Dhruv Consultancy Services Limited

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DHRUV/OUTWARD/2024-25/5483

January 13, 2025

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 and has revised the outlook from Stable to Positive towards the respective bank facilities availed by the Company as under: -

Facilities	Amount (Rs in Crore)	Rating	Rating Action
Long Term Bank Facilities	8.50	CARE BBB-; Positive	Reaffirmed; Outlook revised from Stable
Long Term / Short Term Bank Facilities	26.00	CARE BBB-; Positive / CARE A3	Reaffirmed; Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities	5.00	CARE A3	Reaffirmed

Press release 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: 2025.01.13 17:58:22 +05'30'

TANVI T AUTI
MANAGING DIRECTOR
DIN :07618878

Annexure
Press Release
Dhruv Consultancy Services Limited

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	8.50	CARE BBB-; Positive	Reaffirmed; Outlook revised from Stable
Long-term / Short-term bank facilities	26.00	CARE BBB-; Positive / CARE A3	Reaffirmed; Reaffirmed; Outlook revised from Stable
Short-term bank facilities	5.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1

Rationale & key rating drivers

Reaffirmation of ratings assigned to bank facilities of Dhruv Consultancy Services Limited (DCSL) continues to derive strength from its long and established track record, promoters' vast experience, well-established clientele base, and healthy order book position. Ratings further derive strength from healthy though fluctuating profit margins and comfortable financial risk profile. Reaffirmation in ratings also factors in the equity infusion undertaken in H1FY25 (H1 refers to April 01 to September 30) providing additional cushion to the company's liquidity position.

However, these ratings are tempered due to its small scale of operations, highly working capital intensive operations characterised by stretched gross current asset period and highly competitive and fragmented industry with tender-driven nature of operations and geographical concentration risk

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- The significant increase in the unexecuted order book position above 4 times of the envisaged TOI for FY25 thereby providing revenue visibility in the medium term.
- Increase in the scale of operations and profitability translating into gross cash accruals (GCA) exceeding ₹15 crore on a sustained basis.
- Improvement in the collection period below 100 days or gross current asset days at below 200 days with utilisation of the working capital limits reaching below 75% on a sustained basis.

Negative factors

- Deterioration in the profit margins with profit before interest, lease rentals, depreciation, and taxation (PBILDT) and profit after tax (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 level with interest coverage reaching below 3x on a sustained basis.
- Elongation in operating cycle resulting into higher reliance on external debt and putting pressure on the liquidity parameters and financial risk profile.

Analytical approach: Standalone

Outlook: Positive

The revision in outlook to 'Positive' is with the expectation of improvement in the scale of operations and profitability on the back of execution of higher margin orders along with further strengthening of the order book position in the near to medium term. The financial risk profile of the company expected to remain sustainable. The outlook may be revised to 'Stable' if the

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

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CIN-L67190MH1993PLC071691

company is unable to increase its scale of operations and profitability or inability to increase in the order book position at the envisaged levels.

Detailed description of key rating drivers:

Key strengths

Experienced promoters

Pandurang Dandawate, Chief promoter, and Non-Executive Director, has over three and half decades of industry experience. Tanvi Auti, current Managing Director, has more than a decade of industry experience and has been associated with the company for the last five years. The promoters have been instrumental in bringing the company to its current stature from modest beginning. The promoters are ably supported by experienced and qualified personnel handling day-to-day operations.

Long track record of pas executed projects

The company has provided consultancy services of ~175+ projects, on-going 53+ projects, detailed project reports (DPR) completed for 4793 KM, Project 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 sector undertakings. The company is empaneled with banks and government bodies, thus deriving significant revenues through repeat orders.

