Dhruv Consultancy Services Limited

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DHRUV/OUTWARD/2023-24/4570

January 9, 2024

Corporate Relationship Department	Listing Department
BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers,	Exchange Plaza, C-1 Block G,
Dalal Street,	Bandra Kurla Complex, Bandra (E),
Mumbai- 400001	Mumbai -400 051
Fax No. 022-22723121/3027/2039/2061	Fax No. 022-26598120/38
Security Code: 541302, Security ID : DHRUV	**Scrip Symbol: DHRUV**

Dear Sir/Ma'am,

Sub: Intimation regarding Credit Rating - Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to Regulation 30 of the SEBI (LODR) Regulation 2015, this is to inform you that CARE Ratings Limited ("Credit Rating Agency") has reaffirmed the ratings towards the respective bank facilities as availed by the Company as under: -

Facilities	Amount (Rs in Crore)	Rating	Rating Action
Long Term Bank Facilities	8.50 (Enhanced from 6.50)	CARE BBB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	26.00 (Reduced from 28.00)	CARE BBB-; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	5.00	CARE A3	Reaffirmed

Press release dated January 08, 2024, issued by the Credit Rating Agency is attached herewith. Kindly take this on record.

Thanking you,
Yours faithfully

For **DHRUV CONSULTANCY SERVICES LIMITED**

TANVI TEJAS AUTI
Digitally signed by TANVI TEJAS AUTI
Date: 2024.01.09 15:19:04 +05'30'

TANVI T AUTI
MANAGING DIRECTOR
DIN :07618878

Dhruv Consultancy Services Limited

January 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long term bank facilities	8.50 (Enhanced from 6.50)	CARE BBB-; Stable	Reaffirmed
Long term / short term bank facilities	26.00 (Reduced from 28.00)	CARE BBB-; Stable / CARE A3	Reaffirmed
Short term bank facilities	5.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1

Rationale & key rating drivers

The reaffirmation of the ratings to the long-term and short-term bank facilities of Dhruv Consultancy Services Limited (DCSL) factors in steady growth in revenues coupled with healthy operating profit margins, continuous receipt of orders leading to strong order book position providing medium term revenue visibility. The ratings also continue to factor in DCSL's long and established track record of operations, experienced promoters along with providing services to Government clients with a relatively low counterparty risk as majority of the projects are funded by Government authorities, comfortable capital structure on back of capital infusion in form of equity capital and warrants with comfortable debt coverage indicators.

The above rating strengths are, however, partially offset by elongation in the working capital cycle of the company owing to delays in the receipts from the counterparties as dealing with government authorities and tender-based nature of operations along with having presence in intensely competitive industry.

Rating Sensitivities: Factors likely to lead to rating actions

Positive Factors

- Increase in the scale of operation and profitability translating in to Gross Cash Accruals (GCA) Rs.15 crore on sustained basis.
- Improvement in the collection period around 100 days or gross current asset days at below 200 days with utilization of the working capital limits reaching below 75% on a sustained basis.

Negative Factors

- Deterioration in the profit margins with PBILDT and PAT margins reaching below 10% and 4% on a sustained basis
- Deterioration in capital structure and debt coverage indicators with overall gearing exceeding a unity and interest coverage reaching below 3x on a sustained basis.
- Elongation in operating cycle resulting into higher reliance on debt and putting pressure on the liquidity parameters as well as financial risk profile.

Analytical approach: Standalone

Outlook: Stable

The continuation of "Stable" outlook reflects CARE Ratings belief that DCSL will sustain steady growth in its scale of operations and comfortable financial risk profile.

Detailed description of the key rating drivers:

Key Strengths

Experienced promoters: Pandurang Dandawate, Chief promoter, and Non-Executive Director, has overall more than three and half decades of experience in the industry. Ms. Tanvi Auti, currently Managing Director, has an overall more than a decade of experience in the industry and has been associated with the company since last five years. The promoters have been instrumental in bringing the company at its current stature from modest beginning. The promoters are ably supported by experienced personnel who handle day-to-day operations.

Long track record of project executed during past: The company has provided consultancy services of around 175+ projects, on-going 53+ projects, DPR completed for 4793 KM, PM/Supervision completed for 1958 KMs, having presence in 21 states across India. The consultancy services were provided on projects bagged largely from government bodies and public

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

sector undertakings. The company is empaneled with banks and government bodies, thus deriving significant revenues through repeat orders.

