

**Press Release**  
**Cocoblu Retail Limited**  
**April 26, 2024**



**Rating Reaffirmed & Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	34.00	ACUITE BBB-   Reaffirmed & Withdrawn	-
Bank Loan Ratings	66.00	-	ACUITE A3+   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	100.00	-	-

**Rating Rationale**

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) to the Rs. 100 Cr. bank facilities of Cocoblu Retail Limited(CRL).

The rating withdrawal is in accordance with the Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company and NOC received from the lender.

**Rationale for reaffirmation:**

The rating reaffirmation reflects long standing experience of CRL's management, moderate financial risk profile and improvement in revenues. The revenue of the company grew to Rs.4066.50 Cr. in FY2023 from Rs.10.82 Cr. in FY2022. Further, in 9MFY2024, company has reported revenue of Rs.4233 Cr. The growth in revenues is attributed to the pro-seller status on Amazon India and overall increase in e-commerce transactions. The financial risk profile of the company continues to remain moderate, marked by a healthy net worth, capital structure, and moderate debt protection metrics. However, the rating is constrained on account of CRL's exposure to high competition and low customer loyalty in E-commerce business along with vulnerability to regulatory changes.

**About the Company**

Cocoblu Retail Limited (CRL) is a fully owned subsidiary of RattanIndia Enterprises Limited (REL) to venture into e-commerce / online retail business segment. CRL has signed up a long-term business agreement with Amazon for partnering with this leading player in online marketplace segment and has formally launched the business on 24th February 2022. CRL is prominent online retail seller in categories of apparels, shoes, wireless accessories, musical instruments, office products and books. Directors of the Company are Mr Surinder Kumar Aery(Director), Mr Rahul Gochhwal(Director), Mr Amit Jain(Director), Mr Soumik Bhusan(Cocoblu CFO and Director), and Mr Amit Jain(REL group CFO and Director).

**Unsupported Rating**

Not Applicable



Acuite has considered the standalone business and financial risk of CRL to arrive at the rating.

## Key Rating Drivers

### Strengths

#### **Established market position on Amazon India platform**

CRL is a registered seller with Amazon India and uses big data, ML tools, and AI tools to analyze and manage the customer requirements, product demand and taste preferences of customer which enables CRL to make better business decisions. This AI based technology helps to streamline, optimize and polish the various aspects of the brand and helps them to excel in e-commerce market. Company is engaged in retail sales of products such as apparels, shoes, wireless accessories, musical instruments, office products and books. CRL maintains its inventory at Amazon's fulfilment centres and pay fees to Amazon India for stock maintenance and delivery.

#### **Moderate financial risk profile:**

The financial risk profile of the company is moderate, marked by a healthy net worth, capital structure, and moderate debt protection metrics. The company's net worth stood at Rs. 392.07 Cr. as of March 31, 2023, compared to Rs. 155.10 Cr. as of March 31, 2022. The improvement in net worth is attributed to an equity capital infusion of Rs. 19 Cr. by the Holding Company, addition of premium received on the issue of shares worth Rs. 171 Cr, and accretion of profits to reserves of Rs. 4.20 Cr. CRL's capital structure is moderate, characterized by gearing and total outside liabilities to total net worth (TOL/TNW) ratios of 1.11 times and 2.72 times, respectively, as of March 31, 2023, compared to 0.02 times and 0.53 times as of March 31, 2022. Total debt of Rs.434.49 Cr. consist inter corporate deposits of Rs.190 Cr. as on March 31, 2023. The coverage indicators improved during FY23, with a Debt Service Coverage Ratio (DSCR) of 2.60 times as of March 31, 2023, compared to -1.95 times as of March 31, 2022. The interest coverage ratio stood at 3.28 times as of March 31, 2023, compared to -1.95 times as of March 31, 2022. The Debt to EBITDA ratio stood at 4.67 times as on March 31, 2023.

#### **Moderate Working Capital cycle**

CRL's working capital operations are moderate in nature, as reflected by the gross current asset (GCA) of 119 days in FY23. Debtor days stood at 4 days in FY23. The company's receivables are limited to Amazon India Ltd, and payments are typically received within 5 to 7 days. Inventory days are expected to remain around an average of 80 days due to bulk inventory purchased from the erstwhile seller. Timely receipts from Amazon India Ltd has enabled the company to maintain a surplus balance in its fund-based working capital limits.

### Weaknesses

#### **High Competition and Low Customer Loyalty in E-commerce Business**

Despite the rapid expansion of the e-commerce industry, the Indian retail market is still dominated by traditional brick and mortar players, and many smaller unorganised players. The online retail sector is highly competitive with the presence of a large number of sellers providing bargaining power to customers with low switching costs, leading to very low customer loyalty. The competition in the e-tailing sector is rapidly evolving with large new entrants with strong financial flexibility foraying into the sector, the impact of which remains to be seen. Customers' preference to prioritise spending on essentials amid increasing inflation and high fuel prices could also hurt the discretionary spending power in the near term.

#### **Vulnerability to regulatory changes**

In the past couple of years, the e-commerce industry has witnessed the introduction of several regulations that could have an impact on the operations of the entities involved.

CRL's business profile could also be impacted if any regulatory changes impact CRL's market position or those of the brands and platforms it is associated with. However, given the current regulatory framework, we don't see any further regulatory challenges in the medium term.

### **Rating Sensitivities**

Not applicable

### **Liquidity Position: Adequate**

CRL's liquidity position is adequate, as evident from sufficient net cash accruals (NCA) against nil repayment obligations. The company reported net cash accruals (NCAs) of Rs. 51.11 crore as of March 31, 2023. Additionally, the company maintains healthy unencumbered cash and bank balances of Rs. 28.01 crore as of March 31, 2023, providing additional comfort in terms of liquidity.

### **Outlook: Not applicable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	4066.50	10.82
PAT	Rs. Cr.	46.97	(4.91)
PAT Margin	(%)	1.16	(45.38)
Total Debt/Tangible Net Worth	Times	1.11	0.02
PBDIT/Interest	Times	3.28	(1.95)

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Feb 2023	Cash Credit	Long Term	34.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	16.00	ACUITE A3+ (Assigned)
	Working Capital Demand Loan (WCDL)	Short Term	50.00	ACUITE A3+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
RBL Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.00	ACUITE A3+   Reaffirmed & Withdrawn
RBL Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	34.00	ACUITE BBB-   Reaffirmed & Withdrawn
RBL Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE A3+   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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