

February 21, 2022

Rocket Kommerce LLP: Provisional [ICRA]A1+(SO) assigned to PTCs to be issued by GREAT KAPITAL 01

Summary of rating action

Trust Name	Instrument*	Current Rated Amount (Rs. crore)	Rating Action
GREAT KAPITAL 01	PTC Series A1	14.36	Provisional [ICRA]A1+(SO); Assigned

*Instrument details are provided in Annexure-1

Rating in the absence of the pending actions/documents	No rating would have been assigned as it would not be meaningful
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Rationale

ICRA has assigned a provisional rating to PTC Series A1 to be issued under a securitisation transaction originated by Rocket Kommerce LLP (RKLLP/Vendor/Originator; rated [ICRA]A-(Stable)/[ICRA]A2+). RKLLP shall assign to GREAT KAPITAL 01 trust a pool of trade receivables arising from the invoices raised by RKLLP on Aditya Birla Fashion and Retail Limited (ABFRL/Obligor; [rated \[ICRA\]AA\(Stable\)/\[ICRA\]A1+](#)) against the supply of goods and materials to ABFRL. The pool comprises of only invoices acknowledged by the Obligor. The invoices are due for payment in June and July 2022. The principal and interest payment to PTCs is promised on the final maturity date.

The assigned rating is based on the strong credit profile of ABFRL, the established relationship between RKLLP and ABFRL, the track record of payments between them and the integrity of the legal structure. The provisional rating is subject to the fulfilment of all the conditions under the structure and the review of the documentation pertaining to the transaction by ICRA.

Key rating drivers

Credit strengths

- Strong credit profile of the Obligor (ABFRL)
- Established relationship between Vendor (RKLLP) and Obligor (ABFRL) with timely repayment track record
- Presence of credit enhancement in the form of over-collateralisation

Credit challenges

- Single counterparty for the transaction

Description of key rating drivers highlighted above

The receivables due from ABFRL have been discounted at the PTC yield to arrive at the purchase consideration for the PTC investors. As per the transaction structure, the PTC payout dates will be four days after the respective invoice due dates. Additionally, there will be a seven-day gap between the expected and legal final maturity date of the PTCs. The PTC payouts would be on expected basis whereas the principal and interest payment to PTCs is promised on the final maturity date. The gap between the invoice due dates and the corresponding PTC payout dates would address unforeseen operational/technical delays, if any, in payments by ABFRL to RKLLP. Credit enhancement is available in the transaction in the form of over-collateralisation of 5%, i.e. the receivables to be collected are 1.05 times the PTC payouts (viz. principal and interest) on every payout date. The over-collateral will leak out to RKLLP on every payout date after the expected payout is met.

The trustee shall settle a trust (GREAT KAPITAL 01) and the aforesaid receivables shall be assigned to the trust on a non-recourse basis to RKLLP. The trustee shall open a Collection and Payout (CP) Account with a bank. No servicer is envisaged for this transaction. The receivables shall be directly deposited by ABFRL in the CP Account. Thus, there would be no commingling of cashflows with the Vendor, i.e. RKLLP.

The rating factors in ABFRL's strong credit profile, emerging from its leadership position in the domestic branded apparel industry and its superior financial flexibility as it is a part of the Aditya Birla Group. Further, RKLLP remains an important partner to ABFRL acting as an aggregator by managing multiple suppliers for one division of ABFRL. The parties had entered into a three-year agreement in September 2020, following which there has been a material scale-up in the business activities between them, barring the months affected by the increase in Covid-19 infections across the country. RKLLP has been largely utilising the vendor discounting facilities made available by ABFRL to raise funds and the payments by ABFRL have been timely so far.

ICRA has taken comfort from the fact that only the invoices acknowledged by ABFRL as its liability will form a part of the pool. Prior to the assignment of the receivables, a Notice of Assignment (NoA) shall be executed between RKLLP and ABFRL wherein the latter would provide consent to securitise the invoices and also acknowledge that it will not adjust or set off or deduct any monies against the invoices that are securitised by RKLLP to the trust. ICRA further notes that the pool is granular with the top 1 and top 10 invoices accounting for 2.3% and 16.0%, respectively, of the pool amount.

The rating, however, remains exposed to high concentration risk as the payments are to be received from a single counterparty viz. ABFRL. The strategic importance of the Vendor and the past payment track record for accepted invoices provide comfort. ICRA also notes that the trust would be seen as an operational creditor to ABFRL; thus, the risk of non-payment by ABFRL can be deemed to be higher vis-à-vis obligations to its financial creditors. Nonetheless, the Vendor would be assigning its rights, title and interest in the receivables to the trust, and the trust would therefore be entitled to all the rights under the Insolvency and Bankruptcy Code, 2016, which would be a mitigant.

