



Dhruv Consultancy Services Limited

501, Plot No. 67, Pujit Plaza, Opp. K-Star Hotel, Sector-11, C.B.D. Belapur, Navi Mumbai – 400 614
Telefax No. +91 22 27570710, Mobile:- 09619497305, Website : www.dhruvconsultancy.in
Email ID: services@dhruvconsultancy.in, info@dhruvconsultancy.in; CIN: L74999MH2003PLC141887

DHRUV /OUTWARD/2021-22/10
April 3, 2021

“By Mail”

Corporate Relationship Department
BSE Limited (SME Segment)
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400001
Fax No. 022-22723121/3027/2039/2061
Security Code: 541302, Security ID : DHRUV

Dear Sir/Ma'am,

Re: ISIN - INE506Z01015

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

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, we would like to inform that our Company has received a letter dated March 31, 2021 bearing no CARE/HO/RL/2020-21/4988 on March 31, 2021 from CARE Ratings Limited (“CARE”) informing us that they have reaffirmed the rating towards the respective bank facilities as availed by the Company.

The copy of the letter as received by the Company is attached as Annexure “A”.

This is for your information and records.

Thanking you,

Yours faithfully,
for DHRUV CONSULTANCY SERVICES LIMITED

TANVI T AUTI
Managing Director

Encl : Letter from CARE Ratings. (Annexure A)

No. CARE/HO/RL/2020-21/4988

Ms. Tanvi Auti
Managing Director
Dhruv Consultancy Services Limited
 501, Plot No. 67, Pujit Plaza,
 Opp. K-Star Hotel, Sector – 11,
 CBD Belapur – 400 614
 Navi Mumbai, Maharashtra

March 31, 2021

Confidential

Dear Ma'am,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY20 (Audited) & 11MFY21 (Prov.), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	6.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	20.00	CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable / A Three)	Reaffirmed
Short Term Bank Facilities	6.30	CARE A3 (A Three)	Reaffirmed
Total Facilities	32.30 (Rs. Thirty-Two Crore and Thirty Lakhs Only)		

2. Refer **Annexure 1** for details of rated facilities.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by April 1, 2021, we will proceed on the basis that you have no any comments to offer.
4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the aforementioned rating actions in any manner considered appropriate by it, without reference to you.
6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



Suchita Narkar
Junior Analyst
suchita.shirgaonkar@careratings.com



Ruchi Sanghavi
Manager
ruchi.shroff@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

Details of Rated Facilities

1. Long-term facilities

1.A. Fund Based limits (Rs. crore)

Sr. No.	Name of Bank	Fund Based Limits	
		CC*	Total fund-based limits
1.	HDFC Bank	4.00	4.00
2.	Proposed	2.00	2.00
	TOTAL	6.00	6.00

Total Long Term Bank Facilities = Rs. 6.00 crore

2. Short-term facilities

1.A. Fund Based limits (Rs. crore)

Sr. No.	Name of Bank	Fund Based Limits		
		BD/ BP*	Bank OD^	Total fund-based limits
1.	HDFC Bank	5.00	1.30	6.30
	TOTAL	5.00	1.30	6.30

*Bill discounting / Bill Purchasing

^Bank overdraft

Total Short Term Bank Facilities = Rs. 6.30 crore

3. Long Term / Short Term Facilities

3. A. Non-Fund-based facilities

Sr. No.	Name of Bank	Non Fund Based Limits (Rs. Crore)	
		Type of facility	Total Non-Fund Based limits
1	HDFC Bank Limited	BG*	20.00
	TOTAL		20.00

* BG: Bank Guarantee

Total Long Term / Short Term Bank Facilities = Rs. 20.00 crore

Total Bank Facilities = Rs. 32.30 crore

Annexure II
Press release
Dhruv Consultancy Services Limited

Ratings

Facilities	Amount (Rs. crore)	Ratings ²	Rating Action
Long Term Bank Facilities	6.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	20.00	CARE BBB-; Stable / CARE A3 (Triple B Minus ; Outlook: Stable / A Three)	Reaffirmed
Short Term Bank Facilities	6.30	CARE A3 (A Three)	Reaffirmed
Total Facilities	32.30 (Rs. Thirty-Two Crore and Thirty Lakhs Only)		

Details of instruments/facilities in Annexure I

Detailed Rationale & Key Rating Drivers

The rating reaffirmation assigned to the bank facilities of Dhruv Consultancy Services Limited (DCSL) continue to derive strength from experienced promoters in the infrastructure consultancy services, long track record of projects executed during past, strong order book position with diversified services in the offering, healthy profitability margins and moderate financial risk profile.

