

Dandona Finance Limited

April 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	55.00	CARE BB; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating for Dandona Finance Limited (Dandona) factors in its stable financial performance and earnings profile, growing scale and comfortable capitalisation. The rating also derives strength from the experience of promoters in vehicle financing segment and track record of company's operations. The company reported an assets under management (AUM) of Rs. 76 crore as on December 31, 2024, as against Rs. 86 crore as on March 31, 2024. During H1 FY2025, it reported a net profit of Rs. 1.8 crore, translating into return on average total assets (RoTA) of 4.9% (annualised, provisional) and return on average tangible net worth (RoNW) of 13.3% (annualised), as against Rs. 1.7 crore, 2.2% and 6.4%, respectively, in FY2024. Its capital adequacy ratio (CAR) stood at 41.6% and gearing at 1.3x as on September 30, 2024. However, the company has witnessed deterioration in its asset quality metrics over past few quarters, hence, impacting its solvency; its Net NPA to tangible net worth (TNW) stood at 23.1% as on September 30, 2024, as against 27.5% in March 2024 (5.8% in March 2023). CARE Ratings notes that inability to make material recoveries or not being able to raise adequate capital to absorb expected losses, would impact its net worth and overall capitalisation profile, nonetheless, it gearing is expected to remain comfortable in the near-to-medium term.

The rating, however, is constrained by Dandona's moderate asset quality, high geographical concentration and limited source of funding. The company's ability to grow its portfolio while maintaining asset quality parameters will remain a key monitorable. It reported a gross non-performing assets (NPA) of 9.7% in December 2024, as against 10.7% in March 2024 and 4.5% in March 2023. Its operations remain geographically concentrated in Delhi-NCR comprising ~99% of its total AUM as on December 31, 2024. CARE Ratings also notes that its funding relations are limited to 2 lenders, however, a major portion of its funding is from banks which helps it keep its cost of funding contained. Furthermore, the company's target customer segment is vulnerable to economic down cycles.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operation while maintaining asset quality and solvency with gross NPA of less than 4.0%
- Ability to raise funds at competitive rates

Negative factors

- Significant deterioration in the profitability profile.
- Deterioration in overall gearing rising over 5x
- Inability to make material recoveries and bring down delinquency in a timely manner

Analytical approach: Standalone

Outlook: Stable

CARE Ratings expects that Dandona will be able to continue to grow its loan book while maintaining adequate capitalisation metrics.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations:

Having commenced its operations in 1995, Dandona has long track record, however, its scale of operations remains modest with a loan portfolio of Rs. 76 crore as on December 31, 2024 as against Rs. 86 crore as on March 31, 2024 (Rs. 70 crore as on March 31, 2023). A major share of its loan book comprises finance for auto-rickshaw and electronic vehicle (e-vehicle; cumulatively ~97%) with tenor of 12 to 48 months, ticket size of Rs. 2 to 4 lakh and interest rate varying between 10% and 16%, followed

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

by loan against property (LAP) at ~1 % as on December 31, 2024. In FY2024, the company has forayed into unsecured personal loan segment forming 1.6% of the AUM as on December 31, 2024, which consist of loans to dealers and have ticket size of Rs. 15 to 20 lakhs.

Weak asset quality:

The asset quality of the company has weakened over past few quarters. Its gross and net NPA increased to 10.7% and 9.9% respectively, as on March 31, 2024 from 4.5% and 2.1% respectively, as on March 31, 2023 owing to increased slippage ratio (slippages of current year/opening loan book) of 8.1% in FY24 as against 2.3% as on March 31, 2023. Given additional slippages in H1FY25 and decline in its loan book, its gross NPA increased to 10.9% as on September 30, 2024 and its net NPA stood at 8.8%. Care Ratings notes that Dandona's NPA recognition is based on 180+ days past due (dpd) and its overall NPA would increase once it implements NPA recognition on 90+ dpd which it is required to implement by March 2026 (on 120+ dpd basis by March 2025). The overall net NPA to TWN deteriorated to 27.5% as on March 31, 2024 vis-à-vis 5.8% as on March 31, 2023. CARE Ratings notes that the asset quality is expected to remain at similar elevated levels in medium term and the company's ability to increase its scale of operations while maintaining asset quality remains a key rating monitorable.

