Dar Credit & Capital Limited

August 20, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	162.00	CARE BBB-; Stable	Reaffirmed
Non-Convertible Debentures	25.00	CARE BBB-; Stable	Assigned
Non-Convertible Debentures	4.55	CARE BBB-; Stable	Reaffirmed
Non-Convertible Debentures	2.75	CARE BBB-; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to the bank facilities/ instruments of Dar Credit & Capital Limited (DCCL) continues to favourably factor in comfortable capital structure, which was strengthened by a ₹23.05 crore equity raise in FY25, and its adequate liquidity profile. CARE Ratings Limited (CareEdge Ratings) expects the company to report a healthy growth in assets under management (AUM) in FY26, considering its supportive gearing levels.

The rating, however, remains constrained by DCCL's small scale of operations with high geographical concentration, exposure to relatively riskier borrower segment and rising delinquencies in recently originated micro, small and medium enterprise (MSME) portfolio. Going forward, the company's ability to keep asset quality under control while maintaining its capitalisation and liquidity remains a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Factors that could individually or collectively lead to positive rating action/upgrade:

- Ability to significantly scale up revenues and secure long-term funding at competitive rates.
- Improvement in profitability with return on total managed assets (ROMA) above 3.00% on a sustained basis.

Negative factors: **Factors that could individually or collectively lead to negative rating action/downgrade:**

- Inability to raise resources to fund revenue growth.
- Deterioration in liquidity position.
- Deterioration in asset quality with gross non-performing assets (GNPA) (90+ days past due [dpd]) above 3.00%.
- Significant deterioration in its profitability with ROMA below 1% on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook reflects CareEdge Ratings' expectation of consistent and profitable business growth considering fund raising while maintaining adequate liquidity buffers.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Experienced management team with long standing track record of operations

DCCL is jointly promoted and managed by Ramesh Kumar Vijay (Chairman) and his brother Rajkumar Vijay (Wholetime Director). Ramesh Kumar Vijay, a qualified CA and CS, has overall experience of around four decades while Rajkumar Vijay, an MBA (Finance), has overall experience of over three decades in financial sector. Incorporated in 1994, the company has a long track record of over three decades.

As on March 31, 2025, DCCL has presence in 35 locations across Rajasthan, Gujarat, West Bengal, Madhya Pradesh, Chhattisgarh, Bihar and Jharkhand. DCCL's loan portfolio is moderately diversified with personal loan to individuals (mainly class IV municipal employees – cleaners, sweepers and peons) comprising 45% (PY: 41%), unsecured MSME loans (micro loans) – 38% (PY: 39%) and secured MSME loans – 17% (PY: 6%) of total assets under management (AUM) as on March 31, 2025.

Comfortable capital structure supported by recent equity raise

In Q1FY26, company raised capital of ₹23.05 crore through initial public offer, augmenting its networth to ₹98.01 crore as on June 30, 2025 (PY: ₹67.54 crore).

The company has adequate capitalisation level with capital adequacy ratio (CAR) of 38.78% as on March 31, 2025 (March 31, 2024: 36.79%), with Tier-I CAR being 37.96% (March 31, 2024: 32.64%) and further improved to 49.48% with Tier-I CAR at 48.68% as on June 30, 2025. Supported by recent equity raise, DCCL's gearing improved from 2.51x as on March 31, 2024, to 1.97x as on March 31, 2025, and further to 1.46x as on June 30, 2025. Going forward, the management intends to keep gearing in range of 2-2.5x in the medium term.

Key weaknesses

Modest and concentrated scale of operations

DCCL was incorporated in 1994 and received license to operate as an NBFC from RBI in November 1998. Despite long track record of operations, DCCL's remains relatively small sized NBFC with AUM of ₹187.89 crore as on March 31, 2025 (March 31, 2024: ₹181.57 crore).

The company mainly provides unsecured loans to low-income customers in rural and semi-urban areas, which is 83% of AUM as on March 31, 2025, with the remaining being secured MSME loans backed by property mortgages. Further, 50% and 29% of its portfolio is geographically concentrated in the state of West Bengal and Rajasthan as on March 31, 2025, which exposes the company to region specific risk.

Exposure towards unsecured and relatively riskier borrower segment

The company's asset quality is exposed to risks arising from unsecured loan portfolio as well as due to exposure to customers having greater vulnerability to economic shocks. As on March 31, 2025, unsecured loans to municipal employees comprised 45% of AUM while micro loans comprised 38% of AUM. Under the municipal loan segment, the company has tie-up with 60 - 70 municipalities. Although these loans are completely unsecured in nature, the company has demonstrated track record of minimal asset quality issues in this segment given the arrangement with municipalities whereby loan equated monthly instalments (EMIs) are directly deducted from the employee salaries before payout. While this arrangement provides some comfort in terms of collection, recoveries are sometimes delayed due to administrative and operational issues, thereby resulting in a rise in non-performing assets (NPAs) in the interim period. Gross NPA (GNPA) in personal loans to municipal employees segment as on March

31, 2025, stood at 0.54% (September 2024: 0.62%) vis-à-vis stood at 0.45% as on March 31, 2024 (March 2023: 0.78% and March 2022: 0.55%).

Furthermore, as on March 31, 2025, micro loans accounted for 50% of DCCL's overall disbursement, with a major presence in eastern India, particularly West Bengal. Micro loans are largely targeted towards small business entrepreneurs (individual borrowers, not groups) and better customer base compared to other non-banking financial company – micro finance institutions (NBFC-MFIs). The secured MSME segment has witnessed growth over the last few years with portfolio growing from ₹9.86 crore as on March 31, 2024 to ₹29.69 crore as on March 31, 2025 and further to ₹30.97 crore as on June 30, 2025.

