



Press Release
India Commercial Services
January 30, 2024

Rating Assigned, Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	4.00	ACUITE BB Stable Upgraded	-
Bank Loan Ratings	17.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	26.00	-	-

Rating Rationale

Acuite has upgraded the long term rating from '**ACUITE BB- (read as ACUITE double B minus)**' to '**ACUITE BB (read as ACUITE double B)**' and reaffirmed the short term rating of '**ACUITE A4+ (read as ACUITE A four plus)**' on the Rs.21.00 Cr. bank facilities of India Commercial Services (ICS). The outlook is '**Stable**'.

Further Acuite has assigned the long term rating of '**ACUITE BB (read as ACUITE double B)**' on the Rs.5.00 Cr. bank facilities of India Commercial Services (ICS). The outlook is '**Stable**'.

Rationale for the rating

The rating action takes into account improved Business, Financial risk profile and adequate liquidity Position. Firm reported growth in revenue from operations by ~185% in FY2023 to Rs 47.01 crore as against Rs. 16.49 crore for FY2022. Further, the firm has already achieved a revenue of ~ Rs. 108 Cr. in 9MFY24 reporting a robust growth in the current fiscal. Operating Profit Margin of firm stood at 5.52% in FY2023 as against 7.10% in FY2022 likewise the net profit margin of the firm declined by 89 bps and stood at 5.01 percent in FY2023 as against 5.90 percent in FY 22. However EBITDA in absolute no. increased from Rs 1.17 crore in FY 22 to Rs 2.60 crore in FY 23.

Financial risk profile of the firm improved with improvement in gearing, moderate net worth & improved coverage indicators. The total tangible net worth stood at Rs. 19.14 Cr as on 31st March 2023 as against Rs. 14.74 Cr a year earlier. Interest coverage ratio stood at 4.65 times for FY2023 and Debt Service coverage ratio stood at 4.69 times for FY2023. However these strengths are underpinned by high working capital requirement, decrease in operating margin and short revenue visibility.

Acuite believes that the firm's ability to grow its scale of operations and profitability while maintaining a healthy capital structure with improvement in working capital operations remains a key rating indicator.

About the Company

India Commercial Services (ICS) is a Jaipur based partnership firm established in the year 1978 by Mr. Hari Narayan Bargoti. He was later joined by Mr. Mohan Lal Bargoti and Mr. Rakesh Bargoti. The partners have an experience of more than 4 decades in the line of business. The firm has been providing services such as commissioning and testing of electrical lines, underground cabling, sub-station work, laying of underground steel gas pipeline and setting up of grid connected solar PV system.

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of ICS to arrive at the rating.

Key Rating Drivers

Strengths

Experienced promoters with established track record in same line of business

India Commercial Services (ICS) was promoted by Mr. Hari Narayan Bargoti in 1978. He has more than 4 decades of experience in the business. He was later joined by Mr. Mohan Lal Bargoti and Mr. Rakesh Bargoti, who has been carrying out the business operations at present. The partner's long standing presence in the market has enabled them in getting repeated tenders from client.

Business risk profile

ICS's operation witnessed improvement which is apparent from growth in revenue from operations by ~185% in FY2023 to Rs 47.01 crore as against Rs. 16.49 crore for FY2022. The operating profit margin of the firm went down by 158 bps in FY 23. Operating Profit Margin of firm stood at 5.52% in FY2023 as against 7.10% in FY2022 likewise the net profit margin of the firm declined by 89 bps and stood at 5.01 percent in FY2023 as against 5.90 percent in FY 22. However EBITDA in absolute no. increased from Rs 1.17 crore in FY 22 to Rs 2.60 crore in FY 23. ROCE of the firm stood at 12.16 percent in FY2023.

Firm has current unexecuted order in hand of Rs ~293 crore to be executed till FY25. It is expected that the firm will achieve Revenue of Rs ~200 crore in FY 24. Coupled to this firm has Bid under process of Rs~106 crore.

Financial Risk Profile-Moderate

Firm has moderate financial risk profile marked by moderate net worth, low gearing and comfortable coverage indicators. The Total Tangible net worth stood at Rs. 19.14 Cr as on 31st March 2023 as against Rs. 14.74 Cr a year earlier. Increase in net worth is on account of Profit accretion and additional funds infused by partners in form of capital.

Firm follows conservative leverage policy marked by low gearing. Debt to Equity ratio stood below unity at 0.75 times in FY 2023 as against 0.17 times in FY 22. Gearing is expected to improve in near mid term as firm has no large capex plan.

Interest coverage ratio increased by 95 bps and stood comfortable at 4.65 times for FY2023 as against 3.70 times in FY2022. Increase in Interest coverage ratio is on higher Earnings in FY 23 in comparison to FY 22. Likewise, Debt Service coverage ratio increased by 83 bps and stood comfortable 4.69 times for FY2023 as against 3.86 times in FY2022.

Total outside liabilities to total net worth (TOL/TNW) stood at 2.14 times as on FY2023 vis-à-vis 1.08 times as on FY2022. Debt-EBITA stood at 4.25 times as on 31st March 2023 as against 1.39 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.19 times as on 31st March 2023 and 0.56 times in the previous year. The financial risk profile of the company is expected to improve and remain comfortable in medium terms, as the company do not have any large capex plan in the medium term.

Weaknesses

Working capital operations- High

Firm has high working capital requirements as evident from gross current assets (GCA) of 413 days in FY2023 as compared to 477 days in FY2022. Intensiveness of Working capital is on account of High Inventory Days and followed by high debtor days. Inventory days stood at 148 days in FY2023 as against 79 days in FY 22. Debtors days stood at 103 days in FY 23 (230 days in FY22).

Highly competitive industry marked by tender based nature of business and risk of capital withdrawal

The company's performance is susceptible to the tender based nature of business, where the business depends on the ability to bid for contracts successfully. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. Further, as the entity is partnership based, there have been capital withdrawal during FY22 and FY23. Hence, any excess withdrawal would affect tangible net worth of the firm and related debt coverage indicators.

Rating Sensitivities

Improving scale of operations along with the diversification of its order book on clientele and geographical front.

Any delay in execution of projects impacting revenue stream of firm.

Liquidity Position

Adequate

Firm has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Firm generated cash accruals of Rs. 2.65 crore for FY2023. Current Ratio stood at 1.41 times as on 31 March 2023 (same in the previous year, no change). Fund based working capital limits are utilized at ~77 per cent during the last twelve months ended Dec 23 while non fund based limit utilization is 59 percent leaving additional cushion in working capital limits to meet contingencies. Cash and Bank Balances of firm stood at Rs 7.98 crores. Coupled to this firm have free investments in form of Mutual funds of Rs 1.82 crore.

Outlook: Stable

Acuité believes that the company will continue to maintain a 'Stable' outlook over near to medium term owing to its experienced promoters and established position in market. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues consummating increase in order book size, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than expected working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	47.01	16.49
PAT	Rs. Cr.	2.36	0.97
PAT Margin	(%)	5.01	5.90
Total Debt/Tangible Net Worth	Times	0.75	0.17
PBDIT/Interest	Times	4.65	3.70

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Nov 2022	Secured Overdraft	Long Term	4.00	ACUITE BB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Reaffirmed)
24 Aug 2021	Bank Guarantee	Long Term	17.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	4.00	ACUITE BB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE A4+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BB Stable Upgraded
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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