

August 20, 2014

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.00	SMERA BB-/Stable (Assigned)
Proposed Cash Credit	3.00	SMERA BB-/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB-**' (**read as SMERA double B minus**) to the Rs.9.00 crore bank facilities of Dugar Finance & Investments Limited (DFIL). The outlook is '**Stable**'. The rating is constrained by the company's small-scale operations, limited geographical diversification and high dependence on a few sources of borrowings. However, the rating is supported by the long-standing experience and strong domain knowledge of the company's promoters. The rating is also supported by the company's high capital adequacy and low non-performing asset (NPA) levels.

DFIL, incorporated in 1987, is a non-deposit taking non-banking financial company (NBFC-ND) based in Chennai. DFIL operates in the segment of hire purchase and leasing of light motor vehicles and commercial vehicles. The company has a total asset size of Rs.22.93 crore (provisional) and a loan portfolio of Rs.22.16 crore (provisional) as on March 31, 2014. DFIL's loan portfolio has limited geographical diversification with ~70 per cent of the total advances being concentrated in Tamil Nadu. The company's operations in Maharashtra and Kerala are limited to a few cities.

DFIL's total borrowings of ~Rs.6.02 crore (provisional figure as on March 31, 2014) mainly comprise cash credit of Rs.4.53 crore. Apart from the bank, DFIL also avails funds from other sources, such as NBFCs; however, the size of such exposure is small. The ability to raise additional resources at low cost from diversified sources will be critical for the growth of the company.

DFIL benefits from its experienced management. The promoters of the company have around four decades of experience in the finance industry. Mr. Ramesh Dugar, promoter and managing director of DFIL, was the former chairman of the South India Hire Purchase Association.

DFIL has high capital adequacy level of 41.43 per cent and low gearing of 0.82 times as on March 31, 2014. The company has maintained strong asset quality with negligible NPA levels over the years.

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Outlook: Stable

SMERA believes the outlook on DFIL's rated facilities will remain stable over medium term. The company will continue to benefit from its experienced management and strong asset quality. The outlook may be revised to 'Positive' in case the company achieves sustained growth in asset book while maintaining strong asset quality and healthy returns. The outlook may be revised to 'Negative' in case expansion of operations results in deterioration of asset quality, profitability or capital levels of the company.

Rating sensitivity factors

- Size of operations
- Asset quality
- Capital adequacy levels

About the company

DFIL, incorporated in 1987, is a RBI-certified non-deposit accepting NBFC engaged in the business of hire purchase and leasing of light commercial vehicles and motor vehicles. DFIL is promoted and managed by Mr. Ramesh Dugar. The company has presence in Maharashtra, Kerala and Tamil Nadu. DFIL is a part of the Dugar Group, which has interests in financing, manufacturing, real estate and entertainment businesses.

For FY2013-14 (as per provisional financial statements), DFIL reported profit after tax (PAT) of Rs.0.92 crore on interest income of Rs.4.88 crore and loan portfolio of Rs.22.16 crore, as compared with PAT of Rs.0.57 crore on interest income of Rs.3.78 crore and loan portfolio of Rs.19.89 crore in the previous year. The company's capital adequacy stood at 41.43 per cent (provisional) and net worth stood at Rs.7.36 crore (provisional) as on March 31, 2014.

Contact List:

Media/ Business Development	Analytical Contacts	Rating Desk
Sanjay Kher Head – Sales, Corporate Ratings Tel: +91-22-6714 1193 Cell: +91 9819136541 Email: sanjay.kher@smera.in Web: www.smera.in	Umesh Nihalani Head – Corporate Ratings Tel: +91-22-6714 1106 Email: umesh.nihalani@smera.in	Tel: +91-22-6714 1170 Email: ratingdesk@smera.in

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