

Press Release

Dhara Motor Finance Limited (DMFL)

January 30, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 60.00 crore facility of Dhara Motor Finance Limited. The outlook is '**Stable**'.

Incorporated in 1990, Dhara Motor Finance Limited is an 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 others which was subsequently taken over by Mr. Gajendra Singh and family. The company is engaged in finance of 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 mainly in western Uttar Pradesh, Uttarakhand, Delhi & NCR, Haryana and Rajasthan.

Analytical Approach

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

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 have more than three decades experience in banking and finance industry in different capacities.

The company has around 4 branches spread across Meerut (Uttar Pradesh), Haridwar (Uttarakhand), Delhi and Kashipur (Uttarakhand) along with total 2800 no of active borrowers as on March 2018.

Adequate capitalization:

The company has reported capital adequacy ratio (CAR) of 44.82 per cent in FY2018 as against 37.82 per cent in FY2017. DMFL reported Net Interest Margin (NIM) of 11.80 per cent in FY2018 as compared to 13.17 per cent in FY2017. Further, Return on Average Assets (RoAA) stood at 3.09 per cent in FY2018 as compared to 3.13 per cent in FY2017. 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 49.55 per cent revenue in FY2018 as against 51.40 per cent in FY2017. 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 ~13.50 per cent in FY2018 and stood at Rs.78.99 crores as against of Rs.69.61 crores in FY2017. The operating income of DMFL stands moderate at Rs.8.87 crore in FY2018 as compared to 9.00 crore in FY2017. The company has clocked operating income of Rs. 6.16 crore till 30th September 2018 (Prov.).

Liquidity Position

Acuite believes that the liquidity of the company is likely to remain moderate over the near to medium term on account of healthy net cash accruals of Rs. 3.89 crore in FY2018 as against no major repayment obligations in the near term. The company maintains unencumbered cash and bank balance of Rs. 1.83 crore as on March 31, 2018.

Outlook: Stable

Acuite 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Total Assets	Rs. Cr.	78.99	69.61	63.85
Total Income	Rs. Cr.	12.50	12.29	9.90
PAT	Rs. Cr.	2.56	2.31	1.67
Net Worth	Rs. Cr.	29.59	25.91	22.64
Return on Assets (RoA)	(%)	3.09	3.13	2.72
Return on Net Worth (RoNW)	(%)	9.24	9.51	7.81
Total Debt/Tangible Net Worth (Gearing)	Times	0.98	0.96	0.93
Gross NPA	(%)	2.40	1.82	0.81
Net NPA	(%)	1.80	1.46	0.73
Net Worth/ Net NPA	Times	16.44	17.75	31.01

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Non-Banking Financing Entities – <https://www.acuite.in/view-rating-criteria-10.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-Jan-2019	Cash Credit	Long Term	INR 40.00	ACUITE BBB-/ Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	INR 20.00	ACUITE BBB-/ Stable (Reaffirmed)
04-Oct-2018	Cash Credit	Long Term	INR 40.00	ACUITE BBB-/ Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	INR 20.00	ACUITE BBB-/ Stable (Assigned)
22-Mar-2018	Cash Credit	Long Term	INR 25.00	ACUITE BBB-/ Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	INR 15.00	ACUITE BBB-/ Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BBB-/ Stable (Reaffirmed)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/ Stable (Reaffirmed)

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head– Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Abhishek Dey Rating Analyst Tel: 033-66201208 abhishek.dey@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuite Ratings & Research:

Acuite Ratings & Research Limited (*erstwhile SMERA Ratings Limited*) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

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