

ROCKING DEALS CIRCULAR ECONOMY LIMITED

Company Data

Market Cap (₹ in Cr)	64.46
Industry	Circular Economy
Face value	10
BVPS	19.68
LTP	155
P/E (FY24P)	12.88x
ROE	22.26%
ROCE	22.85%
PAT (Q1 FY24)	1.25cr.

About Company:

Established in 2002 under the name Technix Electronics, later rebranded as Rocking Deals Circular Economy in 2023, this company is a vital component of the Rocking Deals Group, which stands as India's largest and most rapidly expanding integrated direct-to-consumer (D2C) re-commerce entity. Founded by Yuvraj Aman Singh, the company's headquarters are located in Faridabad and are staffed by a dedicated team of over 20 highly skilled professionals. As a reliable B2B sourcing partner, the company specializes in handling unboxed items, refurbished products, excess inventory, and e-commerce returns.

In the year 2023, RDCE successfully distributed more than 10 million products across a diverse range of 18+ product categories to numerous clients throughout the country. RDCE has formed exclusive partnerships with major online retailers like Shopclues and Snapdeals for the purpose of selling excess inventory, and it also has plans to enter the e-waste sector. Furthermore, RDCE has secured partnerships with companies such as Bajaj Electricals for handling excess inventory across three zones, exclusive rights to sell Zara and Under Armour products, excess inventory from Micromax, and an exclusive warehouse agreement with Flipkart, among others. The company's footprint continues to expand to meet the growing demand for excess inventory and refurbished goods. RDCE boasts an impressive 30,000 square feet of warehousing space, operates an RD L4 service centre with the capacity to refurbish up to one million units each month, and maintains an extensive distribution network covering metro areas, Tier I, Tier II, Tier III cities, and even remote regions.

Key Updates:

- In the first quarter of the fiscal year 2024 (Q1 FY24), the company posted a net profit of Rs. 1.25 crore against sales totalling Rs. 9.58 crore. Comparatively, in the previous fiscal year 2023 (FY23), the company reported revenue and profit after tax (PAT) figures of Rs. 15.01 crore and Rs. 1.54 crore, respectively. This demonstrates a significant potential for a substantial increase in the company's net profit moving forward. Additionally, the company's profit margins have exhibited a positive trend over the years, and the continued improvement seen in Q1 FY24 suggests that this trend is set to continue. RDCE has achieved an impressive three-year revenue compound annual growth rate (CAGR) of 19.25%.
- RDCE holds an exclusive supply agreement, allowing it to cater to approximately 70,000 square feet of retail space through its own outlets and franchise network. This coverage is anticipated to expand to over 2 lakh square feet by the fiscal year 2025.
- The company is currently in the process of establishing a call center staffed with more than 20 individuals. The primary objective is to enhance its reach and engagement with the touchpoints that RDCE has established over the past three years.
- In FY23, RDCE successfully sold over 1 lakh units, and in the first quarter of FY24 alone, they achieved sales of approximately 60,000 units. The company has set a robust target to sell around 5 lakh units by the end of the year, with an average selling price per unit of Rs. 1500.
- RDCE has outlined its intentions to commence e-waste operations in FY24, which will not only enhance revenue prospects but also contribute to its overall growth strategy.
- The company recently filed for an IPO, the funds raised will be utilised for brand positioning, marketing, advertisement and working capital.

ROCKING DEALS CIRCULAR ECONOMY LIMITED

RDCE Business Model:

Rockingdeals Circular Economy Ltd., established in 2005, primarily operates as a business-to-business (B2B) re-commerce entity. Its core activities involve dealing in bulk quantities of excess inventory, open-boxed items, re-commerce merchandise, and refurbished products. These products span a wide range of categories, including small home appliances, apparel, kitchenware, household items, speakers, mobile accessories, large appliances, footwear, and more. The company sources these products from renowned brands like Samsung, Thomson, MI, LG, Symphony, ZARA, Nike, Reebok, Campus, Sony, JBL, Boat, Gizmore, One Plus, and others.