Healthy order book position from reputed customer base

The company has continued to secure strong order book position of ₹303.52 crore as on December 30, 2024 (against ₹338 crore as on December 01, 2023) which is 3.52x of net sales for FY24 and the same to be executed in span of two-three years depending on the nature work to be executed, providing medium-term revenue visibility to the company. The reduction in the order book position in FY25 is due to the general election in India, which has halted the bidding process per the code of conduct. Geographically, the company’s order book is moderately diversified, with projects in multiple states, including Maharashtra, Uttar Pradesh, Madhya Pradesh, Punjab, and Haryana. The counterparty risk remains low as the entire order book is awarded by government entities, including urban local bodies. Additionally, in the current year, the company has started offering consultancy services to offshore clients, further strengthening its orderbook position.

Healthy despite fluctuating profit margins

The margins continue to remain healthy marked by PBILDT margin improving from 11.28% in FY23 to 16.98% in FY24 considering the decrease in professional fees, and consultancy charges led by execution of higher ticket size orders which fetches better realisation. The PAT margin has also improved from 5.94% in FY23 to 7.23% in FY24 in line with the PBILDT margin. The profit margins remained volatile during past as the realisation depends upon the nature of orders executed along with stage of orders execution in the financial year. The return on capital employed (ROCE) stood moderate at 12.22% in FY24 (against 10.81% in FY23). In H1FY25, the PBILDT margin moderated to 12.79% (against 20.20% in H1FY24). Hence, sustenance of the profit margins to FY24 level remains key monitorable.

Comfortable financial risk profile

The company’s financial risk profile continues to remain stable marked by comfortable capital structure and debt coverage indicators. The capital structure marked by overall gearing stood comfortable at 0.31x as on March 31, 2024 (against 0.33x as on March 31, 2023) considering lower reliance on the external debt against moderate tangible net worth (TNW) base of the company. Resultantly, debt coverage indicators marked by total debt to GCA stood comfortable at 2.02x in FY24 (against 2.27x in FY23). Interest coverage has slightly deteriorated despite remained comfortable at 4.65x in FY24 (against 5.23x in FY23) considering the increase in interest cost in FY24.

In H1FY25, DCSL has made equity infusion of ₹33.24 crore on preferential basis through issuance of 3,077,800 equity shares of ₹10/- each at a premium of ₹98/-. The same has resulted in significant increase in TNW to ₹99.86 crore as on September 30, 2024 (against ₹66.22 crore as on March 31, 2024). This led overall gearing to further improve to 0.18x as on September 30, 2024. The company has already utilised majority of the same to meet its growing working capital requirements while ~₹9 crore are kept in the form of FDs with banks. CARE Ratings observes, the financial risk profile of the company is expected to remain comfortable in the near term.

Key weaknesses

Small scale operations

The company's TOI has remained almost stable and stood at ₹81.50 crore in FY24 (against ₹81.18 crore in FY23) considering stable execution of contracts received from construction, supervision projects of National Highways under MoRTH and NHAI. Considering improvement in profitability margins, the absolute GCA level has increased to ₹10.06 crore in FY24 from ₹8.33 crore in FY23. Nevertheless, the same remained small. In H1FY25, the TOI significantly increased to ₹52.94 crore. The recent expansion by offering consultancy services to offshore clients further strengthens its order book and opens new revenue streams. These strategic initiatives are set to drive sustainable growth and are expected to enhance the company's market competitiveness going ahead. Thus, the revenue of the company is expected to increase in the near to medium term.