The company faced asset quality challenges in secured MSME and micro loan segments, driven by general rise in industry wise delinquencies driven by borrower overleveraging which resulted into increase in GNPA levels for secured MSME loan segment and micro loans. Asset quality stress in secured MSME and micro loan segments were largely concentrated in eastern India, particularly West Bengal. Overall GNPA and net NPA (NNPA) increased to 1.11% and 0.58%, respectively as on March 31, 2025 (March 31, 2024: GNPA: 0.55% and NNPA: 0.07%), and further to 1.47% and 0.92% as on June 30, 2025.

Going forward, given the unseasoned nature of MSME portfolio, the company's ability to maintain asset quality and control credit costs remains a key monitorable.

Moderate, albeit improving, profitability

During FY25, the company's retail portfolio increased by 16% due to higher lending in secured MSME segment. Despite retail portfolio growth, overall loan portfolio growth slowed down to 3.48% (PY: 43.69%) as company replaced loans given to Hive loop customers with self-originated retail loans. During Q1, the company's disbursements slowed to Rs.16.72 crore (PY.: Rs.44.18 crore) on account of cautious lending by the company. Further, post introduction of revised guardrails for MFI institutions the company has stopped lending to over leverage customer who already have funding from three lenders.

Company's yield on advances increased to 20.97% during FY25 as against 19.38% driven by higher yield in the product mix. Excluding impact of loans given to Hiveloop clientele, the portfolio yield for FY25 is calculated at 22.62%. Despite geographical and product expansion in FY25, DCCL improved operational efficiency supported stable opex cost. Improved NIM and stable credit cost resulted improvement in ROMA to 2.90% during FY25 as compared to 1.70% during FY24.

The company's ability to manage its credit costs and profitability while scaling up of operations will continue to remain a key monitorable.

Liquidity: Adequate

As on June 30, 2025, the company had adequate liquidity position with no cumulative mismatches in all time buckets. DCCL reported cash and cash equivalent (unencumbered) of ₹39.95 crore as on June 30, 2025, and receivable from loan book (including interest) of ₹105.14 crore as against the debt repayment obligation (including interest) of ₹95.49 crore for next one year. Company also has unutilized bank sanction lines ₹13.00 crore as on June 30, 2025, as an additional cushion to the liquidity.

The company's ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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)

DCCL is a Jaipur-based Reserve Bank of India (RBI) registered non-deposit taking NBFC, engaged in financing of unsecured loans to individuals and small enterprises. DCCL was incorporated in 1994 by promoters Ramesh Kumar Vijay and Rajkumar Vijay as a closely held public limited company and received the license to operate as an NBFC from RBI in November 1998. DCCL's head office is situated in Kolkata while regional office is located at Jaipur. As on March 31, 2025, it has presence in 35 locations across Rajasthan, Gujarat, West Bengal, Madhya Pradesh, Chhattisgarh, Bihar and Jharkhand. The company's loan portfolio encompasses unsecured loans to municipal loans and micro loans, secured MSME financing.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	32.86	41.39	11.01
PAT	3.69	7.04	2.05
Interest coverage (times)	1.30	1.46	1.51
Total Assets*	236.64	222.03	244.12
Net NPA (%)	0.07	0.58	0.92
ROTA (%) (on book)	1.74	3.07	3.51**
ROTA (%) (including off book)	1.70	2.90	3.29**

A: Audited UA: Unaudited; Note: these are latest available financial results
**Net of deferred tax assets and intangible assets*
***Annualised*

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
Debentures-Non Convertible Debentures	INE04Q907066	12-Feb-2021	12.25%	10-Feb-2026	4.55	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE04Q907082	12-Feb-2021	12.25%	10-Feb-2026	2.75	CARE BBB-; Stable
Debentures-Non Convertible Debentures (Proposed)	-	-	-	-	25.00	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	2.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	30-09-2027	160.00	CARE BBB-; Stable

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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	2.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (24-Dec-24)	1)CARE BBB-; Stable (27-Dec-23)	1)CARE BBB-; Stable (02-Jan-23)
2	Fund-based - LT-Term Loan	LT	160.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (24-Dec-24)	1)CARE BBB-; Stable (27-Dec-23)	1)CARE BBB-; Stable (02-Jan-23)
3	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (24-Dec-24)	1)CARE BBB-; Stable (27-Dec-23)	1)CARE BBB-; Stable (02-Jan-23)
4	Debentures-Non Convertible Debentures	LT	-	-	-	1)Withdrawn (24-Dec-24)	1)CARE BBB-; Stable (27-Dec-23)	1)CARE BBB-; Stable (02-Jan-23)
5	Debentures-Non Convertible Debentures	LT	4.55	CARE BBB-; Stable	-	1)CARE BBB-; Stable (24-Dec-24)	1)CARE BBB-; Stable (27-Dec-23)	1)CARE BBB-; Stable (02-Jan-23)
6	Debentures-Non Convertible Debentures	LT	2.75	CARE BBB-; Stable	-	1)CARE BBB-; Stable (24-Dec-24)	1)CARE BBB-; Stable (27-Dec-23)	1)CARE BBB-; Stable (02-Jan-23)
7	Debentures-Non Convertible Debentures	LT	25.00	CARE BBB-; Stable	-	-	-	-

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	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CareEdge 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:
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

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