Given its B2B focus, Rockingdeals CE procures these products in bulk from various dealers, such as Inalsa and Khaitan, and supplies them in large quantities to clients like Jindal Mega Mart, Brand Wala, VLE Bazaar Private Limited, HIC International, PSUAVI, KRAT India, Zazz Technology, and its affiliated companies, including Rockingdeals Private Limited, Rockingdeals (HYD) Private Limited, and Harkrishanji Products Private Limited.

As of today, the company maintains an inventory encompassing over 18 categories of Stock Keeping Units (SKU). These include electrical appliances (brands like Syska, Havells, LG, Panasonic, Usha, Crompton, Luminous, Philips, etc.), apparel and footwear (such as Zara, Nike, Campus, etc.), speakers (Boat, JBL, Gizmore), mobile devices and accessories (Lenovo, Boat, Gizmore, etc.), and various other products procured from e-commerce platforms like Snapdeal (Juscorp), Flipkart affiliates, Amazon, as well as companies like GO Auto, Salora International, Zazz Technology Connect Private Limited, and dealers and distributors like Matrix Housewares, Raj Agency, Sudhi Enterprises, among others.

Rockingdeals CE specializes in bulk quantity transactions, both in procurement and sales. To accommodate its substantial inventory, the company operates a spacious warehouse conveniently located near Sarai Metro Station on Mathura Road, Faridabad, Haryana-121003. This location offers excellent connectivity to National Highway 2.

The unique selling proposition (USP) of this business model lies in the extraordinary discounts it offers, surpassing those available from manufacturers, companies, or distributors. This competitive pricing is made possible by the extensive experience of the Rockingdeals CE team. As a result, customers have the opportunity to save money while purchasing high-quality products, particularly beneficial for those seeking value without compromising on product quality.

Industry:

Re-commerce, also known as the reverse supply chain, involves various activities such as offering new products in exchange for old ones, reselling returned items, repairing defective products, and recycling or refurbishing used goods. Its importance has grown significantly in today's world due to increasing awareness among businesses and consumers about the importance of making environmentally responsible choices.

According to a report by Infogence Global Research, India's re-commerce market was estimated at USD 29.54 billion in 2022 and is projected to grow at a compound annual growth rate (CAGR) of 6.15 percent by 2027. Leading online marketplaces in India have also embraced re-commerce by offering refurbished smartphones and appliances. These platforms have earned consumer trust and loyalty over the years, which now extends to their refurbished product offerings. These e-commerce players leverage technology-enabled features to enhance accessibility, convenience, and affordability, providing consumers with better value and experiences.

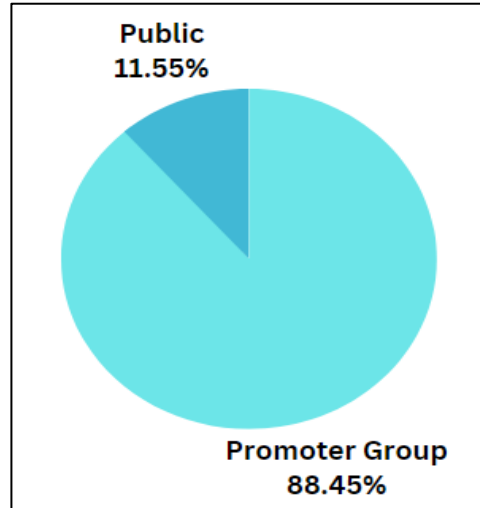
The report highlights that the market for used smartphones is yielding higher margins for retailers compared to the sale of new smartphones. In 2021, India witnessed the online purchase of over \$15 billion worth of new smartphones. With the number of smartphone users reaching 550 million, it's estimated that, on average, a re-commerce app user sells more than two smartphones from each household when the need to upgrade to new devices arises, as per research by Red Seer.

