

Real Growth Commercial Enterprises Limited

Instrument	Amount	Rating Action
	In Rs. Crore	As on August 2016
Fund-based facilities	21 (enhanced from Rs. 17.50 crore)	[ICRA]B+; reaffirmed
Non fund based facilities	4 (Previously nil)	[ICRA]B+; assigned
Unallocated (Proposed Limits)	Nil (Previously Rs. 3.50 crore)	NA

ICRA has reaffirmed its [ICRA]B+ (pronounced ICRA B plus) rating on the Rs 21-crore¹ fund based limits and has assigned [ICRA]B+ (pronounced ICRA B plus) rating for Rs. 4 crore non fund based limits of Real Growth Commercial Enterprises Limited (RGCEL)².

ICRA's rating action factors in healthy growth in operating income in FY 16; although it was accompanied with decline in operating margins and increase gearing levels. ICRA's rating continues to factor in RGCEL's presence in a highly competitive industry characterised by the presence of a large number of organised and unorganised players, which has resulted weak profitability. The rating also takes into account the company's elongated level of receivables, which has resulted in a tight liquidity position, as reflected in continuous high bank limit utilisation. The high receivables have been funded through a corresponding high level of creditors as well. This has resulted in an elevated TOL/TNW³ ratio of 8.34x as on March 31, 2016.

However, the rating draws comfort from the promoters' extensive experience in the business and the company's minimal exposure to the raw material price risk, due to low inventory levels maintained by the company and order-backed procurement followed by the company.

Going forward, the ability of the company to improve its scale of operations, manage its working capital cycle optimally, improve its capital structure and register a sustained improvement in profitability will be the key rating sensitivities.

Company Profile

RGCEL was incorporated in 1995 under the name KRS Financials Pvt Ltd. In 2001, it was taken over by the RG Group and its name was changed to Rajesh Projects & Finance Limited, which was subsequently changed to its current name in January, 2011. The company was involved in the development of commercial offices-cum-shopping complexes till 2007. It commenced trading in stainless steel sheets of various dimensions in January 2010 in Bhiwadi (Rajasthan). The company's stock is listed on the stock exchanges of Bombay, Delhi, Jaipur and Ahmedabad.

Recent Results

During FY2016, the company reported a profit after tax (PAT) of Rs. 0.89 crore on an operating income (OI) of Rs. 245.42 crore, as against a PAT of Rs. 0.73 crore on an OI of Rs. 153.97 crore in FY2015.

August 2016

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications.

³ TOL/TNW – Total Outside Liabilities/Tangible Net Worth



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