



SMERA RATINGS LIMITED

India Commercial Services (ICS)

*Rating
Rationale*

April 15, 2015

| Facilities | Amount (Rs. Crore) | Ratings |
|------------------------|-----------------------|----------------------------|
| Cash Credit | 2.00 | SMERA BB/Stable (Assigned) |
| Bank Guarantee | 5.00 | SMERA A4+ (Assigned) |
| Cash Credit (proposed) | 1.00 | SMERA BB/Stable (Assigned) |

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) to the Rs.3.00 crore long-term (fund based) bank facilities and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.5.00 crore short-term (non-fund based) bank facility of India Commercial Services (ICS). The outlook is '**Stable**'. The ratings are supported by the firm's established operations, healthy net profit margin, strong debt protection metrics and experienced management. The ratings are also supported by the moderate revenue growth registered by the firm. However, the ratings are constrained by the firm's small-scale operations. The ratings are also constrained by the firm's exposure to intense competition in the civil construction industry.

ICS, established in 1978, is a Jaipur-based proprietorship firm engaged in undertaking engineering, procurement and construction (EPC) contracts awarded by state government utilities. ICS registered healthy net profit margin of 3.07 per cent in FY2013-14 (refers to financial year, April 01 to March 31). The firm has strong debt protection metrics with leverage of 0.63 times as on March 31, 2014 and interest coverage ratio of 6.67 times in FY2012-13.

ICS benefits from its experienced management. Mr. Mohan Lal Bargoti, proprietor of ICS, has around three decades of experience in the firm's line of business. ICS's revenues have grown at a strong compound annual growth rate (CAGR) of ~35 per cent during FY2009-10 to FY2013-14.

Notwithstanding strong growth in revenues, the firm has modest-scale operations with revenue of Rs.17.85 crore in FY2013-14. ICS faces intense competition from several players in the civil construction industry.

Outlook: Stable

SMERA believes ICS will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm maintains strong debt protection metrics while achieving substantial growth in revenues and sustained improvement in profitability. The outlook may be revised to 'Negative' in case of deterioration in the firm's financial risk profile, or in case of stretch in the firm's working capital cycle.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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About the firm

ICS, established in 1978, is a Jaipur-based proprietorship firm promoted by Mr. Mohan Lal Bargoti. ICS undertakes engineering, procurement and construction (EPC) contracts awarded by Jaipur Vidyut Vitran Nigam Limited, Jaipur Development Authority, Rajasthan State Industrial Development and Investment Corporation and Urban Improvement Trust (Kota, Jaipur, and Jodhpur).

For FY2013-14, ICS reported profit after tax (PAT) of Rs.0.55 crore on operating income of Rs.17.85 crore, as compared with PAT of Rs.0.33 crore on operating income of Rs.10.74 crore in FY2012-13. The firm registered revenue of Rs.20.00 crore (provisional) during April 2014 to February 2015. ICS's net worth stood at Rs.2.25 crore as on March 31, 2014, as compared with Rs.2.14 crore a year earlier.

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