

March 31, 2023

RK World Infocom Private Limited: Ratings assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term/short-term- Fund based - Cash Credit	200.00	[ICRA]BBB- (stable)/[ICRA]A3; assigned
Long term/short-term- Fund based/Non fund based working capital facilities	300.00	[ICRA]BBB- (stable)/[ICRA]A3; assigned
Total	500.00	

*Instrument details are provided in Annexure-I

Rationale

The assigned ratings for RK World Infocom Private Limited (RKWIPL) factors in the extensive experience of its promoters in the e-commerce industry and the company's estimated healthy scale of operations of over Rs. 4,500 crore in FY2023 (PY: Rs. 29.3 crore and 9M FY2023 at Rs. 3,824.3 crore) at operating margins of 1.3-1.5%, with RKWIPL selling fast-moving consumer goods (FMCG) from March 2022 in the e-commerce platform, Amazon India. The company have working capital limits of Rs. 500 crore and Rs 49 crore (OD against FD) as of December 2022 to support these operations. It has established relationships with brands such as P&G, HUL, Reckitt Benckiser, Loreal, among others. The company is also catering extensively to oral care, personal care, healthcare, bath & shower, beauty tools & accessories and other FMCG goods. RKWIPL is a part of the RK Group. Given the close managerial linkages and RKWIPL's strategic importance to the RK Group¹, ICRA expects that the Group will be willing to extend timely financial support to RKWIPL, if need arises.

The ratings are, however, constrained by RKWIPL's modest financial risk profile, characterised by low profitability and high working capital-intensive nature of the trading business with limited track record of operations for the FMCG category. However, the Group has a track record of more than eight years of operations as an online retailer through Amazon in the Group company, Rocket Kommerce LLP (mobile phones), Valuecart Private Limited (foreign products) and through Flipkart in Wishery Online Pvt Ltd (mobiles, lifestyle and health care appliances). The utilisation of working capital lines remains volatile, peaking during the festive season, sales events or any new launches. Further, the inventory holding period is high due to significant stocking requirement across product categories, which is supported by working capital limits and credit period extended from the brands. However, ability to secure timely incremental working capital to support growth requirements going forward, is a key monitorable. The ratings are further constrained by the intense competition faced by RKWIPL from other sellers on the online marketplace, and from offline retailers. The online retail industry remains exposed to regulatory interventions, which can alter the competitive landscape significantly and remains a key rating monitorable.

The Stable outlook on the rating reflects ICRA's opinion that RKWIPL will continue to benefit from healthy brand diversification and the RK Group's experience in the online retailing segment.

¹ RK Group includes Rocket Kommerce LLP (rated at [ICRA]A- (Stable)/[ICRA]A2+), Valuecart Private Limited, Westbury Holdings Private Limited, Wishery Online Private Limited, Ventura Trading Private Limited, Rocket Kars LLP, RK Fabrics India Private Limited, RK World Infocom Private Limited and Kalandri Capital Private Limited.

Key rating drivers and their description

Credit strengths

Strong promoter profile – RKWIPL is fully held by the promoters of the RK Group, having extensive experience across businesses like retail, distribution, e-commerce and import/export and has an established track record of more than 40 years. The RK Group will extend timely financial support to RKWIPL, if need arises given their close managerial linkages and strategic importance of RKWIPL to the Group.

Healthy scale of operations expected in FY2023 and brand diversification - RKWIPL is likely to witness healthy scale of operations of over Rs. 4,500 crore in FY2023 (PY: Rs. 29.3 crore and 9M FY2023 at Rs. 3824.3 crore) at operating margins of 1.3-1.5%, with the company selling fast-moving consumer goods (FMCG) from March 2022 in the e-commerce platform, Amazon India. The company have working capital limits of Rs. 500 crore and Rs 49 crore (OD against FD) as of December 2022 to support these operations. It has established relationships with brands such as P&G, HUL, Reckitt Benckiser, and L'Oréal, among others. The company is also catering extensively to oral care, personal care, healthcare, bath & shower, beauty tools & accessories and other FMCG goods.

Credit challenges

Limited track record of operations and high working capital requirements – The FMCG operations under RKWIPL started in March 2022, and hence, it has a limited track record of operations in this category. However, the Group has a track record of more than eight years of operations as an online retailer through Amazon in the Group company, Rocket Commerce LLP (mobile phones), Valuecart Private Limited (foreign products) and through Flipkart in Wishery Online Pvt Ltd (mobiles, lifestyle and health care appliances). The utilisation of working capital lines remains volatile, peaking during the festive season, sales events or any new launches. Further, the inventory holding period is high due to significant stocking requirement across product categories, which is supported by working capital limits and credit period extended from the brands. However, ability to secure timely incremental working capital to support growth requirements going forward, is a key monitorable

Stiff competition and regulatory risks in e-commerce business - The company faces intense competition from other sellers on the online marketplace, and from offline retailers. The online retail industry remains exposed to regulatory interventions, which can alter the competitive landscape significantly and remains a key rating monitorable.

