

Press Release

Dhara Motor Finance Limited (DMFL)

22 January 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	SMERA BBB-/ Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as **SMERA triple B minus**) on the Rs. 25.00 crore bank facilities of Dhara Motor Finance Limited. The outlook is '**Stable**'.

Incorporated in 1990, Dhara Motor Finance Limited is a Uttar Pradesh based NBFC company registered under RBI. In 2002 the company was converted into a Public Ltd Company. The company was promoted by Mr. Raj Kumar Goel and associate which was subsequently taken over by Mr. Gajendra Singh and family and Late Mr Rahul Khanna. The company is engaged in finance of transport and old and new commercial vehicles. DMFL is registered with RBI as a NBFC and classified as Asset Finance Company (AFC) under "A" category. The company is operating in western Uttar Pradesh, Uttarakhand, Delhi & NCR, Haryana and Rajasthan.

Key Rating Drivers

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 35 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 has more than three decades experience in banking and finance industry under different capacities.

The company has around 4 physical branches spread across Meerut (Uttar Pradesh), Haridwar (Uttarakhand), Delhi and Kashipur (Uttarakhand) along with total 2700 no of active borrowers as on December 2017.

Adequate capitalization

The company has reported capital adequacy ratio (CAR) of 37.82 per cent in FY2017 as against 37.65 per cent in FY2016. DMFL reported NIM of 13.17 per cent in FY2017 as compare to 12.84 per cent in FY2016. Further, Return on Average Assets (RoAA) stood at 3.13 per cent in FY2017 as compare to 2.71 per cent in FY2016. Going forward, the company plans to take on additional debt to support its business growth which will impact its funding mix and consequently its net interest margins. The company's ability to maintain its key credit metrics like capital adequacy and NIM while growing its loan book will influence its credit profile over the near to medium term.

Weaknesses

Moderate geographic concentration

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 per cent revenue in FY2017 as against 54.13 per cent in FY2016. Going forward, company plans to expand its business in rural parts of Haryana

and Rajasthan.

Moderate portfolio and operating income

The portfolio increased modestly by ~9 per cent in FY2017 and stood at Rs.63.85 crores as against of Rs.69.61 crores in FY2016. The portfolio of the company stood moderate at Rs.63.11 crore as on 30th Sep, 2017 (provisional). The operating income of DMFL stands moderate at Rs.9.00 crore in FY2017 as compare to 7.32 crore in FY2016.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of DMFL.

Outlook: Stable

SMERA believes that the outlook on DMFL's rated facilities will be 'Stable' over the medium term owing to the established track record of operations and experienced management in the auto financing industry. The outlook may be revised to "Positive" in case the company sustains improvement in AUM along with improvement in its asset quality and capitalisation levels. Conversely, the outlook may be revised to 'Negative' in case of lower than expected AUM and interest income, deterioration in the asset quality or higher than expected debt intake.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16(Actual)	FY15(Actual)
Total Assets	Rs. Cr.	69.61	63.85	48.23
Total Income	Rs. Cr.	12.29	9.90	7.21
PAT	Rs. Cr.	2.31	1.67	1.45
Net Worth	Rs. Cr.	25.91	22.64	20.18
Return on Assets (RoA)	(%)	3.13	2.71	5.41
Return on Net Worth(RoNW)	(%)	9.52	7.80	14.37
Total Debt/Tangible Net Worth (Gearing)	Times	0.96	0.93	0.78
Gross NPA	(%)	1.82	0.81	0.00
Net NPA	(%)	1.46	0.73	0.00
Net Worth/ Net NPA	Times	17.75	31.03	-

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

None

Any other information

None

Applicable Criteria

- Bank and Financial Institutions : <https://www.smera.in/criteria-banks.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BBB-/ Stable (Assigned)

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ABOUT SMERA

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