8X stock surge, negligible revenue: The curious case of RattanIndia's EV, fintech bets

Since its decision to venture into tech businesses in April 2021, shares of the US$750 million-worth Rattanindia Enterprises have taken on a bear. Even with a near-absent topline, the stock's pulling out could be added further by its addition to a notable small-cap index

Rattanindia Infrastructure, an offshoot of Rattanindia Enterprises, has introduced Rattanindia Enterprises to the Indian stock market through its new accounting service.

This has sent its shares soaring over 700% in just over a month, the second-highest increase in the one-month ended period among all listed companies in the country.

Its current tech venture, EV-to-E, has not witnessed institutional investors flock to pitch in the stampede.

But that could change with its decision to appoint Kotak Mahindra Bank as its stock exchange compliance, which will make it eligible for inclusion in the Nifty Smallcap 250 index.

Sreeharsh Kapasi, 24 May 2022

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Rattanindia Enterprises (REL) has seen its share price surge 8X since April 2022. What is Rattanindia? Into electric, environment and technology, the company has ventured into electric vehicles, e-commerce, fintech, and drones. But that's after April 2021. Before that, it was a company that provided services to the real estate, infrastructure, and energy sectors. Rattanindia's financial services group, Leap Finance, is a fintech company.

On the face of it, REL appears to be a highly volatile penny stock that's now worth nearly US$750 million, despite its turnover in the nine months ended December being just under US$30,000.

But it seems nearly half of Reuth, an electric two-wheeler maker that had a 3% market share in the year ended March 2019, is believe to have put money in Rattanindia. a US-based drone maker, Skyfend, has also been a part of Rattanindia's tech venture. Rattanindia's subsidiary Cocoblu, is said to be close to acquiring a group of dressers owned while Chandrika's businesses and REL has also rolled out a fintech platform recently.

With no equivalents domestic or foreign Indian companies operating in REL, seems to be rolling mostly on big announcements to market its stock only. How long will it last?

Earlier this month, when MSCI added 44 companies to its India Small Cap Index, it capped an incredible run for a little known 12 year old company.

Even before the announcement, Rattanindia Enterprises (REL) shares had jumped 4X since it changed its name from Rattanindia Infrastructure in April 2021. That was after it transitioned from being the biggest a real estate focused company to an innovative and holding company for new age businesses such as electric vehicles, e-commerce, fintech, and drones.

On the day of the MSCI news, REL's stock surged 20%. The following day, it rose another 15%. REL's share price is now up 8X since April 2021, and the company has a market capitalisation of Rs 5,300 crore (~US$750 million).

And get this: REL's revenue from operations in the year ended March 2021 was a mere Rs 10 lakh (US$12,000). In the nine months ended December 2021, it improved to Rs 2.2 crore (US$280,000). In the same periods, the company posted net profits of -Rs 70.00 (-US$900) and losses of -Rs 11 crore (US$1.4 million), respectively.

Since REL is currently in the red, it's not possible to assess its valuation using earnings-based metrics. But its market cap is a mind-boggling 1,975X its annualised revenue for the year ended March 2021.

This is not the first time that a company's valuation has been divorced from its financials, and seemingly predicated on its promises. It goes for the course in the energy universe. But one would assume public markets are a different beast.

"Binary percent of the market is looking to make a quick buck. Very few people actually read about what a company is doing," says Tarang Poonam, an independent investor and equity analyst. "And once you have a narrative around a low denier, no one is going to leave the stock."

On the face of it, REL seems to have narratives around multiple hot themes.

In April 2021, it invested Rs 110 crore (US$15.3 million) for a 43% stake in Indian electric motorcycle maker Revolt Intellicorp. Mumbia later, it made a strategic investment of an undisclosed amount in American drone based logistics platform Matternet.

Then, earlier this year, it rolled out a lending aggregation platform, Bank Sa, and became a seller on the Amazon marketplace through its subsidiary Cocoblu Retail. REL plans to invest Rs 350 crore (US$45 million) in Cocoblu, which sells headsets, books, and apparel, among other things, on Amazon.

Founded in 2016, REL is an offshoot of the Indiabulls Group, a two-decade old Indian conglomerate that operates in real estate and financial services. "We like to think of ourselves, structurally, as a combination of Adani Enterprises and Edge Edge," says Rajiv Rattan, founder of REL, over a Zoom call along with his aide, Anjali Rattan Nambiar. She's the business chairperson of the company.

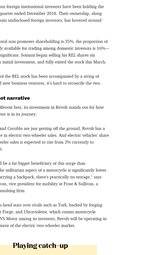
Rattan—one of three Indiabulls founders who parted ways in 2014—says REL has the advantage of being able to demerge its different businesses as listed companies. Just like what Adani Enterprises, the flagship company of the Adani Group conglomerate, did with its clean energy, power transmission, and gas distribution units. And REL wants to invest investments a lot fully. An investor company and early backer of Indian feedback startup Zoomcar.

Quite a bold claim for a company whose P&L would be a dotted distraction seen to that either Adani or Edge Edge. There's hardly any analyst coverage of the company to help investors make sense of its valuation. There's no comparable foreign institution among its shareholders, and just one actively managed mutual fund with a tiny stake, as of April.

But that could change soon, with the MSCI index inclusion. Foreign investors looking for Indian equities to put money into are guided by MSCI indices. As a result, REL will now see inflows that could further drive up the stock, which will only make the dissonance between its fundamentals and valuation even more apparent.

On a tear

Last July, Rattanindia Enterprises shares were briefly up an incredible 13X from their April levels


Rattanindia Enterprises
S&P BSE SmallCap Index
Changes name from Rattanindia Infrastructure to Rattanindia Enterprises
Revolt Intellicorp stake in Revolt Intellicorp
Sells a majority stake in Cocoblu Retail
Sells a majority stake in Cocoblu Retail
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