

Infomerics Valuation And Rating Pvt. Ltd.

Dhara Motor Finance Limited

October 11, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Long Term Bank Facilities	60.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
3.	Fixed Deposit	5.00	IVR FBBB/Stable (IVR Fixed Deposit Triple B with Stable Outlook)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the growth in the NBFC's loan book and profitable operations, healthy capital adequacy levels, comfortable gearing and debt metrics and comfortable liquidity. These strengths are partially offset by moderate asset quality and competitive nature of industry.

Key Rating Sensitivities:

Upward factors

- Significant improvement in scale of operations
- Improvement in the asset quality

Downward factors

- Significant deterioration in asset quality

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Growth in loan book and profitable operations

The company's loan assets have increased from Rs.84.48crore as on March 31, 2018 to Rs.104.10crore as on March 31, 2019.

DMFL posted a net profit of Rs.3.21crore in FY19 on a total income of Rs.15.15crore as against a profit of Rs.2.57crore on a total income of Rs.12.50crore in FY18. The ROTA was comfortable at 5.06x as on March 31, 2019.

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Healthy capital adequacy levels

DMFL's capital adequacy ratio (CAR) was 41.92% as on March 31, 2019, as against the regulatory requirement of 15%. Tier I CAR at over 40% provides leeway to raise resources to support business growth going forward.

Comfortable gearing and debt metrics

DMFL had a comfortable capital structure marked by overall gearing of 1.07x as on March 31, 2019. The debt protection metrics also remained comfortable marked by interest cover of 2.19x for FY19.

Comfortable liquidity

DMFL has a comfortable liquidity position based on its asset liability profile which does not have any negative mismatches. However, the working capital limits remained highly utilized at an average of 87.73% in the twelve months through Aug 2019.

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 in the market will mean NBFCs with financially strong backers will stand out.

Moderate Asset Quality

The company is growing its portfolio rapidly. The Gross NPA as on March 31, 2019 stood at Rs.2.05crore (1.97%) while the Net NPA was Rs.1.79crore (1.72%) as against Gross NPA of Rs.1.94crore (2.29%) and Net NPA of Rs.1.46crore (1.73%) as on March 31, 2018. The

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company's ability to manage the asset quality while growing its portfolio is a key rating sensitivity.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Financial Institutions/NBFCs

Financial Ratios & Interpretation (Financial Sector)

Liquidity

DMFL has a comfortable liquidity position based on its asset liability profile which does not have any negative mismatches. However, the working capital limits remained highly utilized at an average of 87.73% in the twelve months through Aug 2019.

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):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Income	12.50	15.15
Interest	3.53	4.66
PAT	2.57	3.21
Tangible Net worth	39.12	42.23
Total Loan Assets	84.48	104.10
PAT Margin (%)	28.59	26.49
Overall Gearing Ratio (x)	0.81	1.07

*Classification as per Infomerics' standards

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Status of non-cooperation with previous CRA: CARE Ratings has moved the rating into Issuer Not Cooperating category as the company did not submit the requisite information to them.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Cash Credit	Long Term	26.00	IVR BBB/Stable	-	-	-
2.	Long Term Fund Based Limits – Term Loan	Long Term	25.83	IVR BBB/Stable	-	-	-
3.	Long Term Fund Based Limits – Proposed Term Loan	Long Term	8.17	IVR BBB/Stable			
4.	Proposed Fixed Deposit	Long Term	5.00	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 Bank Facilities-Cash Credit	-	Varied	On demand	26.00	IVR BBB/Stable
Long Term Bank Facilities-Term Loan	-	Varied	Varied	25.83	IVR BBB/Stable
Long Term Bank Facilities- Proposed Term Loan	-	-	-	8.17	IVR BBB/Stable
Proposed Fixed Deposit	-	-	-	5.00	IVR FBBB/Stable