Manufacturers and sellers of specific product categories, including automobiles, smartphones, electronics, and appliances, are increasingly adopting re-commerce as a strategy for circularity and business growth. This is crucial because certain products, especially electronic waste (e-waste), contain hazardous materials and components that can contaminate soil and water if not properly disposed of. Fortunately, much of this e-waste is recyclable. According to a Grant Thornton study, approximately 31.5 million tonnes of electronics and appliances are discarded each year, many of which contain components that can be recycled or reused.

ROCKING DEALS CIRCULAR ECONOMY LIMITED

Management & Shareholding Pattern:

Name	Title
Aman Preet	Managing Director
Kulbir Chopra	Director
Avneet Chopra	Director
Gaurav Gupta	Chief Financial Officer
Deepika Dixit	Company Secretary



Shareholding Pattern as of 31st June 2023.

Financials:

P&L Statement

Particulars	FY21	FY22	FY23	Q1 FY24
Revenue from Operations	10.56	14.83	15.01	9.58
Other Income	0.14	0.50	0.17	0.00
Total Income	10.70	15.33	15.18	9.58
COGS	7.35	12.73	10.62	7.12
Gross Profit	3.34	2.60	4.55	2.46
Employee Benefit Expense	1.31	0.70	0.51	0.19
Other Expenses	1.27	1.09	1.31	0.40
EBITDA	0.76	0.81	2.73	1.87
Depreciation and Amortization	0.38	0.23	0.25	0.06
EBIT	0.39	0.57	2.48	1.81
Interest	0.36	0.39	0.43	0.12
PBT	0.02	0.18	2.05	1.69
Tax	0.04	0.04	0.51	0.44
PAT	-0.01	0.14	1.54	1.25

ROCKING DEALS CIRCULAR ECONOMY LIMITED

Balance Sheet

Particulars	FY21	FY22	FY23	Q1 FY24
Shareholders' Funds:				
Equity Paid up	0.12	0.12	0.12	3.67
Reserves and Surplus	5.27	5.26	6.81	4.51
Net Worth	5.39	5.38	6.93	8.18
Non-Current Liabilities				
Long Term Borrowings	0.69	0.68	0.37	0.32
Long Term provisions	0.11	0.09	0.05	0.05
Current Liabilities:				
Short Term Borrowings	3.43	3.38	3.56	3.40
Sundry Creditors/Trade Payables	4.48	4.14	0.05	0.47
Other Current Liabilities	4.46	0.26	0.80	1.01
Provisions	0.06	0.03	0.49	0.94
(Non-Current Liabilities + Current Liabilities)	13.24	8.58	5.33	6.19
Total Liabilities	18.63	13.97	12.27	14.37
Non-Current Assets				
Tangible Assets	4.32	4.07	3.92	3.86
Non-Current Investments	0.01	0.01	0.01	0.13
Deferred Tax Assets	0.23	0.21	0.20	0.20
Long Term Loans & Advances	0.36	0.70	0.73	0.71
Current Assets				
Sundry Debtors/Trade Receivables	4.16	3.47	2.22	1.07
Inventories	4.89	5.07	5.04	7.39
Cash and Bank Balance	0.15	0.30	0.06	0.08
Other Current Assets	4.49	0.12	0.07	0.92
Total Assets	18.63	13.97	12.27	14.37

Cash Flow Statement

Particulars	FY21	FY22	FY23	Q1 FY24
Cash Flow from Operating Activities	-1.49	0.56	0.42	0.46
Cash Flow from Investing Activities	0.38	0.03	-0.09	-0.12
Cash Flow from Financing Activities	-0.19	-0.45	-0.56	-0.32

Key Ratios

Particulars	FY21	FY22	FY23	Q1 FY24
Debt To Equity	0.76	0.75	0.57	0.46
Current Ratio	1.10	1.15	1.51	1.63
ROCE (%)	4.00%	6.00%	23.00%	15.00%
RONW (%)	0.00%	3.00%	22.00%	15.00%
EBITDA Margin (%)	7.00%	5.00%	18.00%	20.00%
PAT Margin (%)	0.00%	1.00%	10.00%	13.00%

