

Dhara Motor Finance Limited

December 27, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	25.00	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	25.00 (₹ Twenty-Five Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated April 06, 2018 placed the ratings of Dhara Motors Finance Limited (DMFL) under the 'issuer non-cooperating' category as DMFL had failed to provide information and surveillance fees for monitoring of the rating as agreed to in its rating agreement. DMFL continues to be non-cooperative despite repeated requests for submission of information through e-mails dated November 08, 2022, November 18, 2022 and November 28, 2022. In line with the extant SEBI guidelines, CARE Ratings Ltd. 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 ratings on bank facilities of DMFL are denoted as '**CARE BB-; Stable; 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(s).

Detailed description of the key rating drivers

At the time of last rating on December 23, 2021, the following were the rating strengths and weaknesses (updated for the information FY22 available from MCA):

Detailed description of the key rating drivers

Key rating weaknesses

Small scale of operations

During FY22, the loan portfolio of DMFL increased by 17% y-o-y to Rs. 134.11 crore (P.Y: Rs. 114.51 crore) however, it continues to remain small. The total income in FY22 increased by 31% with Rs. 23.15 crore (PY: 17.63 crore). The PAT of the company also increased by 16% y-o-y in FY22 to Rs. 4.79 crore during FY22 against Rs. 4.11 cr. in FY21.

Moderate risk management system

As per the information shared by the Company with CARE in 2018, DMFL maintains a centralized system of IT, Management Information System and risk management functions are controlled through its head-office in Bijnor (Uttar Pradesh). Majority of the important operational aspects of the company like appraisal, documentation and approval of loans as well as fund management and Management Information System (MIS) are controlled from its head-office only. But the company has moved towards more integrated IT and MIS system through installing customized accounting software "Busy" adding to its pre-existing branch network system software "Enjoy".

Moderate earning profile

The earning profile of the company improved with the rise in total income in FY22 by 31.31% y-o-y to Rs. 23.15 crore. The net interest margin of the company increased to 9.17% as on March 31, 2022 from 8.51% as on March 31, 2021 with improvement in yields. Driven by moderating operating expenses (4.86% of ATA) and low credit costs (0.06% of ATA), return on total assets remained good at 3.50% in FY22 (vs. 3.45% in FY21).

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

High regional concentration

DMFL has high regional concentration with about 51% of the portfolio in the state of Uttar Pradesh and 27% in the state of Uttarakhand as on June 30, 2016. However, the company has been able to improve on the geographical concentration front with the expansion of its portfolio to state of Haryana in FY16 coupled with improvement in the Delhi region to take the total portfolio in the two states to ~22% of the total portfolio as on June 30, 2016.

Key rating strengths

Secured nature of portfolio

DMFL is primarily engaged in vehicle financing along with gold security backed mortgage and thus, the entire portfolio of DMFL is secured in nature. Also, the loan-to-value (LTV) ratio generally allowed by the company is about 70-75% for old vehicles loans, about 75-80% in case of new vehicle loans and around 50% in case of mortgage loans, providing comfort in case of any delinquencies.

Locational advantage

The company is operating in districts of western Uttar Pradesh, Uttarakhand and Haryana (through Delhi branch) which is predominantly an agriculture belt and sugarcane is one of the major crops in this area. The company caters to companies engaged in transport of sugarcane to mills and transport of finished sugar to various parts of the country and has created a niche market for itself. Hence, the company has a locational advantage of operating in this area.

Comfortable capital adequacy

The Capital Adequacy Ratio (CAR) of DMFL has come down to 33.76% in FY22 due to rise in loan book (as against minimum regulatory stipulation of 15%). The net worth of DMFL increased to Rs. 54.10 crore (PY: Rs. 42.76 crore) as on March 31, 2022.

Experienced and resourceful promoter with long track record of operations

DMFL started its operations as a NBFC in 1990, with the present management taking over the company from 2005. Mr. Gajendra Singh, key promoter of the company has an experience of nearly two decades in finance industry. He oversees financial management, policy formation and planning and implementation of strategies.

Analytical approach Standalone

Applicable criteria

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

[CARE's Policy on Default Recognition](#)

[Financial Ratios – Financial Sector](#)

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

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

About the company

DMFL was incorporated in year 1990 by Mr Raj Kr Goel & his associates as private limited company. The company was converted into public limited in February 2002. In year 2006, the company was taken over by Mr Gajendra Singh and Mr Rahul Khanna along with their respective families. The company is registered as NBFC- Asset Finance Company and is primarily engaged in financing on hire purchase basis of new and second hand commercial and transport vehicles in areas of western Uttar Pradesh, Delhi, Haryana and Uttarakhand. Apart from vehicle financing, the company also provides general loans & advances of short-term nature mainly backed by gold security (which contributed roughly 4% of the total outstanding portfolio as on June 30, 2016). The company is headquartered in Bijnor (Uttar Pradesh) with collection centers at Haridwar, Delhi and Meerut.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (U/A)
Total operating income	17.63	23.15	Not available
PAT	4.11	4.79	
Interest coverage (times)	1.78	1.63	
Total Assets	122.04	151.49	
Net NPA (%)	1.83	1.80	
ROTA (%)	3.45	3.50	

A: Audited; U/A: Un-Audited

Status of non-cooperation with previous CRA: As per PR dated April 07, 2020, Acuite Ratings placed DMFL in the Issuer Not Cooperating category as the company did not provide the relevant information for carrying out review. The ratings continue to be in Issuer Not Cooperating category, as per PR dated September 21, 2022.

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	Not available	25.00	CARE BB-; Stable; 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-Cash Credit	LT	25.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (23-Dec-21)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (27-Oct-20)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (03-Sep-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities- Not available

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	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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