December 16, 2024 (Revised)

Development Consultants Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Term loan	17.44	15.35	[ICRA]BBB+(Stable); reaffirmed
Long-term - Cash credit	7.00	7.00	[ICRA]BBB+(Stable); reaffirmed
Short-term - Non-fund based - Bank facilities	23.00	23.00	[ICRA]A2+; reaffirmed
Long-term - Unallocated limits	2.00	4.09	[ICRA]BBB+(Stable); reaffirmed
Total	**49.44**	**49.44**	

**Instrument details are provided in Annexure-I*

Rationale

The ratings reaffirmation for Development Consultants Private Limited (DCPL) factors in its established position and proven track record of execution in the engineering and consulting space, diversified presence in varied sectors and the company's reputed clientele spanning across both the public and the private sectors. The outstanding order book, adjusted for non-moving orders, remains adequate at ~Rs. 150 crore (OB/OI of 2.7 times FY2024 OI) as of September 2024, providing near-term revenue visibility. The liquidity position remains strong with free cash and liquid investment balance of ~Rs. 30 crore as of November 2024, coupled with buffer available in fund-based limits.

However, the ratings are constrained by DCPL's modest scale of operations with revenues of ~Rs. 55.6 crore in FY2024 and expectation of range-bound (low single digit) growth in FY2025, with ~Rs. 24.5 crore reported in H1 FY2025. Further, the receivable position remains elongated leading to elevated working capital intensity, despite improvement in FY2024, which is expected to be sustained in near term.

The Stable outlook on the long-term rating reflects ICRA's opinion that DCPL will maintain its credit profile on the back of adequate order inflow, its proven execution capability and strong liquidity position.

Key rating drivers and their description

Credit strengths

Established track record and reputed player in consultancy space; solid client base – DCPL has an established track record in the design consultancy space, especially in the power sector. Over the years, the company has further diversified in other sectors like cement, paper, chemical, petrochemical, steel and other metals, mining and mineral processing, architecture, infrastructure, etc, thus mitigating the sectoral concentration risk to an extent. DCPL's clientele includes reputed customers both from the public and the private sectors in India and overseas. The company's proven track record of providing consultancy services helps it in securing repeat orders from the clients.

Adequate order book position, provide near term revenue visibility – The company has an outstanding order book, adjusted for non-moving orders worth ~Rs. 150 crore (as of November 2024), which is ~2.7 times of its operating income in FY2024. DCPL received orders worth ~Rs. 24.2 crore in H1 FY2025, which is expected to increase in H2 FY2025. Consequently, overall, the order book position remains adequate.

Sizeable free cash and bank balance to support liquidity – The company's free cash and bank balance remained comfortable at around Rs. 30 crore as of November 2024. The liquidity position was supported by reduction of receivables and income tax refunds in FY2024 and in the current fiscal. Going forward, the cash accruals from core operations and non-operating income will support the liquidity profile in the near to medium term.

Credit challenges

Moderate scale of operations – The company has a moderate scale of operations with an operating income of Rs. 55.6 crore in FY2024 and Rs. 24.5 crore in H1 FY2025. While the order book remains adequate on account of new order inflows, the operating income is expected to remain range-bound in FY2025. After witnessing a substantial increase in operating margins in FY2024 due to higher share of export orders, the profit margins are likely to moderate in FY2025 and remain in the range of ~12-13%.

High receivable position, leading to elevated working capital cycle and delinquency risks – DCPL's elongated receivable position impacts its working capital intensity. Its net working capital relative to its operating income stood at an elevated level of ~80% in FY2024 on the back of high debtor days, thus exerting pressure on its cash flows. Moreover, the high level of receivable exposes the company to delinquency risks. However, DCPL is making significant efforts to realise the stuck receivables, which is reflected in the share of receivables pending for more than 6 months reducing to ~Rs. 17.6 crore in September 2024 from ~Rs. 25 crore in March 2024. The overall debtor days came down to ~260 days in FY2024 (adjusted for write-offs) from ~312 days in FY2023. Notwithstanding the improvement, the receivables remain elevated and would remain a key rating monitorable.

