



Press Release

Dugar Finance and Investments Limited
January 18, 2024

Rating Assigned, Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	35.00	ACUITE BBB- Positive Assigned	-
Bank Loan Ratings	46.47	ACUITE BBB- Positive Reaffirmed Stable to Positive	-
Bank Loan Ratings	3.53	ACUITE BBB- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	81.47	-	-
Total Withdrawn Quantum (Rs. Cr)	3.53	-	-

Rating Rationale

Acuite has Reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 46.47 Cr bank loan facilities of Dugar Finance and Investments Limited (DFIL). The outlook is revised from '**Stable**' to '**Positive**'

Acuite has Assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 35 Cr bank loan facilities of Dugar Finance and Investments Limited (DFIL). The outlook is '**Positive**'.

Acuite has Reaffirmed and withdrawn the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 3.53 Cr bank loan facilities of Dugar Finance and Investments Limited (DFIL). The rating has been withdrawn as applicable for the respected instrument/facility as per Acuite's policy of withdrawal of ratings after receiving the client's withdrawal request and the NOC received from the banker.

Rationale for the rating

The revision in outlook factors in DFIL's comfortable capitalisation and improved asset quality. The net worth stood at Rs 32.87 Cr as on March 2023 as against Rs 28.04 Cr as on March 2022. Capital infusion by promoters of Rs 0.50 Cr during FY2023 aided with internal accruals have contributed in company's Capital adequacy ratio of 32.08 percent as on Sep 30, 2023. The company's gearing stood at 1.32 times as on March 31, 2023. DFIL's asset quality improved as reflected in its on time portfolio which stood at 90.24 percent as on March 2023 as against 72.34 percent as on March 2022. The GNPA and NNPA stood at 0.71 percent and 0.66 percent respectively as on March 2023 as against GNPA of 1.03 percent and NNPA of 0.96 percent in previous year. The rating also factors in the steady growth in DFIL's earning profile where its PAT stood at Rs 4.61 Cr in FY2023 as against 3.45 Cr in FY2022. ROAA of the company stood healthy at 4.73 percent in FY2023. The rating continues to factor in the experienced management and operational track record. The company has track record of more than three decades in Vehicle Financing.

The rating however is constrained by limited scale of operations where the company saw a steady growth in AUM from Rs 80.34 Cr in FY2022 to Rs 108.27 Cr in FY2023, this growth was aided by the moderate increase in disbursement level from Rs 56.21 Cr in FY22 to Rs 67.14 Cr in FY23. The disbursement further stood at Rs 36.72 Cr aiding to AUM growth to Rs 128.89 Cr as

on H1FY2024.

The ability of DFIL to maintain the growth in its Assets Under Management (AUM) while maintaining its profitability margins and containing its delinquencies across different time buckets will be key monitorable.

About the company

Incorporated in 1987, DFIL is a Chennai, Tamil Nadu, based non-banking finance company (NBFC) promoted by Mr. Ramesh Dugar and his wife Mrs. Sonali Dugar. The company is engaged in extending vehicle financing on hire purchase and lease and loan against property (LAP) towards SME borrowers. The day to day operations are managed by Mr. S. Rangaraj, CEO of DFIL. The company presently operates through a network of 21 branches spread across Tamil Nadu, Maharashtra, Gujarat, Karnataka and Andhra Pradesh as on March 31, 2022

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of DFIL to arrive at the rating.

Key Rating Drivers

Strength

Established track record of operations with focus on Vehicle financing on hire purchase and lease

DFIL commenced its lending operations in 1987 upon registration as a Non-deposit taking Non-Banking Finance Company (NBFC-ND). The company mainly operates in Tamil Nadu, Maharashtra, Karnataka, Gujarat and Andhra Pradesh with a network of 26 branches as on March 31, 2023. The company is promoted by Mr. Ramesh Dugar and his wife Mrs. Sonali Dugar. The promoters have over three decades of experience in financial services. Mr. Ramesh Dugar was the former Chairman of South Indian Hire Purchase Association and currently holds the position of Vice President of Madras Hire Purchase Association. The day to day operations of DFIL are managed by Mr. S. Rangaraj.