Earnings profile expected to moderate expected with anticipated increase in its credit costs:

The company has witnessed improvement in its earnings profile, underpinned by rising loan book. During H1 FY2025, it reported a net profit of Rs. 1.8 crore, translating into RoTA of 4.9% (annualised, provisional) and RoNW of 13.3% (annualised), as against Rs. 1.7 crore, 2.2% and 6.4%, respectively, in FY2024. Its yield on advances improved from 17.6% in FY2023 to 22.6% in FY2024 (22.3% in H1FY25), owing to higher lending rate on incremental disbursements. Thus, its net interest margins (NIMs) increased from 11.1% in FY2023 to 14.9% in FY2024 (15.2% in H1FY25). Its opex-to-ATA ratio increased from 7.1% in FY2023 to 10.3% for FY2024 due to increase in commission to direct selling agents (DSAs).

With an increase in its delinquencies and consequential increase in its provisioning and write offs, its credit cost has increased to 2.1% in FY2024, from 0.9% in FY2023. CARE Ratings expects the credit cost to remain elevated in FY2025 as well, as the company will be required to implement NPA recognition norms at 120+ dpd basis from March 31, 2025 onwards. With the expected rise in its credit cost in FY2025, its RoTA is likely to moderate. CARE Rating notes that Dandona's ability to control further slippages and improve its profitability with controlled opex and credit costs will be a key monitorable.

High Geographical Concentration:

The company had commenced its operations from Delhi and gradually expanded its operations to Haryana and UP. Currently, majority of the business is present in Delhi which exposes the company to concentration risk with Dandona being vulnerable to credit shocks in case of any geography specific event. Delhi constitutes 39% of the AUM as on March 31, 2024, followed by Uttar Pradesh (UP) forming 38%, Haryana at 22% of the AUM. Overall, the company has two branches with 5,452 customers as on March 31, 2023. As on May 31, 2023, the customer count increased to 5,791.

Key strengths

Experienced & professional management:

Dandona is promoted by Dandona Family. Majority stake in the company is held by Sanjeev Dandona, who is the promoter-MD with ~59% as on December 31, 2024. Majority stakes (~85% as on December 31, 2024) are closely held by Dandona Family and balance is held by friends and employees. Mr. Sanjeev Dandona is the promoter and managing director of the company with 36 years of experience. He also had experience in selling three-wheeler automobiles. Promoters of the company also support the company in the form of debt.

Secured lending business:

Majority of the company's loan assets are secured (~99%) with the loan book being extended either against the hypothecation of the vehicle or property. Also, the high resale value of old 3-Wheelers ensures collections even in cases of long pending over-dues. Under vehicle loan, the company provides loans for purchase of new vehicles or obtaining refinance against old vehicles.

Liquidity: Adequate

As on September 30, 2024, the company has debt repayments of Rs. 3.91 crores in less than 3 months bucket. Against this, the company had Rs. 1.37 crore of cash & bank balances and Rs. 21 crore of expected inflows (including interest).

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Non-banking Financial Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial Services	Financial Services	Finance	Non Banking Financial Company (NBFC)

Dandona was incorporated as a private limited company on January 13, 1995, and was converted into a public limited company on December 6, 1996. It was earlier registered as a deposit-accepting non-banking finance company (NBFC) with the Reserve Bank of India (RBI) but converted to a non-deposit taking NBFC with the RBI on April 19, 2018. The operations of the company are currently managed by Sanjeev Dandona, Promoter and Managing Director, who has nearly three decades of experience in the lending business. Dandona is primarily engaged in the business of providing auto loans for three-wheelers, new vehicles, and old vehicles, including refinancing.

As on September 30, 2024, AUM of Dandona stood at Rs. 79 crore as against Rs. 79 crore as on March 31, 2024. In FY2024, the company has expanded its presence in Uttarakhand as well with state-wise share of AUM being, Delhi (38.85%), Haryana (22.41%), UP (38.24%) and Uttarakhand (0.50%) as on September 30, 2024 managed by team of 50 employees.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	11.01	16.7	7.8
PAT	1.6	1.7	1.8
Interest coverage (times)	1.7	1.6	2.0
Total Assets	72.8	76.9	71.2
Net NPA (%)	2.1	9.9	8.8
ROTA (%)	2.4	2.2	4.9

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Working Capital Limits	Not applicable	-	-	October 30, 2027	55.00	CARE BB; Stable

LT: Long Term

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working Capital Limits	LT	55.00	CARE BB; Stable	-	1)CARE BB; Stable (08-Jan-24) 2)CARE B+; Stable; ISSUER NOT COOPERATING * (22-Sep-23)	1)CARE BB-; ISSUER NOT COOPERATING * (01-Jul-22)	1)CARE BB; ISSUER NOT COOPERATING * (13-Apr-21)

*Issuer did not cooperate; based on best available information.

LT: Long term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

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

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

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

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About us:

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