



**Press Release**  
**India Commercial Services**  
**November 04, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB   Stable   Assigned	-
Bank Loan Ratings	9.00	ACUITE BB   Stable   Reaffirmed	-
Bank Loan Ratings	33.00	-	ACUITE A4+   Assigned
Bank Loan Ratings	17.00	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	64.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of ‘**ACUITE BB**’ (read as **ACUITE double B**) and its short term rating of ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on the Rs.26.00 crore bank facilities of India Commercial Services (ICS). The outlook is ‘**Stable**’.

Furthermore, Acuite has assigned a long-term of ‘**ACUITE BB**’ (read as **ACUITE double B**) and its short term rating of ‘**ACUITE A4+**’ (read as **ACUITE A four plus**) on the Rs.38.00 crore bank facilities of India Commercial Services (ICS). The outlook is ‘**Stable**’.

**Rationale for rating**

The rating takes into cognizance the augmentation in scale of operations where revenue from operations of the firm increased to Rs 166.44 crore in FY24 as compared to the revenue of Rs 47.01 crore in FY23. There was marginal increase in firm’s operating margin which stood at 5.66% in FY24 as against 5.51% in FY23. The rating also factors in the comfortable unexecuted order book of ~Rs 315.88 crore as on October 20, 2024. The order book stood at ~1.90 times of the operating income of the FY24. The rating also draws comfort from management’s experience and established track in same line of business, moderate financial risk profile categorized by moderate net worth, comfortable gearing, comfortable debt protection metrics, along with adequate liquidity. However, these strengths are partially offset by firm’s high working capital operations, highly competitive industry marked by tender based nature of business and capital withdrawal risk associated with partnership firm.

**About the Company**

India Commercial Services (ICS) is a Jaipur based partnership firm established in the year 1978 by Mr. Hari Narayan Bargoti. It was later joined by late Mr. Mohan Lal Bargoti and Mr. Rakesh Bargoti. Currently, Mr Rakesh Bargoti and Mr Shubham Bargoti are the partners of the firm. The firm has been providing services such as commissioning and testing of electrical lines, underground cabling, substation work, laying of underground steel gas pipeline and setting up of grid connected solar PV system. Firm has presence in Rajasthan and Goa. However, small project was also being carried out in Uttarakhand in FY23.

**Unsupported Rating**

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 partners with established track record in same line of business**

India Commercial Services (ICS) is a Jaipur based partnership firm established in the year 1978 by Mr. Hari Narayan Bargoti. It was later joined by late Mr. Mohan Lal Bargoti and Mr. Rakesh Bargoti. Currently, Mr Rakesh Bargoti and Mr Shubham Bargoti are the partners of the firm . Mr Rakesh Bargoti have an experience of more than 4 decades whereas Mr Shubham Bargoti have an experience of 10 years in the same line of business. The business leverages benefit from the experience of the business and has grown over the years.

### **Augmentation in scale in operations and improvement in profitability ; decline in PAT margin**

The operations of the firm reported a growth of 254.08% in operating income by achieving the revenue of Rs. 166.44 crore in FY24 as against Rs.47.01 crore in FY23 due to higher execution of the orders. The firm has a confirmed unexecuted order book of ~Rs 315.88 Cr. as on 20<sup>th</sup> Oct 2024. The order book stood at 1.90 times of the operating income of the FY24.

Operating margin of the firm had also improved marginally which stood at 5.66% in the FY24 as against 5.51% in the FY23 albeit increase in remuneration paid to partners. PAT margin of the firm had been dipped Y-O-Y and stood at 3.98% in the FY24 as against 5.01% in the FY23 mainly on account of increase in finance cost and decline in the other income in the FY24 as compared with the FY23, as in the FY23 there was capital gain on sale of script of mutual funds of Rs 0.58 Crore. However, in absolute terms PAT increased which stood at Rs 6.63 crore in FY24 as against Rs 2.36 crore in FY23.

Going forward, Acuité believes that the ability of the firm to maintain its scale of operations and improve in profitability margins will going to remain a key monitorable over the medium term.

### **Moderate financial risk profile**

The firm's financial risk profile is marked by moderate net worth, comfortable gearing and comfortable debt protection metrics. The adjusted tangible net worth of the firm stood at Rs 26.41 crore as on March 31, 2024 from Rs. 19.14 crore as on March 31, 2023 due to accretion of profit and infusion of funds by partners in form of capital.

