



Press Release

April 04, 2025

DUGAR FINANCE AND INVESTMENTS LIMITED Rating Assigned and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	81.47	ACUITE BBB Stable Upgraded Positive to Stable	-
Total Outstanding	131.47	-	-
Total Withdrawn	0.00	-	-

Rating Rationale

Acuite has upgraded the long term rating from ‘ACUITE BBB-’ (read as ACUITE triple B minus) to ‘ACUITE BBB’ (read as ACUITE triple B) on the Rs. 81.47 Cr. bank loan facilities of Dugar Finance and Investments Limited (DFIL). The outlook is revised from ‘Positive’ to ‘Stable’.

Acuite has assigned the long term rating of ‘ACUITE BBB’ (read as ACUITE triple B) to the Rs. 50 Cr. bank loan facilities of Dugar Finance and Investments Limited (DFIL). The outlook is ‘Stable’.

Rationale for the rating

The rating upgrade takes into account DFIL’s sustained growth in AUM and profitability, healthy asset quality and adequate capitalisation levels. The company's AUM has increased from Rs 108.27 Cr. in FY 23 to Rs 174.45 Cr. in FY24. The company has seen further AUM growth to Rs 214.02 Cr. for 9MFY2025. The GNPA and NNPA stood at 0.70 percent and 0.57 percent respectively as on March 2024 as against GNPA of 0.71 percent and NNPA of 0.58 percent in previous year. The GNPA and NNPA have further improved for 9MFY2025 and stood at 0.54 percent and 0.44 percent respectively. The CAR for 9MFY2025 stood at 22.67% . The rating continues to factor in the experienced management and operational track record. The company has track record of more than three decades in Vehicle Financing. The rating however is constrained by limited scale of operations and relatively higher leverage for FY24 at 2.59 times as against 1.75 times for FY23.

Acuite takes note of expected capital infusion which would be beneficial for the sustained growth for the company. The ability of DFIL to maintain the growth in its Assets Under Management (AUM) while maintaining its profitability margins and containing its delinquencies across different time buckets will be key monitorable.

About the company

Incorporated in 1987, DFIL is a Chennai, Tamil Nadu, based non-banking finance company (NBFC) promoted by Mr. Ramesh Dugar and his wife Mrs. Sonali Dugar. The company is engaged in extending vehicle financing on hire purchase and lease and loan against property (LAP) towards SME borrowers. The

day to day operations are managed by Mr. S. Rangaraj, CEO of DFIL. The company presently operates through a network of 29 branches spread across Tamil Nadu, Maharashtra, Gujarat, Karnataka, Andhra Pradesh, Madhya Pradesh and Rajasthan as on December 31, 2024.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of DFIL to arrive at the rating.

Key Rating Drivers

Strength

Established track record of operations with focus on Vehicle financing on hire purchase and lease

DFIL commenced its lending operations in 1987 upon registration as a Non-deposit taking Non-Banking Finance Company (NBFC-ND). The company mainly operates in Tamil Nadu, Maharashtra, Karnataka, Gujarat, Madhya Pradesh and Andhra Pradesh with a network of 29 branches as on December 31, 2024. The company is promoted by Mr. Ramesh Dugar and his wife Mrs. Sonali Dugar. The promoters have over three decades of experience in financial services. Mr. Ramesh Dugar was the former Chairman of South Indian Hire Purchase Association and currently holds the position of Vice President of Madras Hire Purchase Association. The day to day operations of DFIL are managed by Mr.S. Rangaraj.

DFIL's Board of Directors are supported by Mr. M.V. Balasubramanyam, Ex- Chief General Manager of Union Bank of India with over three decades experience in Banking & Treasury and Mr. V. Anburaj, Ex-General Manager of Karur Vysya Bank with over 37 Years of expertise in Banking & Finance.

Further, DFIL has a long track record of operations in the vehicle financing segment. It has presence in Tamil Nadu for over three decades. DFIL's loan book stood at Rs. 174.45 Cr. as on March 31, 2024 as against Rs. 108.27 Cr. as on March 31, 2023. Of the overall loan portfolio as on March 31, 2024, vehicle financing segment accounted for 76.60 percent and remaining loan against property (LAP) towards SME borrowers. For 9MFY2025, DFIL's loan book further increased to Rs 214.02 Cr, vehicle financing segment accounted for 71.92 percent and remaining loan against property (LAP) towards SME borrowers.

Acuité believes that DFIL will continue to benefit from its established presence in the financial services industry along with the experienced promoters.

Healthy Capitalization levels and improvement in earnings profile;

The company's loan portfolio stood at Rs 214.02 Cr. for 9MFY2025 as against Rs 174.45 Cr. as on March 31, 2024. The networth of the company increased to Rs. 42.12 Cr. as on March 31, 2024 from Rs 32.87 Cr. as on March 31, 2023. The company's Capital adequacy ratio stood at 23.19 percent as on March 31,2024. The company has reported a PAT of Rs 4.61 Cr. as on March 31,2023 which improved to Rs 6.71 Cr. as on March 31,2024. The PAT improved to Rs 6.50 Cr. for the period 9MFY2025. The company has reported Interest Income of Rs 21.76 Cr. as on March 31,2024 as compared to Rs 16.49 Cr. as on March 31,2023. DFIL's earnings profile has improved owing to growth in AUM.

Acuité expects the company to sustain its financial position on the back of its healthy capitalization buffers and maintaining a prudent capital structure.