Strong order book position: The company has strong order book position of Rs. 338 crores as on December 01, 2023 (vis-à-vis Rs. 269 crores as on February 28, 2023) which is 4.16x of total revenue of FY23 and the same to be executed in span of two-three year depending on the nature work to be executed, providing medium revenue visibility to the company. The order book of the company is reasonably diversified, in geographical terms, with its projects in multiple states, such as Maharashtra, Uttar Pradesh, Madhya Pradesh, Punjab, and Haryana among others. The counterparty risk also remains low as the entire order book is awarded by government entities, including urban local bodies. Furthermore, during the current year, the company has entered into offering consultancy services to offshore client, which will further strengthen the order book position.

Healthy profitability margins: The company operates in the service industry wherein major expenditure viz. employee and other administrative expenses has been incurred towards the execution of the projects. Thus, the PBILDT margins have declined marginally from 12.40% in FY22 to 11.28% in FY23 owing to increase in employee cost, professional fees and consultancy charges for new recruitments done for newly awarded projects and towards the traffic survey projects. Further, the PAT margin also decreased to 5.94% in FY23 (vis-à-vis 7.67% in FY22) with an increase in interest cost. Further, Indian Highway Management Company Limited (IHMCL) awarded the company traffic survey projects in Rajasthan, Haryana, and Maharashtra, for which equipment was taken on lease which has led to increase in depreciation cost.
However, led by execution of orders pertaining to traffic survey projects coupled with the large number of orders at completion stage the PBILDT margin showed a significant improvement in H1FY24. The PBILDT margin and PAT margin have improved and stood at 20.20% and 8.02% respectively in H1FY24 (vis-a-vis 15.36% and 7.60% respectively in H1FY23).
DCSL has started offering consultancy services to offshore clients (mainly Bangladesh, Bhutan, Nepal etc.), wherein it has already bid for 70 assignments and expects to receive two assignments in FY24. Going forward on the back of export orders the profitability of the company is expected to improve further.

Comfortable financial risk profile: The financial risk profile of the company continues to remain stable and comfortable, marked by comfortable capital structure and debt coverage indicators. During FY23, DCSL has raised capital of Rs. 5.04 crore on a preferential basis through issuance of 8,00,000 equity shares, at price of Rs. 63 per equity share (including premium). Additionally, the company issued 9,22,769 share warrant aggregating to Rs. 5.81 crore of which Rs. 1.45 crore has been received by the company, owing to which the tangible net worth of the company has increased from Rs. 45.81 crore in FY22 to Rs. 56.96 crore in FY23. Thus, the overall gearing of the company stood stable and comfortable at 0.33x as on March 31, 2023 (vis-vis 0.34x in FY22). Total debt to GCA has improved marginally and stood at 2.27x during FY23 (vis-à-vis 2.54x during FY22) owing to higher cash accruals. Interest coverage has deteriorated to 5.23x in FY23 (vis-à-vis 8.81x in FY22) owing to the increase in interest cost. Going forward on the back of expected improvement in scale and profitability translating in to improved GCA, both capital structure and debt coverage indicators are expected to improve.

Key rating weaknesses

Growing albeit modest scale of operations: The total operating income of the company has marginally increased by 8% in FY23 and stood at Rs.81.18 crore (vis-à-vis Rs. 75.06 crore in FY22). The improvement was on account of higher execution of contracts wherein the major contribution to the revenue was from construction and supervision projects of National Highways under MoRTH and NHAI. Furthermore, during H1FY24, the company achieved a total operating income of Rs. 34.55 crore as against Rs. 38.14 crore in H1FY23. The company expects to exhibit steady growth in its scale of operations backed by a strong order book position and inflow of export orders.

Working capital intensive nature of operations coupled with high collection period: The operation of the company is working capital intensive in nature as evident by funds being blocked in debtors reflected by average collection period (including retention money and unbilled revenue) at 250 days in FY23 (vis-à-vis 196 days in FY22). Further, the gross current asset days continues to remain elevated from 350 days in FY22 to 398 days in FY23 since the realization of debtors has been relatively slower as the company is into business of consultancy services for infrastructure industry wherein the clients are largely government or PSUs. Increased collecting period also due to new order additions, and often new order billing is delayed by 6 months during the initial stage. As a result, the collection period was extended which has led to an increase in operating cycle at 190 days in FY23 (vis-à-vis 170 days in FY22). Going forward on the back of expected faster execution of orders the operating cycle is projected to witness an improvement.

Reliance on large workforce: The infrastructure consultancy services involve large number of workforces for executing the assignments for clientele on time. As on March 31, 2023, the company had 320+ employees including around ~200+

engineers. Furthermore, depending on the needs of the business, the company outsources certain contracts to the third-party service providers from time to time.

