

Dandona Finance Limited

July 01, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	45.00	CARE BB-; ISSUER NOT COOPERATING* (Double B Minus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; (Double B)
Total Bank Facilities	45.00 (₹ Forty-Five Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has been seeking information from Dandona Finance Ltd (DFL) to monitor the rating vide e-mail communications dated March 19, 2022, March 09, 2022 and February 27, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on DFL instruments will now be denoted as CARE BB- Negative/Issuer not cooperating*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

In view of the non-availability of the information, CARE has revised the rating for bank facilities of DFL from **CARE BB; ISSUER NOT COOPERATING** to **CARE BB-; ISSUER NOT COOPERATING**. The rating assigned to the bank facilities of DFL is constrained by its small scale of operations, high geographical concentration. The rating derives strength from experienced promoter, long track record of operations and comfortable capitalization for current scale of operations.

Detailed description of the key rating drivers

At the time of last rating on April 13, 2021, following were the rating strengths and weaknesses (updated for the information available)

Key Rating Weaknesses

Small scale of operations with high Regional concentration:

Despite being long into operations since 1995, DFL has moderate scale of operation with loan book of Rs. 46.32 crore as on March 31, 2021, down from Rs 59.67 crore as on March 31, 2020. As on December 31, 2019, 83% of the portfolio was towards commercial and passenger three wheelers, another 9% for e-rickshaws and remaining 8% for 2-wheeler, cars and LAP. DFL had about 4400 borrowers as on December 31, 2019. Also, given the small scale of operations, DFL's operations are largely concentrated in Delhi/NCR with 96% of portfolio as on September 30, 2018, concentrated in Delhi.

Weaker Borrower profile:

DFL provides loans to borrowers in low income group self-employed personal or working in informal sector that remain inherently vulnerable to economic shocks. Although, 83% of total portfolio is for three-wheeler financing which is primarily an income generating activity and hence supports the borrower in loan repayment. Also, hypothecation of vehicles also mitigates risk to some extent. Also, risk due to weak borrower profile is priced in its lending rates which are relatively higher.

Deteriorated Asset Quality:

The asset quality of the company is deteriorated owing to lower income profile individuals. Company reported deterioration in GNPA% to 6.73% as on March 31, 2021 as against 5.71% as on March 31, 2020, and NNPA% deteriorated to 4.76% as on March 31, 2021 as against 4.15% as on March 31, 2020.

Key Rating Strengths

Experienced Promoter:

DFL was established in 1995 and has track record of operations of nearly 25 years. DFL is promoted by Dandona family. Mr. Sanjeev Dandona is the promoter and managing director of the company with 30+ years of experience. He also had experience in selling three-wheeler automobiles.

Long track record of operations:

DFL has an established presence in the vehicle finance segment (passenger three-wheelers and light commercial vehicles) with nearly 4400 borrowers. DFL has established relations with the retailers and dealers of 3 wheelers vehicles.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Secured lending business:

The company's loan assets are secured with all the loans being extended either against the hypothecation of the vehicle or property. Also, the high resale value of old 3Wheeler (due to limited vehicle permits in Delhi) ensures collections even in cases of long pending over-dues. Also, most of the loans are given for purchase of new vehicles or obtaining refinance against old vehicles. Nevertheless, significant change in regulatory / permit norms could impact resale value and hence recoverability prospects.

Comfortable capitalization levels:

Company's net worth was Rs. 22.28 crore as on March 31, 2021. Gearing of the company moderated to 1.12x as on March 31, 2021 from 1.74x as on March 31, 2020. The Capital Adequacy Ratio (CAR) of DFL was comfortable at 30.65% as on March 31, 2019 for current scale of operations.

Analytical approach- Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Rating Methodology – Non Banking Finance Companies \(NBFCs\)](#)

About the company

Dandona Finance Limited (DFL) was incorporated as private limited company on January 13, 1995 and was converted into a public limited company on December 6, 1996. DFL was earlier registered as a deposit-accepting non-banking finance company (NBFC) with the RBI, but converted to Non-deposit taking NBFC with RBI dated April 19, 2018. The operations of the company are currently managed by Mr. Sanjeev Dandona promoter and managing director of the company with nearly 3 decades of experience in the lending business. DFL is primarily engaged in the business of providing auto loans for three wheelers, new vehicles and old vehicles, including refinancing.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	9MFY22 (U/A)
Total operating income	12.49	7.37	NA
PAT	3.18	0.60	
Interest coverage (times)	2.09	1.24	
Total Assets	62.34	49.44	
Net NPA (%)	4.15	4.76	
ROTA (%)	5.06	1.08	

A: Audited; NA: Not available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	45.00	CARE BB-; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Working Capital Limits	LT	45.00	CARE BB-; ISSUER NOT COOPERATING*	-	1)CARE BB; ISSUER NOT COOPERATING* (13-Apr-21)	-	1)CARE BB+; ISSUER NOT COOPERATING* (18-Mar-20)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities- Not applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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