



## Press Release

**Dhara Motor Finance Limited**

**January 18, 2023**

### Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
1	Long Term Bank Facilities- Term Loan	124.00* (Increased from Rs. 74.00 crore)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned/ Reaffirmed	Simple
2	Long Term Bank Facilities – Fund Based	26.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
3	Fixed Deposit	20.00**	IVR BBB/ Stable	IVR FBBB/ Stable	Reaffirmed	Simple
<b>Total</b>		<b>170.00</b>	<b>Rs. One Hundred Seventy crore</b>			

\*includes proposed limit of Rs. 54.56 crore

\*\*includes proposed limit of Rs. 15.00 crore

**Details of Facilities are in Annexure 1.**

### Detailed Rationale

The rating reaffirmation of **Dhara Motor Finance Limited** considers the consistent scale of operations, better overall financial risk profile, continuous healthy performance in FY22 & H1FY23. Further rating continues to derive 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.

### Upward Factors

- Significant improvement in scale of operations in terms of Loan Assets



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- Improvement in Asset Quality

### **Downward Factors**

- Significant deterioration in asset quality. **and decline in AUM.**
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### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Experienced management in the auto finance industry and established presence:**

The day-to-day operations of the company are managed by the directors including Mr. G.S. Chauhan who has around 36 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 consistent growth can be seen from their improving revenue trend, i.e., Rs 17.33 Crore in FY20 to Rs 23.15 Crore in FY22 which is a growth of almost 34% in 2 years. The Total Loan Assets have increased from Rs. 114.31 Cr. to Rs. 134.53 Cr. in FY22. The NII increased to Rs. 13.05 crore in FY22 from Rs. 10.45 crore in FY21. NIM stands at 10.50% as the company is primarily financing its lending portfolio by utilising its borrowings from its diverse banking arrangements.

- **Comfortable capital adequacy levels & gearing metrics**

DMFL's capital adequacy ratio (CAR) was 43.65% as on March 31, 2021, as against the regulatory requirement of 15%. Tier I CAR at over 42.80% provides leeway to raise resources to support business growth going forward. DMFL had a comfortable capital structure marked by overall gearing of 1.75x as on March 31, 2022. The debt protection metrics also remained comfortable marked by interest cover of 1.63 for FY22.

#### **Key Rating Weaknesses**



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- **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 51.40 % of total loan assets in FY2022 which is consistent when compared to 45.63% in FY2021. Although the company has started expanding in Haryana, there still lies a concentration risk over the near term.

**Analytical Approach:** Standalone Approach

**Applicable Criteria:**

[Rating methodology for Financial Institutions / NBFCs](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

**Liquidity – Adequate**

DMFL 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 60.11% in the twelve months ending September 22. The ALM also has a comfortable position in the short term (with one year) due to the well-matched asset-liability situation. The company does not have any short term mismatches and enough liquidity to repay its short term obligations.

**About the Company**



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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)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	17.63	23.15
Net Interest Income	10.45	13.05
PAT	3.28	3.84
Total Debt	64.71	94.85
Net Interest Margin (%)	10.32	10.50
PAT Margin (%)	23.29	20.72
Overall Gearing Ratio (x)	1.51	1.75

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Acuite vide its press release dated September 21, 2022 has continued to classify the company under Issuer Not Cooperating category on account of non-submission of relevant information.

**Any other information:** Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (18 January 2023)	Date(s) & Rating(s) assigned in 2021-22 (20 November 2021)	Date(s) & Rating(s) assigned in 2020-2021 (January 11, 2021)	Date(s) & Rating(s) assigned in 2019-20 (October 19, 2019)
1.	Term Loan	Long Term	124.00*	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable
2.	Cash Credit	Long Term	26.00	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable
3.	Fixed Deposit	Long Term	20.00**	IVR BBB/Stable	IVR FBBB/Stable	IVR FBBB/Stable	IVR FBBB/Stable



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*\*includes proposed limit of Rs. 54.56 crore*

*\*\*includes proposed limit of Rs. 15.00 crore*

**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](http://www.infomerics.com).

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**About Infomerics:**

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches 4 in major cities and representatives in several locations. For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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- Term Loan	-	-	-	124.00*	IVR BBB/Stable
Long Term Bank Facility – Cash Credit	-	-	-	26.00	IVR BBB/Stable
Fixed Deposit	-	-	-	20.00**	IVR FBBB/ Stable

*\*includes proposed limit of Rs. 54.56 crore*

*\*\*includes proposed limit of Rs. 15.00 crore*

### Annexure 2: List of companies considered for consolidated analysis: Not Applicable

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Dhara-Motor-jan23.pdf>

### Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

**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](http://www.infomerics.com).