

May 09, 2016

Facilities	Amount (Rs. Crore)	Ratings
Overdraft	3.00	SMERA BB/Stable (Reaffirmed)
Bank Guarantee	5.00	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (**read as SMERA double B**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.8.00 crore bank facilities of India Commercial Services (ICS). The outlook is '**Stable**'. The ratings draw comfort from the established operations, experienced management and moderate revenue growth. The ratings are also supported by the comfortable financial risk profile marked by moderate gearing and interest coverage. However, the ratings are constrained by the small scale of operations, high debtor days and moderate liquidity profile (80 per cent bank limit utilised during the period October 2015 to March 2016). The ratings also factor in the firm's exposure to intense competition in the civil construction industry.

Update

The moderate financial risk profile of ICS is marked by small scale of operations, revenue of Rs.21.40 crore and moderate gearing (debt-to-equity) of 1.28 times as on March 31, 2015. Moreover, the interest coverage ratio stood at 1.66 times in FY2014-15. The profit after tax (PAT) margin declined to 1.91 per cent in FY2014-15 from 3.07 per cent in FY2013-14. The total debt of Rs.6.49 crore includes unsecured loans of Rs.1.47 crore subordinated to bank debt as on March 31, 2015. The firm operates in an intensely competitive segment of the civil construction industry.

Outlook: Stable

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

Rating Sensitivity Factors

- Increasing scale of operations while maintaining profitability and capital structure
- Executing large size government tenders

About the Firm

The Jaipur-based ICS, promoted by Mr. Mohan Lal Bargoti in 1978 was converted into a partnership firm on April 1, 2015. The firm undertakes execution of EPC contracts awarded by government authorities such as Jaipur Vidyut Vitran Nigam Limited, Jaipur Development Authority, Rajasthan State Industrial Development and Investment Corporation among others.

For FY2014-15, the firm reported profit after tax (PAT) of Rs.0.41 crore on operating income of Rs.21.40 crore, as compared with profit after tax (PAT) of Rs.0.55 crore on operating income of Rs.17.85 crore in FY2013-14. The net worth stood at Rs.3.92 crore as on March 31, 2015 against Rs.2.29 crore a year earlier.

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