Liquidity position: Stretched

RKWPL's liquidity is expected to remain stretched, on account of high working capital utilisation, nature of operations and increasing scale of business. The average utilisation of the fund-based limits during last six months was around 70% and during the peak period of Q3 FY2023, the utilisation was high at around 90%. Further, free cash and bank balances remained low at Rs. 0.5 crore as on December 31, 2022. Further, securing timely incremental working capital is critical to support growth requirements, going forward.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings, in case of any significant increase in scale of operations and improvement in working capital cycle, while maintaining profitability resulting in improved debt protection metrics and liquidity position, on a sustained basis.

Negative factors – The pressure on ratings will arise, if there is a decline in revenues and profitability or elongation of working capital cycle impacting debt coverage metrics and liquidity position, on a sustained basis. Further, weakening of linkages with the Group or any regulatory change which would adversely impact the business profile, will be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Retail Industry Impact of Implicit support from Parent or Group on an Issuer's Credit Rating
Parent/Group support	Group support - RK Group ICRA expects the Group to be willing to extend financial support to RKWIPL, should there be a need, given the managerial linkages and strategic importance it holds for the Group
Consolidation/Standalone	The ratings are based on the company's standalone financial profile

About the company

Incorporated in 2008, RK World Infocom Private Limited began as a distributor for Nokia handsets in July 2003 (through the proprietorship concern of Mr. Ramesh Kumar Shah). Since Q4 FY2022, the company started to operate as an online retailer on Amazon Marketplace, selling FMCG products. RKWIPL will source its products from vendors like P&G, HUL, Reckitt Benckiser, Loreal, Unicharm, Himalaya, J&J, Nivea, etc.

Key financial indicators

	FY2021 Audited	FY2022 Audited
Operating income (Rs. crore)	26.0	29.3
PAT (Rs. crore)	1.4	-1.7
OPBDIT/OI (%)	1.9%	-10.5%
PAT/OI (%)	5.2%	-5.8%
Total outside liabilities/Tangible net worth (times)	0.0	9.8
Total debt/OPBDIT (times)	0.6	-57.8
Interest coverage (times)	23.9	-15.2

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; ROCE: PBIT/Avg (Total debt + Tangible net worth + Deferred tax liability - Capital work in progress); DSCR: (PBIT + Mat credit entitlements - Fair value gains through P&L - Non-cash extraordinary gain/loss)/(Interest + Repayments made during the year)

Source: Company data; ICRA Research

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2023)		Chronology of rating history for the past 3 years			
				Amount outstanding as on Feb 28, 2023 (Rs. crore)	Date & rating on March 31, 2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020	
1	Fund based - Cash Credit	Long term/Short-term	200.00		[ICRA]BBB-(stable)/[ICRA]A3	-	-	-	
2	Fund based/Non fund based working capital facilities	Long term/Short-term	300.00	-	[ICRA]BBB-(stable)/[ICRA]A3	-	-	-	

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund based - Cash Credit	Simple
Fund based/Non fund based working capital facilities	Simple

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: [Click Here](#)

Annexure-I: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based/Non fund based- Working Capital Limits	NA	NA	NA	150.00*	[ICRA]BBB- (stable)/[ICRA]A3
NA	Fund Based- Cash Credit	NA	NA	NA	150.00**	[ICRA]BBB- (stable)/[ICRA]A3
NA	Fund Based/Non fund based- Working Capital Limits	NA	NA	NA	150.00	[ICRA]BBB- (stable)/[ICRA]A3
NA	Fund Based- Cash Credit	NA	NA	NA	50.00***	[ICRA]BBB- (stable)/[ICRA]A3

Source: Company data; ICRA Research

*includes a combined limits of Rs. 150 crore with sublimits of Working capital loan of Rs. 150.0 crore, guarantee/ bond facility of Rs. 50.0 crore, import controlling limit of Rs. 50.0 crore, standby documentary credit facility of Rs. 50.0 crore and OD of Rs. 60.0 crore; **includes sublimit of WCDL of Rs. 150.0 crore; ***includes sublimit of WCDL of Rs. 50.0 crore

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-II: 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.

For more information, visit www.icra.in

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Branches



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