The ratings, however, continue to be constrained by modest scale of operations, working capital intensive nature of operations coupled with high collection period, customer and geographical concentration with tender driven nature of business, reliance on large workforce and competition from existing players in infrastructure consultancy.

Rating sensitivities

Positive Factors

- Increase in the scale of operation despite high competition with total operating income to attain a level of around Rs.75-80 crore on sustained basis.
- Improvement in the collection period reaching below 120 days with utilization of the working capital limits reaching below 75% on a sustained basis
- Completion of the proposed capex without any cost and time overrun

Negative factors

- Deterioration in capital structure and debt coverage indicators with overall gearing exceeding a unity level with interest coverage reaching below 3x on a sustained basis.
- Deterioration in the profit margins with PBILDT and PAT margins reaching below 6% and 2% on a sustained basis

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Detailed description of Key rating drivers

Experienced promoters: Mr. Pandurang Dandawate, Chairman and Non-Executive Director, has overall 35 years of experience in the industry. Ms. Tanvi Auti, currently Managing Director, has overall 10 years of experience in the industry and has been associated with the company since last four 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 on 51 projects in the area of highways, bridges, tunnels, architectural, environmental, engineering and ports etc. The consultancy services were provided on projects bagged largely from government bodies and public sector undertakings. The company is empaneled with banks and government bodies, thus deriving significant revenues through repeat orders.

Strong order book position with diversified services in the offering: The company has strong order book position of Rs. 191.30 crore as on March 11, 2021 (vis-à-vis Rs.187.87 crore as on March 7, 2020) which is 4.05x of total sales of FY20 and 3.39x of total sales of FY19 which is to be executed in span of two-three years depending on the nature work to be executed, providing medium-term revenue visibility of the company. Further, the company has received Letter of Award (LOA) for a total of 11 projects amounting to Rs. 55.72 crore as on March 17, 2021 (over 11 projects amounting to Rs. 50.26 crore as on March 7, 2020) which are included in order book position. These projects are located in Maharashtra and Eastern as well as Northern India.

Healthy profitability margins: The company operates in the service industry where it has to incur employee and other administrative expenses on regular basis and sales had declined in FY20 due to COVID-19, which resulted in decline in PBILDT margin to 8.02% in FY20 (vis-à-vis 26.33% in FY19). Further PAT margin declined to 2.16% in FY20 (vis-à-vis 13.63% in FY19) in line with decline in PBILDT margin. However, PBILDT margin and PAT margins have improved in H1FY21 and stood at 17.89% and 13.12% respectively.

Moderate financial risk profile: The financial risk profile of the company stood moderate, marked by comfortable capital structure and moderate debt coverage indicators. The overall gearing of the company stood at 0.22x as on March 31, 2020 (vis-à-vis 0.30x as on March 31, 2019) on account of reduction in debt level due to scheduled repayment of unsecured loan. Total debt to GCA has deteriorated significantly and stood moderate at 5.19x during FY20 (vis-à-vis 1.48x in FY19). Interest coverage ratio has deteriorated significantly and stood moderate at 2.34x in FY20 (vis-à-vis 5.64x in FY19) on account of significant reduction in operating margin.

Key Rating Weaknesses

Modest scale of operations The total operating income of the company declined by 12.83% in FY20 and stood at Rs.49.12 crore (vis-à-vis Rs. 56.35 crore in FY19) due to non-recognition of the revenue against its major orders worth Rs.11.50 crore due to lockdown imposed on account of COVID-19 pandemic situation. Further during 11MFY21 (refers to the period April 01, 2020 to February 28, 2021) the company has achieved the total operating income of Rs.45 crore.

