Real Growth Commercial Enterprises Limited

February 22, 2019

Summary of Rated Instrument:

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based limits	21.00	21.00	[ICRA]D ISSUER NOT COOPERATING*;Rating downgraded from [ICRA]B-(Stable) and continues to remain in Issuer non cooperation
Non-Fund based limits	4.00	4.00	[ICRA]D ISSUER NOT COOPERATING*;Rating downgraded from [ICRA]B-(Stable) and continues to remain in Issuer non cooperation
Total	**25.00**	**25.00**	

*Issuer did not cooperate; based on best available information

Rationale

ICRA has revised the rating to [ICRA]D ISSUER NOT COOPERATING; continues to remain in Issuer non cooperation for bank facilities of Real Growth Commercial Enterprises Limited (RGCEL) on account of instances of default in debt servicing by the company due to stretched liquidity position of the company.

Ke rating drivers

Credit strengths

Experienced management provides a competitive edge – The promoters have been involved in the steel-trading business for around a decade and have a thorough knowledge of the market.

Credit challenges

Stretched liquidity position leads to delays in debt servicing – There have been recent instances of delays in debt servicing by the company owing to the company's stretched liquidity position.

Intense competition puts pressure on profitability – The steel-trading business is highly competitive and fragmented in nature because of the presence of a large number of organised and unorganised players. Given the low investment required, the entry barriers have remained low, resulting in the entry of a large number of small-to-medium scale enterprises. This in turn has put pressure on profitability.

Liquidity

Liquidity profile of the company stood weak during FY2018 represented by current ratio of 1.33x (FY2017: 1.25x). The cash and bank balance as on March 31, 2018 stood at Rs. 1.97 crores and further the working capital utilization has remained overdrawn beyond the sanctioned limits.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Rating Methodology for Trading Companies
Parent/Group Support	Not applicable
Consolidation /Standalone	The ratings are based on the standalone financial profile of the company

About the company

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 renamed to Real Growth Commercial Enterprises Ltd. 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).

Key financial indicators (Audited)

	FY2017	FY2018
Operating Income (Rs. crore)	284.04	198.95
PAT (Rs. crore)	0.88	0.97
OPBDIT/OI (%)	2.03%	2.98%
RoCE (%)	11.54%	12.33%
Total Debt/TNW (times)	3.95	2.39
Total Debt/OPBDIT (times)	9.18	6.18
Interest Coverage (times)	0.96	0.97

The previous detailed rating rationale is available on the following link: Click Here

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years

	Instrument	Current Rating (FY2019) Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating February 2019	Chronology of Rating History for the past 3 years: Date & Rating in FY2019 January 2019	Date & Rating in FY2018 July 2018	Date & Rating in FY2018 August 2017
1	Fund based limits	Long Term	21.00	-	**[ICRA]D ISSUER NOT COOPERATING; continues to remain in Issuer non cooperation**	**[ICRA]B- (Stable); Issuer Non cooperation on NDS**	**[ICRA]B- (Stable)**	**[ICRA]D**
2	Non-fund-based limits	Long Term	4.00	-	**[ICRA]D ISSUER NOT COOPERATING; continues to remain in Issuer non cooperation**	**[ICRA]B- (Stable); Issuer Non cooperation on NDS**	**[ICRA]B- (Stable)**	**[ICRA]D**

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based limits	NA	NA	NA	21.00	[ICRA]D ISSUER NOT COOPERATING; continues to remain in Issuer non cooperation
NA	Non-fund-based limits	NA	NA	NA	4.00	[ICRA]D ISSSUER NOT COOPERATING; continues to remain in Issuer non cooperation

Source: RGCEL

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