

Press Release

India Commercial Services (ICS)

May 08, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.15.00 Cr (Enhanced from Rs.8.00 Cr)
Long Term Rating	SMERA BB/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

*Refer Annexure for details

Rating Rationale

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.15.00 crore bank facilities of India Commercial Services (ICS). The outlook is '**Stable**'.

Indian Commercial Services (ICS) was established in 1978 as a proprietorship firm by Mr. Mohan Lal Bargoti. The constitution changed to a partnership firm in 2015 whereby Mr. Mohan Lal Bargoti and his brother Mr. Rakesh Bargoti were inducted as partners. ICS undertakes 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).

List of key rating drivers and their detailed description

Strengths:

Long track record of operations and experienced management: ICS was established in 1978. The proprietor, Mr. Mohan Lal Bargoti possesses over a decades experience in the EPC industry.

Healthy financial risk profile: The financial risk profile of the firm is marked by comfortable gearing and debt protection metrics and a modest networth base. The gearing (debt-to-equity) levels stood at 0.52 times as on 31 March, 2016 against 1.28 times in the previous year. The interest coverage ratio stood at 1.99 times in FY2015-16 against 1.57 times in FY2014-15. The debt service coverage ratio stood at 2.07 times in FY2015-16 against 1.66 times in FY2014-15. The net worth stood at Rs.8.00 cr as on 31 March, 2016 against Rs.3.92 cr a year earlier owing to retention of profits resulting in improvement in the capital structure. The net cash accrual (NCA)/total debt (TD) stood at 0.27 times in FY2015-16 against 0.10 times in FY2014-15. SMERA believes that the financial risk profile of the firm would be sustained over the medium term backed by steady growth and consistent accruals.

Reputed clientele: The firm caters to government organisations with operations spread across Jaipur, Jodhpur, Kota among others. The firm bids for tenders from Jaipur Vidyut Vitran Nigam Ltd, Jaipur Development Authority, Rajasthan State Industrial Development and Investment Corporation, Urban Improvement Trust (Kota, Jaipur, and Jodhpur).

Weaknesses:

Moderate scale of operations: The scale of operations stood at moderate levels with a turnover of around Rs. 29.77 cr in FY2015-16 against Rs.21.40 cr in FY2014-15. The firm reported revenue of around Rs. 33.11 cr in FY2016-17.

Tender based nature of business: The nature of business is tender based. Going forward, the firm's ability to bid for large orders and qualify for the same remains to be seen. However, the promoter's extensive experience and long term relations partially mitigate this risk.

Intense competition: The firm faces intense competition from various EPC players in India which is likely to impact operating performance and profitability.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the firm.

Applicable Criteria

- Infrastructure Entities - <https://www.smerra.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Outlook: Stable

SMERA believes that ICS will maintain a stable outlook over the medium term owing to its reputed clientele and experienced management. The outlook may be revised to 'Positive' in case the firm registers substantial growth in revenues while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

About the Rated Entity

ICS was established in 1978 as a proprietorship firm by Mr. Mohan Lal Bargoti and converted to a partnership entity in 2015. The partners are Mr. Mohan Lal Bargoti and his brother, Mr. Rakesh Bargoti. The firm undertakes 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 FY2015-16, the firm reported profit after tax (PAT) of Rs.1.01 cr on operating income of Rs.29.77 cr, as compared with PAT of Rs.0.41 cr on operating income of Rs.21.40 cr in FY2014-15. The net worth stood at Rs.8.00 cr as on 31 March, 2016 against Rs.3.92 cr a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY2017					FY2016		FY2015		FY2014	
	Scale	Amt. (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Overdraft	LT	4.00	SMERA BB/Stable (Reaffirmed)	May 09, 2016	SMERA BB/Stable (Reaffirmed)	-	-	-	-	-	-
Bank Guarantee	ST	11.00	SMERA A4+ (Reaffirmed)	May 09, 2016	SMERA A4+ (Reaffirmed)	April 15, 2015	SMERA A4+ (Assigned)	-	-	-	-
Proposed Cash Credit	LT	-	-	-	-	April 15, 2015	SMERA BB/Stable (Assigned)	-	-	-	-
Cash Credit	LT	-	-	-	-	April 15, 2015	SMERA BB/Stable (Assigned)	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	N.A	N.A	N.A	4.00	SMERA BB/Stable (Reaffirmed)
Bank Guarantee	N.A	N.A	N.A	11.00	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument:
<https://www.smerra.in/criteria-complexity-levels.htm>
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ABOUT SMERA

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