DFIL's Board of Directors are supported by Mr. R. Nagarajan, Ex-Chief General Manager of State Bank of India, Chennai, having over four decades of experience in the banking and financial service sector.

Further, DFIL has a long track record of operations in the vehicle financing segment. It has presence in Tamil Nadu for over three decades. DFIL's loan book stood at Rs. 108.27 Cr. as on March 31, 2023 as against Rs. 80.34 Cr. as on March 31, 2022. Of the overall loan portfolio as on March 31, 2023, vehicle financing segment accounted for 77.59 percent and remaining loan against property (LAP) towards SME borrowers.

Acuité believes that DFIL will continue to benefit from its established presence in the financial services industry along with the experienced promoters.

Healthy Capitalization levels and improvement in earnings profile;

The company's loan portfolio stood at Rs 128.89 Cr. as on September 2023 as against Rs 80.34 Cr as on March 31, 2022. The networth stood at Rs. 32.87 Cr. as on March 2023 as against Rs 28.04 Cr as on March 2022. Capital infusion by promoters of Rs 0.50 Cr during FY2023 aided with internal accruals have contributed in company's Capital adequacy ratio of 30.46 percent as on March 31, 2023. Reduction in Cost of borrowing has positively affected Net Interest Margins. NIM has improved from 12.74 percent as on March 31, 2021 to 13.49 percent as on March 31, 2023. The company has reported a PAT of Rs 4.61 Cr as on March 31, 2023 compared to Rs 3.45 Cr as on March 31, 2022. The company has reported Interest Income of Rs 12.88 Cr as on March 31, 2023 as compared to Rs 9.75 Cr as on March 31, 2022. DFIL's earnings profile has improved owing to growth in AUM.

Acuité expects the company to sustain its financial position on the back of its healthy capitalization buffers and maintaining a prudent capital structure.

Weakness

Limited scale of operations

DFIL commenced its lending operations in 1987. The company's outstanding portfolio has improved by 35 percent to Rs 108.27 Cr as on March 31, 2023, as against Rs 80.34 Cr as on March 31, 2022. This growth was aided by the moderate increase in disbursement level from Rs 56.21 Cr in FY22 to Rs 67.14 Cr in FY23. While the company has been focusing on loan portfolio growth over last few months, it continues to remain moderate. DFIL has presence in five states that is Tamil Nadu, Maharashtra, Gujarat, Karnataka and Andhra Pradesh. The company's LAP Portfolio is mainly present in Tamil Nadu. The company's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. Besides geography, the company will be exposed to competition and any changes in the regulatory framework thereby impacting credit profile of DFIL.

Acuité believes that the limited scale of operations will continue to weigh on the company's credit profile over the near to medium term.

Rating Sensitivity

- Profitably scale up in operations.
- Movement in Asset Quality and Collection efficiency.
- Liquidity and provisioning buffers.

Liquidity Position

Adequate

DFIL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated March 31, 2023. The company's liquidity position is supported by unencumbered Cash and Bank Balance of Rs 0.45 Cr as on September 30, 2023.

Outlook: Positive

Acuité believes that DFIL's credit profile will benefit from the extensive experience of the management and capital support which would further aid in the current growth momentum. The rating could be upgraded if the company is able to demonstrate improvement in its scale of operations and financial risk profile while maintaining asset quality metrics. Conversely, the outlook may be revised to 'Stable' in case the company faces higher than expected asset quality pressures, any challenges in scaling up operations or any deterioration in profitability parameters.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY23(Actual)	FY22(Actual)
Total Assets	Rs. Cr.	112.92	82.36
Total Income*	Rs. Cr.	12.89	9.70
PAT	Rs. Cr.	4.61	3.45
Net Worth	Rs. Cr.	32.87	28.04
Return on Average Assets (RoAA)	(%)	4.73	4.80
Return on Average Net Worth (RoNW)	(%)	15.15	13.25
Debt/Equity	Times	1.75	1.38
Gross NPA	(%)	0.71	1.03
Net NPA	(%)	0.66	0.96

