



## Press Release

**Dhara Motor Finance Limited**  
**March 18, 2024**

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
1	Long Term Bank Facilities-Fund Based	200.00* (Increased from Rs. 150.00 crore)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed /Assigned for enhanced amount	Simple
2	Fixed Deposit (FD)	9.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
<b>Total</b>		<b>209.00</b>	<b>Rupees Two Hundred and Nine Crores Only</b>			

*\*Includes proposed limit of Rs. 23.89 crore*

Details of Facilities are in Annexure 1.

### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating at IVR BBB with Stable Outlook for the bank loan facilities and FD of Dhara Motor Finance Limited (DMFL). Further IVR has assigned the rating of IVR BBB with Stable Outlook to enhanced bank loan facilities limits of DMFL.

The rating reaffirmation of DMFL continues to factor experienced management in the auto finance industry with established presence, consistent scale of operations led by growth in loan book, besides comfortable capital adequacy levels, and overall financial risk profile in FY23 & 9MFY24. However, these rating strengths are partially offset by the competitive nature of the industry, and geographical concentration risk.

The Outlook is Stable owing to growing scale of operations & loan portfolio while maintaining the comfortable financials risk profile.

IVR has principally relied on the standalone audited financial results of DMFL up to 31 March 2023, & 9MFY24 key financials and projected financials for FY24, FY25, FY26 and publicly available information/ clarifications provided by the company's management.

### Upward Factors

- Significant or sustained increase in the scale of operations, without a significant impact on the asset quality.
- Diversification of the funding source while keeping adequate CAR and operating buffer, and the maintenance of adequate liquidity.



## Press Release

### **Downward Factors**

- Inability to increase the scale of operations and/or significant deterioration in the asset quality, along with a substantial increase in leverage, all on a sustained basis, could result in a negative rating action.

### **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 operations**

The Company's consistent growth can be seen from their improving revenue trend, i.e., Rs 23.15 Crore in FY22 to Rs 30.84 Crore in FY23 having growth of ~33% on year-on-year basis. The Total Loan Assets have increased from Rs. 134.53 Crore in FY22 to Rs.182.47 Crore in FY23 and further increased to Rs 214.12 Crs in 9MFY24.

##### **Satisfactory interest coverage ratio and profitability**

The debt protection metrics remained comfortable marked by interest service coverage ratio (ISCR) 1.53x in FY23 (PY:1.63x). The net interest income (NII) increased from Rs. 11.83 Crs in FY22 to Rs. 14.51 crore in FY23, while net interest margin (NIM) stands at 9.17% in FY23 (PY:9.52%). The company is primarily financing its lending portfolio by utilising its borrowings from its diverse banking arrangements.

##### **Adequate capital adequacy levels (CAR).**

DMFL's capital adequacy ratio (CAR) was 28.10% in FY23 (Tier I CAR at over 27.28%) as against the regulatory requirement of 15%, however it has been declined from 43.65% in FY22 but still comfortable. The increase in borrowing in FY23 against no significant infusion of equity led to decline in CAR and increased in overall gearing from 1.75x in FY22 to 2.83x in FY23.

#### **Key Rating Weaknesses**

##### **Competitive nature of industry**



## Press Release

The company is exposed to stiff competition from other varied sized NBFCs. The lending industry focused on NBFC financing of varied ticket size is highly fragmented with unorganized lenders also vying for the same set of borrowers.

### **Moderate Geographic Concentration Risk**

DMFL's operations are moderately diversified with presence in Uttar Pradesh, Uttarakhand, Delhi, Haryana. The company is however majorly catering to UP and have total loan assets of 57.31 % in FY22 & 62.87% in FY23. There is high concentration towards one state, exposing the company to the risk of geographical concentration.

**Analytical Approach:** Standalone Approach

### **Applicable Criteria:**

- [Rating Methodology for Non-Banking Finance Companies](#)
- [Financial Ratios & Interpretation \(Financial Sector\)](#)
- [Criteria for assigning rating outlook](#)

### **Liquidity – Adequate**

Liquidity is marked adequate by adequate Capital adequacy ratio of 28.10% on March 31, 2023, and 26% in 9MFY24 which is well above the stipulated regulatory norm of 15%. The average collection efficiency on current demand for the last 12 months ending Dec,2023 is ~ 92%. Apart from it, the company had cash and cash equivalents of about Rs. 18.50 crore as on March 31st, 2023. Overall, the liquidity position is expected to be adequate.

### **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)	
	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	23.15	30.84
Net Interest Income	11.83	14.51
PAT	3.84	4.01
Total Debt	94.85	166.77
Net Interest Margin (%)	9.52	9.17
PAT Margin (%)	20.72	16.24



## Press Release

For the year ended*/As on	31-03-2022	31-03-2023
Overall Gearing Ratio (x)	1.75	2.83

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: NA**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-24)				Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (May 24, 2024)	Date(s) & Rating(s) assigned in 2022-23 (18 January 2023)	Date(s) & Rating(s) assigned in 2021-22 (20 November 2021)	Date(s) & Rating(s) assigned in 2020-2021	
1.	Long Term Bank Facilities-Fund Based	Long Term	200.00	IVR BBB/Stable	IVR BBB/Stable (Revalidated )	IVR BBB/Stable (18 January 2023)	IVR BBB/Stable	IVR BBB/Stable (January 11, 2021)  IVR BBB/Stable (October 16, 2020)	
2.	Fixed Deposit	Long Term	9.00	IVR BBB/ Stable	IVR BBB/Stable (Revalidated )	IVR BBB/Stable (18 January 2023)	IVR FBBB/ Stable	IVR FBBB/ Stable (January 11, 2021)  IVR FBBB/ Stable (October 16, 2020)	
3	NCD	Long Term	-	-	-	-	IVR BBB/Stable (Withdrawal)	IVR BBB/Stable (January 11, 2021)	

**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.

### Annexure 1: Details of Facilities



## Press Release

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term- Term Loan	-	-	-	149.11	IVR BBB/Stable
Long Term Bank Facility – Cash Credit	-	-	-	27.00	IVR BBB/Stable
Long Term Bank Facility – Proposed				23.89	IVR BBB/Stable
Fixed Deposit	-	-	-	9.00	IVR BBB/ Stable

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-DharaMotor-mar24.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).