Dependence on infrastructure project awarded by government bodies and geographical concentration with tender driven nature of operations: The company is involved in consultancy services of infrastructure sector to government bodies viz. Furthermore, DCSL majorly deals with various government organizations for which it has to participate in the tenders and hence has to face the risk of successful bidding for the same. Furthermore 95% of the revenue is generated from government bodies. Moreover, the tenders from the government bodies are mainly dependent on the budgetary fund allocations and hence remain cyclical in nature. Any change in the government's framework for consultancy service providers could have an impact on the operations of the company. Furthermore, the geographical coverage of the company has widened and has covered northern areas like Jharkhand, Odisha, Manipur, Bihar etc. However, major revenue of DCSL has been generated from the state of Maharashtra since most of the clientele of the company are largely based in the state of Maharashtra. Further, the company is expanding its geographical footprint by entering the international market.

Competition from existing players: The consultancy industry in India is fragmented and intensely competitive in nature with the presence of multiple local, national and few foreign players. Moreover, being a tender-based business, the revenues are dependent on the company's eligibility and its ability to execute the projects in a time bound manner. However, DCSL's long industry experience and established relationship with reputed clientele mitigate this risk to some extent.

Liquidity position: Adequate

The liquidity position of the company remained adequate, marked by sufficient cushion in accruals vis-à-vis moderate repayment obligations of term loans. As on September 30, 2023, unencumbered cash/bank balance stood at 0.57 crores. Being into consultancy services for construction industry is inherently high working capital intensive primarily due to funding requirement towards the security deposits, margin money for the non-fund-based facilities, receivables. However, the same has been funded through internal accruals and working capital bank borrowings. Furthermore, capital infusion amounting to Rs. 6.49 crore gives the liquidity cushion. The average maximum utilization of cash credit limit stood at 80%-85% in past 12 months ended in November 2023. Furthermore, the current ratio and quick ratio stood comfortable at 2.02 times as on March 31, 2023 and the net cash flow from operating activities stood positive in FY23.

Applicable criteria:

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies

About the Company and industry

Industry classification

Macro economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Incorporated in the year 2003, Dhruv Consultancy Services Limited is engaged in the business of consultancy services for infrastructure industry. The company is involved in providing design, engineering, procurement, construction and integrated project management services for highways, bridges, tunnels, architectural, environmental engineering and ports. Their services include preparation of detailed project report (DPR) and feasibility studies for infrastructure projects, operations & maintenance (O&M) works, project management consultancy (PMC) services, independent consultancy, project planning, designing, estimation, traffic & transportation engineering, financial analysis, technical audits, structural audit, inspection of bridges and techno legal services.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	75.06	81.18	34.55
PBILDT	9.31	9.16	6.98
PAT	5.76	4.82	2.77
Overall gearing (times)	0.34	0.33	NA
Interest coverage (times)	8.81	5.23	NA

A: Audited, UA: Unaudited; NA- Not available Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Complexity level of various instruments rated for this company: Annexure 4

Lender details: Annexure-5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash credit		-	-	-	8.50	CARE BBB-; Stable
Fund-based - ST-Bill discounting/ Bills purchasing		-	-	-	5.00	CARE A3
Non-fund-based - LT/ ST-Bank guarantee		-	-	-	26.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Cash credit	LT	8.50	CARE BBB-; Stable	-	1)CARE BBB-; Stable (24-Mar-23) 2)CARE BBB-; Stable (06-Apr-22)	1)CARE BBB-; Stable (05-Apr-21)	1)CARE BBB-; Stable (20-Apr-20)
2	Fund-based - ST-Bill discounting/ Bills purchasing	ST	5.00	CARE A3	-	1)CARE A3 (24-Mar-23) 2)CARE A3 (06-Apr-22)	1)CARE A3 (05-Apr-21)	1)CARE A3 (20-Apr-20)
3	Non-fund-based - LT/ ST-Bank guarantee	LT/ST*	26.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (24-Mar-23) 2)CARE BBB-; Stable / CARE A3 (06-Apr-22)	1)CARE BBB-; Stable / CARE A3 (05-Apr-21)	1)CARE BBB-; Stable / CARE A3 (20-Apr-20)
4	Fund-based - ST-Bank overdraft	ST	-	-	-	1)Withdrawn (06-Apr-22)	1)CARE A3 (05-Apr-21)	1)CARE A3 (20-Apr-20)

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities : Not applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - ST-Bill discounting/ Bills purchasing	Simple
3	Non-fund-based - LT/ ST-Bank guarantee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here]

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in