Weakness

Limited scale of operations

DFIL commenced its lending operations in1987. The company's outstanding portfolio has improved by 61 percent to Rs 174.45 Cr. as on March 31, 2024, as against Rs 108.27 Cr. as on March 31, 2023 this growth was aided by the moderate increase in disbursement level from Rs 67.14 Cr. in FY23 to Rs 81.11 Cr. in FY24. While the company has been focusing on loan portfolio growth over last few months, it continues to remain moderate. DFIL has presence in six states that is Tamil Nadu, Maharashtra, Gujrat, Karnataka, Madhya Pradesh and Andhra Pradesh. The company's LAP Portfolio is mainly present in Tamil Nadu,Gujarat and Maharashtra. The company's performance is expected to remain exposed to competitive landscape in these regions and occurrence of events such as natural calamities, which may 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 DFIL.

Acuité believes that the limited scale of operations will continue to weigh on the company's credit profile over the near to medium term.

Rating Sensitivity

- Profitably scale up in operations.
- Movement in Asset Quality and Collection efficiency.
- Liquidity and provisioning buffers.

Liquidity Position

Adequate

DFIL's overall liquidity profile remains adequate with no negative cumulative mismatches in near to medium term as per ALM dated December 31, 2024. The company's liquidity position is supported by a Cash and Bank Balance of Rs 4.53 Cr. as on December 31, 2024.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24(Actual)	FY23(Actual)
Total Assets	Rs. Cr.	180.55	112.92
Total Income*	Rs. Cr.	15.14	12.89
PAT	Rs. Cr.	6.71	4.61
Net Worth	Rs. Cr.	42.12	32.87
Return on Average Assets (RoAA)	(%)	4.58	4.73
Return on Average Net Worth (RoNW)	(%)	17.91	15.15
Debt/Equity	Times	2.59	1.75
Gross NPA	(%)	0.70	0.71
Net NPA	(%)	0.57	0.58

**Total income equals to Net Interest Income plus other income*

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

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
18 Jan 2024	Cash Credit	Long Term	0.75	ACUITE BBB- Positive (Reaffirmed(Stable to Positive))
	Cash Credit	Long Term	8.19	ACUITE BBB- Positive (Reaffirmed(Stable to Positive))
	Proposed Long Term Bank Facility	Long Term	11.56	ACUITE BBB- Positive (Reaffirmed(Stable to Positive))
	Term Loan	Long Term	6.65	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	1.79	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	2.01	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	2.15	ACUITE BBB- Positive (Assigned)
	Term Loan	Long Term	5.00	ACUITE BBB- Positive (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB- Positive (Assigned)
	Proposed Long Term Bank Facility	Long Term	9.40	ACUITE BBB- Positive (Assigned)
	Cash Credit	Long Term	1.75	ACUITE BBB- (Reaffirmed & Withdrawn)
	Term Loan	Long Term	0.66	ACUITE BBB- (Reaffirmed & Withdrawn)
	Term Loan	Long Term	0.46	ACUITE BBB- (Reaffirmed & Withdrawn)
	Term Loan	Long Term	0.66	ACUITE BBB- (Reaffirmed & Withdrawn)
07 Nov 2022	Cash Credit	Long Term	24.79	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	0.75	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.66	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.80	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.55	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	16.95	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Cash Credit	28 Feb 2024	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Karur Vysya Bank	Not avl. / Not appl.	Cash Credit	25 Sep 2024	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Tamil Nadu Mercantile Bank	Not avl. / Not appl.	Cash Credit	24 Sep 2024	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.05	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Union Bank of India	Not avl. / Not appl.	Term Loan	12 Jan 2024	Not avl. / Not appl.	30 Jan 2029	4.25	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Union Bank of India	Not avl. / Not appl.	Term Loan	28 Feb 2024	Not avl. / Not appl.	28 Feb 2029	21.25	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	29 Dec 2022	Not avl. / Not appl.	29 Jun 2028	4.90	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Shriram Finance Corporation Private Ltd.	Not avl. / Not appl.	Term Loan	01 Feb 2023	Not avl. / Not appl.	20 Feb 2026	0.90	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
	Not							ACUITE BBB Stable

Shriram Finance Corporation Private Ltd.	avl. / Not appl.	Term Loan	31 Mar 2023	Not avl. / Not appl.	05 Apr 2026	1.04	Simple	Upgraded Positive to Stable (from ACUITE BBB-)
Shriram Finance Corporation Private Ltd.	Not avl. / Not appl.	Term Loan	27 Sep 2023	Not avl. / Not appl.	20 Oct 2026	2.92	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	26 Sep 2023	Not avl. / Not appl.	31 Oct 2026	4.67	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Karur Vysya Bank	Not avl. / Not appl.	Term Loan	25 Sep 2024	Not avl. / Not appl.	25 Sep 2027	7.56	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Rar Fincare Limited	Not avl. / Not appl.	Term Loan	25 Oct 2024	Not avl. / Not appl.	14 Dec 2027	2.93	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	27 Jun 2024	Not avl. / Not appl.	18 Nov 2029	7.00	Simple	ACUITE BBB Stable Upgraded Positive to Stable (from ACUITE BBB-)
IKF Finance Ltd.	Not avl. / Not appl.	Term Loan	29 Jan 2025	Not avl. / Not appl.	03 Feb 2028	5.00	Simple	ACUITE BBB Stable Assigned
Federal Bank	Not avl. / Not appl.	Term Loan	28 Dec 2023	Not avl. / Not appl.	29 Dec 2026	5.00	Simple	ACUITE BBB Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	19 Dec 2024	Not avl. / Not appl.	18 Dec 2029	30.00	Simple	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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