



Dhruv Consultancy Services Limited

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Email ID: services@dhruvconsultancy.in, info@dhruvconsultancy.in, CIN: L74999MH2003PLC141887

DHRUV /OUTWARD/2019-20/1890A
April 23, 2020

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 April 16, 2020 bearing no CARE/HO/RL/2020-21/1084 on April 23, 2020 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**

SD/-
TANVI T AUTI
Managing Director

Encl. : Letter from CARE Ratings. (Annexure A)

CARE/HO/RL/2020-21/1084

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

April 16, 2020

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY19 (audited) and H1FY20 (provisional), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating¹	Rating Action
Long Term Bank Facilities	6.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	6.30	CARE A3 (A Three)	Reaffirmed
Long Term / Short Term Bank Facilities	20.00	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable / A Three)	Reaffirmed
Total	32.30 (Rupees Thirty Two crore and Thirty Lakh only)		

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

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

as early as possible. In any case, if we do not hear from you by April 18, 2020, 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. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
8. 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]
Jr. Analyst

suchita.shirgaonkar@careratings.com



[Ashish Kambli]
Manager

ashish.kambli@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.

Annexure 1

Details of Rated Facilities

1. Long Term Facilities

1. A. Fund-based facilities

Name of the bank	Type of facility	Amount (Rs. Crore)
HDFC Bank Limited	Cash Credit	4.00
Proposed	Fund based limits	2.00
Total		6.00

Total Long Term Bank Facilities = Rs. 6.00 crore

2. Short Term Facilities

2. A. Fund-based facilities

Name of the bank	Type of facility	Amount (Rs. Crore)
HDFC Bank Limited	Bill Discounting	5.00
	Overdraft	1.30
Total		6.30

Total Short Term Bank Facilities = Rs. 6.30 crore

3. Long Term / Short Term Facilities

4. 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 facilities to be rated (1 + 2 + 3) = Rs. 32.30 crore

Annexure 2
Press Release
Dhruv Consultancy Services Limited

Ratings

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

Details of instruments/facilities in Annexure 1

Detailed Rationale

The ratings 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, healthy 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 15% and 5% on a sustained basis

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

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters: Mr. Pandurang Dandawate, Chairman and Non-Executive Director, has overall 34 years of experience in the industry. Ms. Tanvi Auti, currently Managing Director, has overall 9 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. 187.87 crore (3.33x of FY19 TOI) as on March 7, 2020 which is to be executed in span of two-three years depends 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. 50.26 crore as on March 7, 2020 which are included in order book position. These projects are located in Maharashtra and Northern India.

Healthy profitability margins: The company continues to operate on healthy profit margins due to service driven nature of operations in the infrastructure segment. The PBILDT margin remained at 26.33% in FY19 however; the same has declined from 28.95% in FY18 owing to increased employee cost and other expenses (i.e. sub contract charges, travelling expenses, rent etc.) during the year. Nevertheless, PAT margin remained healthy and almost stable at 13.63% in FY19 from 13.93% in FY18 on account of proportionate reduction in the interest cost.

Moderate financial risk profile: The financial risk profile of the company remained at moderate marked by comfortable capital structure and debt coverage indicators. Moreover with foreclosure of term loan and unsecured loan taken from related parties; through share premium received post listing has resultant into improvement in capital structure during FY19 with overall gearing stood at 0.30 times as on March 31, 2019 (vis-à-vis 1.22 times as on March 31, 2018). Further, the interest coverage and total debt to gross cash accruals stood comfortable at 5.64 times and 1.48 times respectively in FY19 (vis-à-vis 6.43 times and 2.67 times respectively in FY18).

Key Rating Weaknesses

Modest scale of operations: The total operating income significantly grew by ~27.17% y-o-y to Rs.56.36 crore in FY19 (vis-à-vis Rs.44.31 crore in FY18) on account of high value orders executed during FY19. Furthermore during 11MFY20 (refers to the period April 01, 2019 to February 29, 2020) the company has achieved the total operating income of ~Rs.50 crore. Nevertheless, the scale of operations continue to remain modest with moderate tangible network of Rs.44.64 crore as on March 31, 2019 which limits the financial flexibility of the company to an extent.

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 stretch during FY19 due to delay in the payments received from state and central government on account of general elections held in central as well state Government. All these factors lead to elongated collection period of 164 days during FY19 (vis-à-vis 175 days in FY18). Hence, the entity had to rely on external working capital borrowings leading to an average utilization of 91% in last 12-months ended on January 2020.

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, 2019, the company had 354 employees including 250 engineers. The employee costs for the company has increased significantly to Rs. 18.95 crore in FY19 from Rs.11.13 crore in FY18 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 FY19 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: Adequate

Adequate liquidity position is characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash balance of Rs.5.06 Crore as on March 31, 2019. However, the working capital limits are utilized to the extent of 91% during past 12 months ended January 2020 and the company has sought enhancement in bank lines. Further, the current ratio stood comfortable at 2.51 times as on March 31, 2019 (vis-à-vis 1.34 times as on March31, 2018). However, the cash flows from operations stood negative at Rs.7.70 crore in FY19 (vis-à-vis positive at 2.45 crore in FY18).

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)

[Rating Methodology - Service Sector Companies](#)

[Criteria for Short Term Instruments](#)

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

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)	FY18 (A)	FY19 (A)
Total operating income	44.31	56.36
PBILDT	12.83	14.84
PAT	6.17	7.68
Overall gearing (times)	1.22	0.26

Interest coverage (times)	6.43	5.64
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A: Audited

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
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 (04-Feb-19)	-
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	5.00	CARE A3	-	-	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 (04-Feb-19)	-
4.	Fund-based - ST-Bank Overdraft	ST	1.30	CARE A3	-	-	1)CARE A3 (04-Feb-19)	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. 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.

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