Working capital intensive nature of operations coupled with high collection period: The operations continue to remain working capital intensive due to majority of the funds blocked in the debtors. Working capital cycle remained stretched during FY20 due to elongation in collection period which stretched to 203 days in FY20 from 164 days during FY19). 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 which have been executing work on lower pace owing to the pandemic. Hence, the entity had to rely on external working capital borrowings leading to fully utilization in last 12-months ended on February 2021.

Reliance on large workforce: The infrastructure consultancy services involves large number of workforce for executing the assignments for clientele on time. As on March 31, 2020, the company had 354 employees including 250 engineers. The employee costs for the company has increased significantly to Rs. 21.78 crore in FY20 from Rs.18.95 crore in FY19 mainly due to increase in number of staff and skilled labour required for carrying out highly technical assignments at different locations. Furthermore, depending on the needs of the business, the company outsources certain contracts to the third-party service providers time to time.

Dependence on infrastructure project awarded by government bodies and geographical concentration with tender driven nature of operations: The company is principally involved in consultancy services of infrastructure sector to government bodies viz. Further, DCSL majorly deals with various government organizations viz. MNRE, CREDA, OREDA, NREDCAP, TNREDCO, CESC, CESCO, REC (Rural Electrification Corporation) 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 remained cyclical in nature. Any change in governments' framework for consultancy service providers could have an impact on the operations of the company. Also, failure to bag newer projects could also impact the operations of the company. During FY20 and FY21 the geographical coverage of the company has widen and have covered northern area like Jharkhand, Odisha, Manipur, Bihar etc. about 60% revenue of DCPL has generated from state of Maharashtra since most of the clientele of the company are largely based in the state of Maharashtra.

Competition from existing players: Numerous market participants and increasing market entrants with a variety of project deliverables have let organizations with an option to choose the right consulting firm for right prices for a particular project. Smaller and emerging consultancy companies face the challenge of gaining market share. Hence, the consultancy industry has intense competition from various competitors that seek to provide consultancy services.

Liquidity position: Modest

The liquidity position has moderated owing to slower realization of debtors in FY20 and H1FY21. The company has modest cash balance of Rs.0.69 crore as on March 31, 2020. The working capital limits are utilized fully during past eight months ended February 2021. However, the realization of debtors has picked up pace in the past few months. Besides, the current ratio stood comfortable at 2.86 times as on March 31, 2020 (vis-à-vis 2.51 times as on March31, 2019). The cash flows from operations stood positive at Rs.2.41 crore in FY20 (vis-à-vis negative at Rs. 9.22 crore in FY19). The company has opted for moratorium for some loans and also availed emergency credit line provided under COVID-19 RBI relief package to support liquidity and operations.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology - Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

About the Company

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 (Rs. crore)	FY19 (A)	FY20 (A)	H1FY21(Prov.)
Total operating income	56.36	49.12	23.70
PBILDT	14.84	3.94	4.24
PAT	7.68	1.06	3.11
Overall gearing (times)	0.26	0.22	0.22
Interest coverage (times)	5.64	2.34	6.73

A: Audited

Current year performance: During 11MFY21 (period refers from April 01, 2020 to February 28 ,2021) DCSL has posted sales of Rs.44.48 crore.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE BBB-; Stable

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	5.00	CARE A3
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	20.00	CARE BBB-; Stable / CARE A3
Fund-based - ST-Bank Overdraft	-	-	-	1.30	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 (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	6.00	CARE BBB-; Stable	1)CARE BBB-; Stable (20-Apr-20)	-	1)CARE BBB-; Stable (04-Feb-19)	-
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	5.00	CARE A3	1)CARE A3 (20-Apr-20)	-	1)CARE A3 (04-Feb-19)	-
3.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	20.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (20-Apr-20)	-	1)CARE BBB-; Stable / CARE A3 (04-Feb-19)	-
4.	Fund-based - ST-Bank Overdraft	ST	1.30	CARE A3	1)CARE A3 (20-Apr-20)	-	1)CARE A3 (04-Feb-19)	-

Annexure 3: 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-Bank Overdraft	Simple
3.	Fund-based - ST-Bills discounting/ Bills purchasing	Simple
4.	Non-fund-based - LT/ ST-Bank Guarantees	Simple

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

Contact us

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**