Past rated pools: This is the first transaction being rated for RKLLP.

Key rating assumptions

To arrive at the rating, ICRA has relied on the strong credit profile of the Obligor. Also, the track record of timely payments by the Obligor against the invoices raised in the past and various other structural features add strength to the transaction.

Liquidity position: Adequate

ABFRL's payment obligations to RKLLP are being securitised in the proposed transaction. As per the transaction structure, both the interest and the principal amount is promised to the PTC holders on the expected maturity date of the transaction. Basis the on-balance sheet liquidity available with ABFRL to meet its various payment obligations, the liquidity is deemed to be adequate for the transaction to meet the promised payouts to the PTC Series A1 investors.

Rating sensitivities

Positive factors – Not Applicable

Negative factors – The rating can be downgraded if there is a deterioration in the credit profile of ABFRL or non-adherence to the terms of the transaction. The rating could also be under pressure if delays are observed in payments by ABFRL to RKLLP in the normal course of business.

Analytical approach

The rating action is based on the legal structure of the transaction and factors in the payment mechanism along with the credit profile of the Obligor.

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Securitisation Transactions
Parent/Group Support	Not Applicable
Consolidation/Standalone	Not Applicable

Pending actions/documents required to be completed for conversion of the provisional rating into final

The assigned rating is provisional and would be converted into final upon the execution of:

1. Trust deed
2. Deed of Assignment
3. Legal opinion
4. Trustee letter
5. Power of Attorney
6. Notice of Assignment
7. Any other documents executed for the transaction

Validity of the provisional rating

The Trust is expected to complete the pending actions/execute the pending documents in the near term. However, in case of continued pendency of the actions/documents beyond one year of this publication, the provisional rating would be withdrawn for the transaction even if the instrument has been issued.

Risks associated with the provisional rating

In case the issuance is completed, but the pending actions/documents are not completed for the transaction within one year (validity period) from the assignment of the rating, the provisional rating will be withdrawn in accordance with ICRA's Policy on Provisional Ratings available at www.icra.in.

About the Originator

Incorporated in 2011, Rocket Kommerce LLP (RKLLP) is a leading e-commerce retailing company in India. It has partnered with leading e-commerce platforms like Amazon in India since 2014. It currently procures mobile phones from brands like Oppo, OnePlus and Xiaomi and sells them on the Amazon platform. It has tied up with more companies, including ABFRL, to diversify and improve its scale of operations.

Its Group company, Wishery Online Private Limited, was incorporated on September 4, 2015 and commenced operations from FY2019. It carries out distribution business for sellers on the Flipkart platform. Westbury Holdings Pvt Ltd was incorporated on March 27, 2007 and commenced operations from January 2021. It is the authorised and exclusive online distributor for ABFRL for all its brands (Peter England, Louis Phillipe, Pantaloons) on various online platforms. Valuecart Private Limited was incorporated on July 11, 2016 and commenced operations from April 2019. Valuecart recently signed an agreement with Shein wherein it would be the exclusive online distributor for Shein for two years. The Group is also involved in the trading and procurement of fabrics through RK Fabrics India Private Limited.

Key financial indicators (audited)

RKLLP	Standalone		Consolidated	
	FY2020	FY2021 Prov	FY2020	FY2021 Prov
Operating Income (Rs. crore)	1627.1	2980.4	8746.6	10129.1
PAT (Rs. crore)	14.1	19.5	23.9	30.1
OPBDIT/OI (%)	1.3%	1.0%	0.4%	0.4%
PAT/OI (%)	0.9%	0.7%	0.3%	0.3%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	2.7	2.5	5.2
Total Debt/OPBDIT (times)	1.8	2.4	1.7	2.5
Interest Coverage (times)	4.2	6.0	5.1	5.6

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Note: Amount in Rs. crore; All calculations are as per ICRA Research

Source: Company, ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Trust Name	Current Rating (FY2022)				Chronology of Rating History for the Past 3 Years		
		Instrument	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					February 21, 2022			
1	GREAT KAPITAL 01	PTC Series A1	14.36	14.36	Provisional [ICRA]A1+(SO)	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
PTC Series A1	Moderately Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure-1: Instrument details

Trust Name	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date*	Amount Rated (Rs. crore)	Current Rating
GREAT KAPITAL 01	PTC Series A1	February 2022	5.00%	July 22, 2022	14.36	Provisional [ICRA]A1+(SO)

* Scheduled maturity date at transaction initiation; may change on account of prepayments

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not Applicable

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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