

December 18, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	9.00	SMERA BB/Stable (Upgraded from SMERA BB-/Stable)
Proposed Cash Credit	3.00	SMERA BB/Stable (Assigned)

SMERA has upgraded the long-term rating of Dugar Finance and Investments Limited (DFIL) to '**SMERA BB**' (**read as SMERA double B**) from '**SMERA BB-**' (**read as SMERA double B minus**), while assigning a rating of '**SMERA BB**' to the proposed cash credit limit out of the total bank facilities of Rs.12 crore. The outlook is '**Stable**'. The upgrade reflects healthy growth in loan book and improvement in capital to risk (weighted) assets ratio (CRAR). The ratings draw support from the extensive experience of the promoters. SMERA also notes that the company has low non-performing levels. However, the ratings remain constrained by the small scale of operations, limited geographical diversification and high dependence on a few sources of borrowing.

Update

DFIL registered healthy growth in loan book from Rs.22.30 crore in FY2013-14 to Rs.30.11 crore in FY2014-15, and improvement in capital to risk (weighted) assets (CRAR) ratio from 36.31 percent in FY2013-14 to 40.18 percent in FY2014-15. The net interest income increased from 3.61 crore in FY2013-14 to Rs 3.80 crore in FY2014-15 while the return on average assets (ROAA) reduced from 7.61 percent in FY2013-14 to 4.11 percent in FY2014-15.

Outlook: Stable

SMERA believes that the outlook on DFIL's rated facilities will remain stable over the medium term. The company will continue to benefit from the experienced management in the asset financing space and comfortable asset quality. The outlook may be revised to 'Positive' in case of substantial growth in its scale of operations while maintaining asset quality. Conversely, the outlook may be revised to 'Negative', with significant deterioration in the asset quality, profitability, capital levels or diversification into unrelated businesses.

Rating Sensitivity Factors

- Improvement in scale of operations while maintaining asset quality
- Efficient asset liability management
- Geographical diversification of loan portfolio

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About the Company

Part of the Dugar group, DFIL, incorporated in 1987, is an RBI-certified non-deposit accepting NBFC. The company has interests in financing, manufacturing, real estate and entertainment businesses as also hire purchase and leasing of light commercial vehicles and motor vehicles. Promoted and managed by Mr. Ramesh Dugar, DFIL has operations spread across Maharashtra, Kerala and Tamil Nadu.

The company reported profit after tax (PAT) of Rs.1.11 crore on interest income of Rs.5.14 crore for FY2014-15 as compared to PAT of Rs.1.66 crore on interest income of Rs.4.71 crore. The loan portfolio for FY2014-15 stood at Rs.30.11 crore compared to Rs.22.30 crore for the previous year. The net worth improved to Rs.12.10 crore as on March 31, 2015, as against Rs.8.10 crore a year earlier while interest income stood at Rs.2.61 crore (provisional) till September 31, 2015.

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