

Dhruv Consultancy Services Limited

February 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities (Including proposed Rs. 2.00 crore)	8.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Short-term Bank Facilities	4.05	CARE A3 (A Three)	Assigned
Long-term / Short-term Bank Facilities (Including proposed Rs. 20.00 crore)	30.00	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable / A Three)	Assigned
Total Facilities	42.05 (Rupees Forty-Two Crore and Five Lakhs only)		

¹Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Dhruv Consultancy Services Limited derives comfort from promoters' experience in the infrastructure consultancy services, past track record of projects executed, good order book status with diversified services in the offering, healthy profitability margins with increasing scale of operations and moderate financial risk profile.

The above strengths, however, are partially tempered by working capital intensive nature of operations coupled with high collection period, customer and geographical concentration, reliance on large workforce and competition from existing players in infrastructure consultancy.

Ability of the company to bag and execute new orders, timely completion and realization of payment from existing orders amidst intense competition in consultancy services are the key rating sensitivities.

Detailed description of key rating drivers

Key Rating Strengths

Experienced promoters

Mr. Pandurang Dandawate, Chairman and Non-Executive Director, has overall 33 years of experience in the industry. Ms. Tanvi Auti, currently Managing Director, has overall 8 years of experience in the industry and has been associated with the company since last three 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.

Past track record of project executed

The company has provided consultancy services on 41 projects in the area of highways, bridges, tunnels, architectural, environmental, engineering and ports. The consultancy services were provided on projects bagged largely from government bodies and public sector undertakings. The company is empanelled with banks and government bodies, thus deriving significant revenues through repeat orders.

Good order book status with diversified services in the offering

The company has an order book of Rs. 114.73 crore as on October 31, 2018, providing medium-term revenue visibility of the company. Though, the timeline of these projects vary and may go upto two to three years depending on the nature of the job involved. Furthermore, the company has received Letter of Award (LOA) for a total of 12 projects as on October 31, 2018.

Healthy profitability margins with improving scale of operations

The total operating income stood at Rs. 44.31 crore during FY18 (refers to period from April 01 to March 31), growing at a robust CAGR (Compounded Annual Growth Rate) of 71% in last three-years ended FY18. Owing to service nature of operations, the profitability margin remained healthy at 28.95% during FY18 improving marginally from 26.88% during FY17 and 27.93% during FY16. The net margins also remained healthy and improved to 13.93% during FY18 from 11.79% during FY17 and 10.85% during FY16, increasing mainly due to decline in interest cost.

Moderate financial risk profile

The financial risk profile of the company remained at moderate level marked by moderately comfortable capital structure and debt coverage indicators. The same are expected to improve further with foreclosure of loans during the year after the company raised funds through initial public offering in May 2018.

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

Key Rating Weaknesses

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, 2018, the company had 349 employees including 250 engineers. The employees cost has increased significantly to Rs. 11.13 crore during FY18 from Rs. 6.47 crore during FY17, mainly due to increase in number of staff and skilled workforce for carrying out highly technical assignments at various 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

The company is principally involved in consultancy services of infrastructure sector to government bodies. Over the years, majority of the revenue of the company has been contributed from government projects. 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. Furthermore, the company has executed majority of the projects in the state of Maharashtra, thus reflecting geographical concentration of the company.

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

Working capital intensive nature of operations coupled with high collection period

The operations of the company are highly working capital intensive in nature as evident by large amount of funds blocked in debtors reflected by average collection period of 190 days during FY18. This is further evident by high average utilisation of the working capital borrowings at 95% during the last 12-months ended December 2018. Furthermore, the cash and bank balances stood at Rs. 4.83 crore as on September 30, 2018, while the current ratio stood at 1.23 times as on March 31, 2018. The net cash flow from operations stood positive once at Rs. 2.45 crore during FY18 in the last three-years. Thus, the above mentioned factors signify moderate liquidity position of the company.

Analytical approach: Standalone

Applicable Criteria

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

[CARE's default recognition policy](#)

[Financial ratios - Non Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Service Sector Companies](#)

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)	FY17 (A)	FY18 (A)
Total operating income	30.45	44.31
PBILDT	8.19	12.83
PAT	3.59	6.17
Overall gearing (times)	1.44	1.22
Interest coverage (times)	4.39	6.43

A – Audited

Status of non-cooperation with previous CRA: CRISIL has moved its ratings vide Press Release dated December 28, 2018 on account of non-cooperation by Dhruv Consultancy Services Limited with CRISIL's effort to undertake a review of outstanding ratings.

Any other information: Not Applicable

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

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.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is 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.

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 (Including proposed Rs. 2.00 crore)	-	-	-	8.00	CARE BBB-; Stable
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	2.00	CARE A3
Non-fund-based - LT/ ST-Bank Guarantees (Including proposed Rs. 20.00 crore)	-	-	-	30.00	CARE BBB-; Stable / CARE A3
Fund-based - ST-Bank Overdraft	-	-	-	2.05	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit (Including proposed Rs. 2.00 crore)	LT	8.00	CARE BBB-; Stable	-	-	-	-
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	2.00	CARE A3	-	-	-	-
3.	Non-fund-based - LT/ ST-Bank Guarantees (Including proposed Rs. 20.00 crore)	LT/ST	30.00	CARE BBB-; Stable / CARE A3	-	-	-	-
4.	Fund-based - ST-Bank Overdraft	ST	2.05	CARE A3	-	-	-	-

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