Gearing of the firm increased and stood at 0.85 times as on March 31, 2024 as against 0.75 times as on March 31, 2023 due to increase in debt obligation in the form of vehicle loan. However, gearing is expected to improve in near to medium term as firm has no large capex plan and the repayment of the additional working capital term loan (WCTL) from Bank of Baroda

The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 2.32 times as on March 31, 2024 as against 2.14 times as on March 31, 2023. The moderate debt protection metrics of the firm is dipped but stood comfortable which marked by interest coverage ratio at 3.95 times as on March 31, 2024 and debt service coverage ratio at 3.44 times as on March 31, 2024 as against 4.69 times and 4.72 times as on March 31, 2023 respectively mainly on account of increase in finance cost. Net Cash Accruals/Total Debt (NCA/TD) also improved and stood at 0.32 times as on March 31, 2024 as against 0.19 times as on March 31, 2023.

Acuité believes that going forward the financial risk profile of the firm will improve and remain comfortable over the medium term on the absence of any large capex plan in medium term.

## **Weaknesses**

### **High working capital operations**

The working capital operations of the firm is marked by high GCA days but the same has improved and stood at 167 days as on March 31, 2024 as against 413 days as on March 31, 2023. The GCA days is high primarily on account of high inventory days and other receivables in form of various deposits (including lien marked Fixed deposit), advances to related parties. The inventory days improved and stood at 57 days as on March 31, 2024 as against 148 days as on March 31, 2023 on account of execution of the orders. Debtor's holding period drastically improved and stood at 18 days as on March 31, 2024 as against 103 days as on March 31, 2023. Debtor cycle generally depends on project. In agricultural projects, debtors' cycle is elongated, whereas in Revamped Distribution Sector Scheme (RDSS), receivable cycle is 10 days from the date of invoice. Creditors holding period drastically improved and stood at 96 days as on March 31, 2024 as against 288 days as on March 31, 2023 as payment terms is of 45 days, speedy recovery from the debtors helped the firm to improve the creditors holding period. The fund-based limit remained utilized at ~85 per cent and nonfund based limit remained utilized at ~64 percent over the eight months ended August, 2024.

Acuité believes that the working capital operations of the firm will remain at same level as evident from movement in the inventory period , other receivables and advances to related parties will remain a key monitorable.

### **Capital withdrawal risk associated with partnership firm**

Being a partnership firm, firm is exposed to the capital withdrawal risk. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

### **Highly competitive industry marked by tender based nature of business**

The firm'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.

### **Rating Sensitivities**

- Movement in the scale of operation while sustainability in its profitability margin
- Movement in the working capital cycle
- Fund exposure to related parties

### **Liquidity Position**

#### **Adequate**

The firm's liquidity is adequate marked by steady net cash accruals of Rs.7.20 Cr. as on March 31, 2024 as against long term debt repayment of only Rs.0.36 Cr. over the same period. Overall profits and cash accruals from the business stood at a comfortable level in FY2024 which remain sufficient to meet the scheduled debt obligations. The current ratio dipped but stood comfortable at 1.23 times as on March 31, 2024 as against 1.38 times as on March 31, 2023. The fund-based limit remained utilized at ~85 per cent and non-fund based limit remained utilized at ~64 percent over the eight months ended August, 2024 Moreover, working capital management of the company is high but improved and stood at Gross Current Assets (GCA) of 167 days in 31st March 2024 as compared to 413 days in 31st March 2023.

Acuité believes that going forward the firm will continue to maintain adequate liquidity on account of adequate net cash accruals against its matured repayment obligations.

### **Outlook**

Stable

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	166.44	47.01
PAT	Rs. Cr.	6.63	2.36
PAT Margin	(%)	3.98	5.01
Total Debt/Tangible Net Worth	Times	0.85	0.75
PBDIT/Interest	Times	3.95	4.69

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

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jan 2024	Bank Guarantee (BLR)	Short Term	17.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	4.00	ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable)
	Secured Overdraft	Long Term	5.00	ACUITE BB   Stable (Assigned)
18 Nov 2022	Secured Overdraft	Long Term	4.00	ACUITE BB-   Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	17.00	ACUITE A4+ (Reaffirmed)
24 Aug 2021	Secured Overdraft	Long Term	4.00	ACUITE BB-   Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	17.00	ACUITE A4+ (Reaffirmed)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Complexity Level</b>	<b>Rating</b>
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.00	Simple	ACUITE A4+   Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	33.00	Simple	ACUITE A4+   Assigned
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BB   Stable   Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BB   Stable   Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BB   Stable   Assigned

## Contacts

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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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