Liquidity position: Strong

The company's liquidity position is likely to remain strong, supported by free cash and investment balance of ~Rs. 30 crore as of November 2024. The scheduled debt repayment remains low at ~Rs. 2-3 crore in FY2025 and FY2026, along with no major capital expenditure plans. It reported cash accruals of more than Rs. 6-8 crore from core operations and adequate non-operating income, which will continue to support its debt servicing requirement. The average utilisation of the fund-based limits stood at 67% over the last six months, thereby reflecting a buffer of ~Rs. 2.5 crore as of September 2024.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to significantly improve its scale of operation with healthy profitability, while maintaining strong liquidity on a sustained basis.

Negative factors – The ratings may be downgraded in case of a sustained pressure on earnings, or any material stretch in the working capital requirement impacting its liquidity position or its debt protection metrics on a sustained basis. Specific triggers for a rating downgrade will include DSCR of less than 1.6 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Development Consultants Private Limited (DCPL) is a Kolkata-based company involved in engineering and consultancy services for various industries, especially in the power sector. The company was incorporated in 1970. It was promoted by a group of engineers, led by the Late Sadhan C. Dutt. DCPL provides design consultancy services for projects in India as well as overseas. So far, it has executed over 1,600 projects in various sectors including power, cement, paper, chemicals, petrochemicals, steel and other metals, space, defence, mining and mineral processing, architecture, infrastructure and environment, asset valuation consultancy, etc. DCPL is associated with the renowned consulting engineers, The Kuljian Corporation, of the US, and has two foreign subsidiaries through which the company receives overseas contracts.

Key financial indicators (audited)

DCPL	FY2023	FY2024
Operating income	45.66	55.58
PAT	3.90	4.43
OPBDIT/OI	7.88%	16.95%
PAT/OI	8.55%	7.98%
Total outside liabilities/Tangible net worth (times)	0.44	0.40
Total debt/OPBDIT (times)	8.58	2.97
Interest coverage (times)	1.51	4.22

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
	Type	Amount rated (Rs. crore)	Dec 16, 2024	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	15.35	**[ICRA]BBB+ (Stable)**	18-Dec-23	[ICRA]BBB+ (Stable)	27-Jan-23	[ICRA]BBB+ (Stable)	04-Mar-22	[ICRA]BBB+ (Stable)
Cash credit	Long term	7.00	**[ICRA]BBB+ (Stable)**	18-Dec-23	[ICRA]BBB+ (Stable)	27-Jan-23	[ICRA]BBB+ (Stable)	04-Mar-22	[ICRA]BBB+ (Stable)
Bank guarantee	Short term	23.00	**[ICRA]A2+**	18-Dec-23	[ICRA]A2+	27-Jan-23	[ICRA]A2+	04-Mar-22	[ICRA]A2+
Unallocated - Long-term	Long term	4.09	**[ICRA]BBB+ (Stable)**	18-Dec-23	[ICRA]BBB+ (Stable)	27-Jan-23		04-Mar-22	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Term loan	Simple
Cash credit	Simple
Bank guarantee	Very Simple
Unallocated - Long-term	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term loan**	~2016-22	NA	~2031-32	15.35	[ICRA]BBB+(Stable)
NA	**Cash credit**	NA	NA	NA	7.00	[ICRA]BBB+(Stable)
NA	**Bank guarantee**	NA	NA	NA	23.00	[ICRA]A2+
NA	**Unallocated**	NA	NA	NA	4.09	[ICRA]BBB+(Stable)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

Corrigendum

In the Key Financial Indicators table in Page 3, the TOL/TNW for FY2024 and TD/OPBITDA for FY2023 and FY2024 has been revised.

ANALYST CONTACTS

Ashish Modani
+91 22 6114 3414
ashish.modani@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Manish Pathak
+91 124 454 5397
manishp@icraindia.com

Maitri Vira
+91 79 6923 3012
maitri.vira@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches