

Press Release
Dhara Motor Finance Limited
March 16, 2023
Rating Reaffirmed & Withdrawn



Product	Quantum (Rs. Cr)	Long Term Rating	Shareholding
Bank Loan Ratings	60.00	ACUITE BB- Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	60.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 60 Cr. Bank facilities of Dhara Motor Finance Limited (DMFL). This rating is being withdrawn on account of the request received by the client along with No Objection Certificate received from the bank, in accordance with Acuite's policy on withdrawal of ratings.

Rating Rationale

The rating factors experienced management and established presence in the auto finance industry, growth in AUM and profitability metrics and Comfortable capital adequacy levels. The company's Overall CAR has reduced to 34.18 percent as on March 31, 2022 from 36.13 percent as on March 31, 2021 on account of increase in risk weighted assets. The company's AUM have stood at Rs 147.9 Cr. as on December 31, 2022, Rs 134.10 Cr. as on March 31, 2022 and Rs 114.51 Cr. as on March 31, 2021. Improvement in AUM is on account of growth in disbursements. The company's disbursements have stood at Rs 78.38 Cr. during 9MFY2023, Rs 85.55 Cr. during FY 2021-22 and Rs 84.46 Cr during FY 2020-21. However, these rating strengths are partially offset by the geographical concentration risk.

About the company

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 Limited 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 Uttar Pradesh, Uttarakhand, Delhi, Haryana and Rajasthan.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of the company to arrive at the rating.

Key Rating Drivers

Strength

Experienced management in the auto finance industry and established presence:

The company is managed by Board of directors including Mr. G.S. Chauhan who has around 35 years of experience in credit monitoring. In addition, DMFL has Mr. Gajendra Singh, Mr.

Bhupendra Singh, Mr. Arun Kumar in their board who have more than three decades experience in the finance industry in different capacities.

Improvement in AUM and profitability metrics:

The company's AUM have stood at Rs 147.9 Cr. as on December 31, 2022, Rs 134.10 Cr. as on March 31, 2022 and Rs 114.51 Cr. as on March 31, 2021. Improvement in AUM is on account of growth in disbursements. The company's disbursements have stood at Rs 78.38 Cr. during 9MFY2023, Rs 85.55 Cr. during FY 2021-22 and Rs 84.46 Cr during FY 2020-21. The company has reported a PAT of Rs 2.95 Cr. on a total income of Rs 10.60 Cr. during 9MFY2023. The company has reported a PAT of Rs 4.80 Cr. on a total income of Rs 12.91 Cr. during FY 2021-22. The company's profitability metrics have also improved due to growth in AUM and disbursements.

Weakness

Geographical concentration risk :

DMFL has presence majorly in Uttar Pradesh with ~57.43 percent of the AUM as on December 31, 2022. This exposes the company to high geographical concentration risk. The company's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, are likely to 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 DMFL.

Rating Sensitivity

Not Applicable

Material Covenants

DMFL is subject to covenants stipulated by its lenders/investors in respect of various parameters like capital structure, asset quality among others.

Liquidity Position

Adequate

DMFL has adequately matched asset liability profile with no negative cumulative mismatches in the maturity buckets based on ALM as on December 31, 2022. The company has cash and cash equivalents of Rs. 10.50 Cr. as on December 31, 2022 to support the growth requirements of the company.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY22 (Actual)	FY21 (Actual)
Total Assets	Rs Cr.	151.61	122.04
Total Income*	Rs Cr.	12.91	10.50
PAT	Rs Cr.	4.80	4.11
Networth	Rs Cr.	54.29	42.83
Return on Average Assets (ROAA)	(%)	3.51	3.45
Return on Net Worth (RoNW)	(%)	10.61	10.08
Total Debt/Tangible Net Worth (Gearing)	Times	1.62	1.51

Gross NPA's	(%)	2.00	1.55
Net NPA's	(%)	1.63	0.74

*Total income equals to Net Interest Income plus other income

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

None

Any other information

Not Applicable

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, Acuite 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
21 Sep 2022	Proposed Bank Facility	Long Term	20.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	40.00	ACUITE BB- (Downgraded and Issuer not co-operating*)
05 Jul 2021	Cash Credit	Long Term	40.00	ACUITE BB (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	20.00	ACUITE BB (Downgraded and Issuer not co-operating*)
07 Apr 2020	Cash Credit	Long Term	40.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	20.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BB- Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BB- Reaffirmed & Withdrawn

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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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