



Press Release

Dhara Motor Finance Limited

October 16, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action
1.	Long Term Bank Facilities	60.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Rating Reaffirmed
2.	Fixed Deposit	5.00	IVR FBBB/ Stable (IVR Fixed Deposit Triple B with Stable Outlook)	IVR FBBB/ Stable (IVR Fixed Deposit Triple B with Stable Outlook)	Rating Reaffirmed
	Total	65.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the rating assigned to the bank facilities of **Dhara Motor Finance Limited** draws comfort from its Experienced management in the auto finance industry and established presence, Growth in loan book and profitable operations and Comfortable capital adequacy levels. However, these rating strengths are partially offset by the competitive nature of the industry, and geographical concentration risk.

Key Rating Sensitivities:

Upward Factor:

- Significant improvement in scale of operations in terms of Loan Assets
- Improvement in Asset Quality

Downward factor:

- Significant deterioration in asset quality due to Covid restrictions

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management in the auto finance industry and established presence:



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The day to day operations of the company are managed by the directors including Mr. G.S. Chauhan who has around 35 years of experience in commercial banking. In addition, DMFL has Mr. Gajendra Singh, Mr. Bhupendra Singh, Mr. Arun Kumar, Mr. Bhupinder Kumar Kaushik in their board who have more than three decades experience in banking and finance industry in different capacities

Growth in loan book and profitable operations

The company's loan assets have increased from Rs. 95.91 crore as on March 31, 2019 to Rs.111.6 crore as on March 31, 2020. DMFL posted a net profit of Rs.4.1 crore in FY20 on a total income of Rs.17.3 crore as against a profit of Rs. 3.25 crore on a total income of Rs.15.15 crore in FY19. The ROTA was comfortable at 4.3x as on March 31, 2020.

Comfortable capital adequacy levels

DMFL's capital adequacy ratio (CAR) was 43.76% as on March 31, 2020, as against the regulatory requirement of 15%. Tier I CAR at over 43.37% provides leeway to raise resources to support business growth going forward. DMFL had a comfortable capital structure marked by overall gearing of 1.17x as on March 31, 2020. The debt protection metrics also remained comfortable marked by interest cover of 1.9x for FY20.

Key Rating Weaknesses

Competitive nature of industry

DMFL is exposed to stiff competition from other NBFCs and banks. Moreover, the NBFC sector is witnessing a major shake-up after the default of a large NBFC. Better capitalised and more conservatively run finance companies are likely to swallow up an increasing number of smaller rivals. The current uncertainty due to the pandemic driven operating restrictions in the market will mean NBFCs with financially strong backers will stand out.

Moderate Geographic Concentration Risk

DMFL's operations are moderately diversified with presence in UP, Uttarakhand, Delhi, Haryana and Rajasthan. The company majorly caters to UP and generates 50.45 % revenue in FY2020 which is consistent when compared to 50.54% in FY2019. Going forward, company plans to expand its business in rural parts of Haryana and Rajasthan.

Analytical Approach: Standalone



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Applicable Criteria:

Rating Methodology for Financial Institutions/ NBFCs
Financial Ratios & Interpretation (Financial Sector)

Liquidity – Adequate

Dhara Motor Finance Limited has a comfortable liquidity position based on its asset liability profile and good loan portfolio. Also, the working capital limits remained moderately utilized at an average of 76.53% in the twelve months through Aug 2020.

About the Company

Dhara Motor Finance Ltd. (DMFL) was incorporated as a NBFC in 1990 and is registered as a deposit taking NBFC under "A" category with Reserve Bank of India since inception. The Company was promoted by Mr. Raj Kumar Goel and associates. In 2002, it was converted into a Public Ltd Company. Subsequently in 2006, the Company was taken over by Mr. Gajendra Singh and family. In 2010, Company got AFC (Asset Finance Company) certificate from RBI.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	15.15	17.33
Interest	4.6	6.17
PAT	3.21	3.25
Tangible Net worth	42.23	46.32
Total Loan Assets	104.10	111.59
PAT Margin (%)	26.49	23.5
Overall Gearing Ratio (x)	1.07	1.17

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Limits – Cash Credit	Long Term	26.00	IVR BBB/Stable	IVR BBB/Stable	-	-
2.	Long Term Fund Based Limits – Term Loan	Long Term	20.26	IVR BBB/Stable	IVR BBB/Stable	-	-
3.	Long Term Fund Based Limits – Proposed Term Loan	Long Term	13.74	IVR BBB/Stable	IVR BBB/Stable	-	-
4.	Proposed Fixed Deposit	Long Term	5.00	IVR FBBB/ Stable	IVR FBBB/ Stable	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	-	Varied	On Demand	26.00	IVR BBB/Stable
Long Term Fund Based Limits – Term Loan	-	Varied	Varied	20.26	IVR BBB/Stable
Long Term Fund Based Limits –Proposed Term Loan	-	-	-	13.74	IVR BBB/Stable
Proposed Fixed Deposit	-	-	-	5.00	IVR FBBB/ Stable