Highly working capital intensive operations

The company's operations are highly working capital intensive due to tender based and long-term nature of contracts. The collection period (including retention money and unbilled revenue) has elongated and stood at 273 days (against 250 days in FY23) due to relatively slower debtor realisation as the company is into consultancy services for infrastructure industry wherein the clients are largely government or PSUs. In case of detail project review (DPR), DCSL gets revenue after completion of constructions projects which takes longer time. The unbilled revenue, which is a part of debtors generally consists of ~25%-30% of total revenue, as the company booked the cost incurred on the project under unbilled revenue which also led to an increase in the collection period. Further, unbilled revenue has increased to 57% of total debtors as on March 31, 2024. The gross current assets period remained stretched at 413 days in FY24 (against 398 days in FY23) due to an elongated collection period and funds blocked in the deposits, balances with statutory / government authorities. The average creditors' period also has increased from 59 days in FY23 to 67 days in FY24. Thus, the company's overall working capital cycle stood elongated at 206 days in FY24 (against 191 in FY23). Hence, the entity had to rely on external working capital borrowings leading to high utilisation in the last 12-months ended in October 2024. Hence, the company's ability to reduce the gross current assets period substantially remains key monitorable.

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, 2024, the company had 320+ employees including ~200+ engineers. Depending on the business needs, the company outsources certain contracts to 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. DCSL majorly deals with government organisations for which it has to participate in the tenders and hence has to face the risk of successful bidding for the same. 95% of the revenue is generated from government bodies. Moreover, the tenders from the government bodies mainly depend 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 company's operations. The geographical coverage of the company has widened and has covered northern areas including Jharkhand, Odisha, Manipur, and Bihar among others. However, major revenue of DCSL has been generated from Maharashtra since most of the company's clientele are largely based in Maharashtra. 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 depend 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: Adequate

DCSL's liquidity remained adequate, marked by sizable, unencumbered cash and bank balance and moderate cash accruals against scheduled debt repayment obligations. The expected cash accruals sufficiently cushioned against scheduled debt repayment obligations of ₹4.33 crore in FY25 and ₹2.93 crore in FY26. DCSL's current ratio remained comfortable at 2.16x as on March 31, 2024. Unencumbered cash and bank balance (excluding margin money) stood at ₹0.52 crore as on March 31, 2024. The average maximum utilisation of fund-based limit stood at 99% in the last 12 months ended October 2024 and BG limits are almost fully utilised in the last 12 months ended October 2024. The net cash flow from operating activities stood negative of ₹1.20 crore in FY24 due to an increase in collection period and advances with government authority for IT receivable and withheld amount. Nevertheless, the cash and bank balance has increased to ₹3.64 crore along with free fixed deposits of

~₹6 crore as on September 30, 2024, backed by equity infusion made in Q2FY25, which provides a liquidity cushion to an extent.

Applicable criteria

[Definition of Default](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Financial Ratios – Non financial Sector](#)
[Construction](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil construction

Incorporated in 2003, DCSL is engaged in 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 among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	September 30, 2024 (UA)
Total operating income	81.18	81.50	52.93
PBILDT	9.16	13.84	6.77
PAT	4.82	5.89	2.76
Overall gearing (times)	0.33	0.31	0.18
Interest coverage (times)	5.23	4.65	5.50

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	8.50	CARE BBB-; Positive
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	5.00	CARE A3
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	26.00	CARE BBB-; Positive / CARE A3

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	8.50	CARE BBB-; Positive	1)CARE BBB-; Positive (10-Jan-25)	1)CARE BBB-; Stable (08-Jan-24)	1)CARE BBB-; Stable (24-Mar-23) 2)CARE BBB-; Stable (06-Apr-22)	1)CARE BBB-; Stable (05-Apr-21)
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	5.00	CARE A3	1)CARE A3 (10-Jan-25)	1)CARE A3 (08-Jan-24)	1)CARE A3 (24-Mar-23) 2)CARE A3 (06-Apr-22)	1)CARE A3 (05-Apr-21)
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	26.00	CARE BBB-; Positive / CARE A3	1)CARE BBB-; Positive / CARE A3 (10-Jan-25)	1)CARE BBB-; Stable / CARE A3 (08-Jan-24)	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)
4	Fund-based - ST-Bank Overdraft	ST	-	-	-	-	1)Withdrawn (06-Apr-22)	1)CARE A3 (05-Apr-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

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: Lender details

To view lender-wise details of bank facilities please click here

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

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