*Total income equals to Net Interest Income plus other income

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Nov 2022	Term Loan	Long Term	1.66	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.80	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.55	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	16.95	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	24.79	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	0.75	ACUITE BBB- Stable (Reaffirmed)
01 Oct 2021	Cash Credit	Long Term	1.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	12.53	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.36	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.61	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	05 Dec 2022	Not Applicable	Not Applicable	Simple	23.04	ACUITE BBB- Positive Reaffirmed Stable to Positive
A U Small Finance Bank	Not Applicable	Cash Credit	22 Sep 2022	Not Applicable	Not Applicable	Simple	0.75	ACUITE BBB- Positive Reaffirmed Stable to Positive
Karur Vysya Bank	Not Applicable	Cash Credit	06 Dec 2021	Not Applicable	Not Applicable	Simple	8.19	ACUITE BBB- Positive Reaffirmed Stable to Positive
Union Bank of India	Not Applicable	Cash Credit	05 Dec 2022	Not Applicable	Not Applicable	Simple	1.75	ACUITE BBB- Reaffirmed & Withdrawn
Karur Vysya Bank	Not Applicable	Cash Credit	26 Sep 2023	Not Applicable	Not Applicable	Simple	8.00	ACUITE BBB- Positive Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	11.56	ACUITE BBB- Positive Reaffirmed Stable to Positive
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	9.40	ACUITE BBB- Positive Assigned
A U Small Finance Bank	Not Applicable	Term Loan	28 Feb 2022	Not available	18 Mar 2025	Simple	1.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
A U Small Finance Bank	Not Applicable	Term Loan	30 Sep 2022	Not available	18 Oct 2025	Simple	1.04	ACUITE BBB- Positive Reaffirmed Stable to Positive
Karur Vysya	Not	Term	06 Dec	Not	05 Jan			ACUITE BBB- Positive

Bank	Applicable	Loan	2021	available	2025	Simple	0.89	Reaffirmed Stable to Positive
Karur Vysya Bank	Not Applicable	Term Loan	06 Dec 2021	Not available	05 Jan 2025	Simple	0.66	ACUITE BBB- Reaffirmed & Withdrawn
A U Small Finance Bank	Not Applicable	Term Loan	30 Sep 2022	Not available	18 Oct 2025	Simple	0.46	ACUITE BBB- Reaffirmed & Withdrawn
A U Small Finance Bank	Not Applicable	Term Loan	28 Feb 2022	Not available	18 Mar 2025	Simple	0.66	ACUITE BBB- Reaffirmed & Withdrawn
Indian Overseas Bank	Not Applicable	Term Loan	29 Dec 2022	Not available	28 Dec 2027	Simple	6.65	ACUITE BBB- Positive Assigned
Rar Fincare Limited	Not Applicable	Term Loan	28 Jun 2023	Not available	27 Jun 2027	Simple	1.79	ACUITE BBB- Positive Assigned
Shriram Finance Corporation Private Ltd.	Not Applicable	Term Loan	01 Feb 2023	Not available	31 Jan 2026	Simple	2.01	ACUITE BBB- Positive Assigned
Shriram Finance Corporation Private Ltd.	Not Applicable	Term Loan	31 Mar 2023	Not available	05 Apr 2026	Simple	2.15	ACUITE BBB- Positive Assigned
Shriram Finance Corporation Private Ltd.	Not Applicable	Term Loan	27 Sep 2023	Not available	05 Oct 2026	Simple	5.00	ACUITE BBB- Positive Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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