ROCKING DEALS CIRCULAR ECONOMY LIMITED

Growth Levers:

- RDCE holds an exclusive supply agreement, allowing it to cater to approximately 70,000 square feet of retail space through its own outlets and franchise network. This coverage is anticipated to expand to over 2 lakh square feet by the fiscal year 2025.
- The company is currently in the process of establishing a call center staffed with more than 20 individuals. The primary objective is to enhance its reach and engagement with the touchpoints that RDCE has established over the past three years.
- In FY23, RDCE successfully sold over 1 lakh units, and in the first quarter of FY24 alone, they achieved sales of approximately 60,000 units. The company has set a robust target to sell around 5 lakh units by the end of the year, with an average selling price per unit of Rs. 1500.
- RDCE has outlined its intentions to commence e-waste operations in FY24, which will not only enhance revenue prospects but also contribute to its overall growth strategy.

Outlook & Valuation

RDCE is currently delivering strong performance, and this positive trend is anticipated to persist in the future on the back to its ambitious growth strategies and the robust team driving these efforts. Looking forward, the company has outlined plans to expand its market presence and bolster its reputation, leveraging the proceeds from its upcoming IPO. Additionally, RDCE is set to venture into the e-waste sector in FY24, a move expected to contribute to its ongoing growth trajectory.

In the first quarter of the fiscal year 2024 (Q1 FY24), the company posted a net profit of Rs. 1.25 crore against sales totaling Rs. 9.58 crore. Comparatively, in the previous fiscal year 2023 (FY23), the company reported revenue and profit after tax (PAT) figures of Rs. 15.01 crore and Rs. 1.54 crore, respectively. This demonstrates a significant potential for a substantial increase in the company's net profit moving forward. Additionally, the company's profit margins have exhibited a positive trend over the years, and the continued improvement seen in Q1 FY24 suggests that this trend is set to continue. RDCE has achieved an impressive three-year revenue compound annual growth rate (CAGR) of 19.25%.

RDCE currently holds a market capitalization of Rs. 64.46 crore. Considering the company's promising future prospects and its present financial standing, it is evident that RDCE possesses substantial growth potential. If we annualize the Q1 FY24 Profit After Tax (PAT) of Rs. 1.25 crore, the company is projected to conclude FY24 with an appealing bottom line of Rs. 5 crore. However, it's worth noting that a significant portion of the company's sales occurs during the festive season, i.e. Q3.

The estimated PAT for FY24, which stands at Rs.5cr., is valued at a Price-to-Earnings (P/E) multiple of 12.89x when compared to the current market capitalization. This P/E multiple seems relatively low for a company that is expected to more than double its bottom line in FY24 and continue growing at an annual rate of 25-30%, thus making it an attractive investment opportunity.

References

1. DRHP of Sterlite Power Transmission Ltd.
2. Company's website.
3. VCC Edge (www.vccedge.com)
4. <https://timesofindia.indiatimes.com/blogs/voices/re-commerce-is-accelerating-the-progress-of-indias-industries-and-economy-toward-circularity/>
5. <https://www.investindia.gov.in/sector/consumer-goods/white-goods>
6. <https://www.ibef.org/research/case-study/sustainable-circular-economy-in-india>
7. <https://www.moneycontrol.com/news/business/ipo/rockingdeals-circular-economy-files-ipo-papers-11425671.html>
8. https://www.business-standard.com/markets/ipo/rockingdeals-circular-economy-files-ipo-papers-to-further-brand-positioning-123092500826_1.html
9. <https://www.businessworld.in/article/ShopClues-Partners-With-Technix-Electronics-To-Elevate-Customer-shopping-Experience/11-05-2023-476211>