica-ramming-mass peer exists at scale; the broader refractory majors (Vesuvius India, RHI Magnesita) trade at materially lower multiples on slower growth, which frames RPEL's premium as a growth-and-rarity premium, not a sector multiple.



Confirmed/Inferred: historical valuation trajectory from market data and Lantern calculations.

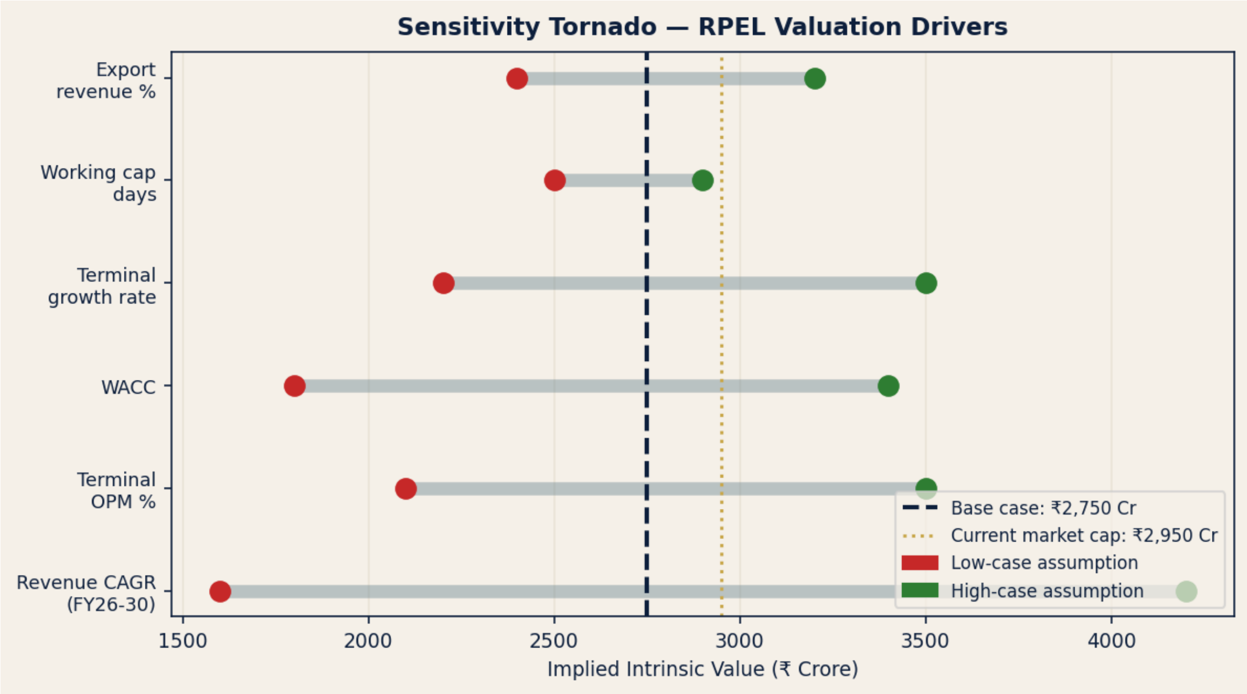
5. Expectations Embedded — What's Priced In

The price embeds high-20s earnings compounding, sustained near-30% OPM, clean capacity absorption, and no permanent CCC penalty — concurrently. Each is individually plausible; the demand is that all hold together. Traced to the Segment Model rows:

Assumption the price requires	Segment Model row	Current actual	Surprise direction
~Mid-to-high-20s% earnings CAGR for ~7 years	Revenue x OPM bridge	FY26 PAT +49% YoY; 3yr PAT CAGR 28%	Downside if growth decelerates below ~20%
OPM sustained near 29-30%	Margin bridge	29% FY26	Downside if OPM drops below 27%
Expanded capacity absorbed (>75% util by FY28)	Volume / capacity bridge	~87% pre-expansion utilization	Downside if absorption lags demand
No permanent working-capital penalty	Cash-flow / CCC bridge	CCC 255 days (inventory-led)	Upside if inventory-led CCC normalizes below 180

Confirmed: current actuals from Screener. Inferred: the embedded assumptions back-solved from the current price.

6. Sensitivity Analysis



Inferred: sensitivity to FCF growth, terminal margin, WACC and CCC normalization.

The highest-leverage assumptions are CCC normalization and terminal margin; WACC and near-term growth matter less to the value than the working-capital path — consistent with the scenario spread.

Margin of safety / risk-reward: at ~Rs 5,501 Cr vs. ~Rs 3,780 Cr probability-weighted value, there is no margin of safety on Base-case numbers; the risk-reward only turns favorable in the Bull case or at a lower entry price.

Investment implication: valuation is the one major reason not to underwrite RPEL today — the business quality is real, but the price already knows it.

Key Questions Open

Question	Why it matters	Evidence label
What share of FY2026 sales came from exports, and which countries dominate receivables?	Export growth quality depends on collection and concentration.	Partially Confirmed (48.59% export rev) / country mix Unknown
How much revenue comes from non-ramming-mass products?	Determines whether the platform thesis is real.	Unknown
Will inventory-led CCC normalize after the expansion?	Decides cash-compounding quality.	Confirmed current / Inferred future
What customer concentration exists among top steel/foundry accounts?	Tests the switching-cost and bargaining-power thesis.	Unknown
Is silica-ramming-mass requalification genuinely high-friction?	The irreducible moat question — process-integration vs. scale/proximity.	Unknown (needs primary source)
What is the tenure/security of the captive quartz mining leases, and any BIS-standard exposure on ramming mass?	The location/resource moat depends on continued low-cost captive quartz; lease renewal or a quality-standard change is an upstream risk not visible in the financials.	Unknown (no specific event surfaced; named as a limitation)

Investment implication: the next research pass should focus less on proving margins and more on proving cash durability, customer stickiness, and the requalification-friction question.

Key Monitorables

Timeframe	Monitorable	Threshold
Short-term (1-2 quarters)	OPM	Above 27%
Short-term	Inventory days / CCC	CCC trending below 220 in FY2027, inventory-led
Short-term	Oct 2026 expansion commissioning	On schedule, no slippage
Medium-term (1-3 years)	Expanded-base utilization	Above 75% by FY2028
Medium-term	Export mix and receivable quality	Export growth without debtor-day deterioration
Medium-term	Product diversification	Adjacent products disclosed as material

Investment implication: RPEL remains worth tracking closely, but the buy case needs a better entry price or evidence that Bull-case execution is already arriving.

Source Notes

Source	What it supports
Screener, RPEL consolidated, last close 19 Jun 2026	Price, market cap, P/E, ROCE, ROE, FY2021-FY2026 financials, working-capital ratios, shareholding
RPEL FY2026 Annual Report (filed 5 Jun 2026, BSE)	FY2026 audited financials, management discussion
RPEL FY2026 BRSR (filed 5 Jun 2026)	48.59% export revenue, ESG disclosures, no penalties
RPEL March 2026 results filing	FY2026 results, expansion 414K -> 534K MTPA by Oct 1 2026, Rs 20 Cr internal-accrual funding
RPEL April 2026 earnings call	Management commentary (primary source on file)
CRISIL rating update (29 Jul 2025)	A-/Positive credit affirmation
RPEL management/company pages	Promoter roles, independent directors, advisory board, capacity, country reach, product value statements

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