Crisil
Ratings

Rating Rationale

June 17, 2025 | Mumbai

Dugar Finance and Investments Limited

'Crisil BBB-/Stable' assigned to Non Convertible Debentures

Rating Action

Total Bank Loan Facilities Rated	**Rs.135 Crore**
Long Term Rating	**Crisil BBB-/Stable (Reaffirmed)**

Rs.26.1 Crore Non Convertible Debentures	**Crisil BBB-/Stable (Assigned)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has assigned its **'Crisil BBB-/Stable'** rating to Rs 26.1 crore non-convertible debentures of Dugar Finance and Investments Limited (Dugar Finance) and reaffirmed its ratings on the outstanding bank facilities at 'Crisil BBB-/Stable'.

The rating continues to reflect the company's comfortable asset quality performance and sustained earnings profile, while maintaining adequate capitalization. These strengths are partially offset by the company's geographically concentrated small scale of operations and limited diversity in funding mix.
Dugar Finance reported consistent growth in its assets under management (AUM) to reach Rs 236 crore as on March 31, 2025, against Rs 174.5 crore as on March 31, 2024, and Rs 108.27 crore as of March 2023. This growth is supported by adequate capital position, as reflected in net worth of around Rs 57 crore and adjusted gearing of 3.3 times as on March 31, 2025. The company is likely to continue to maintain on-book gearing at below 4 times over the medium term.

The portfolio comprises private cars (~26%), commercial vehicles (CVs; 41%), LAP (loan against property) loans to SME (small and medium enterprise) borrowers (~32%), electric vehicles (~1%) and solar equipment (~0.5%). Commercial vehicles include passenger CVs (~9%), small CVs (~18%), utility vehicles (~8%) and heavy goods vehicles (~7%).

As far as asset quality is concerned, 90+ days past due (dpd) remains comfortable at 0.87% as on March 31, 2025, compared with 0.70% as on March 31, 2024 (0.71% as on March 31, 2023). The company has been able to maintain portfolio quality because of an adequate risk management system and long track record of operations in existing geographies.

The earnings profile remains adequate with return on assets (RoA) of 3.5% for fiscal 2025. The average RoA for the last five fiscals stood at ~4.4%. The company continues to demonstrate a track record of fund raising through diversified avenues, though the ability to raise funds at competitive rates remains critical for its profitability.

Analytical Approach

Crisil Ratings has considered the business and financial risk profiles of Dugar Finance on a standalone basis.

Key Rating Drivers & Detailed Description

Strengths:

Comfortable asset quality performance despite strong growth: The company has been able to maintain 90+ dpd below 2% since fiscal 2019, which has remained below 1% since fiscal 2023. As of March 2025, 90+ dpd stood at 0.87% against 0.70% as on March 31, 2024. The company's average collection efficiency during fiscal 2025 stood at~98%. The portfolio is predominantly focused on the vehicle loan segment, comprising private cars and CVs. The CVs include passenger CVs, small CVs, multi-utility vehicles and heavy goods vehicles. The company also has LAP portfolio, which accounted for around 32% of the total portfolio as of March 2025 (up from 23% as of March 2024). Around 90% of the LAP loans are secured by residential properties.

Sustained earnings profile: The company has exhibited a strong track record of profitability. During fiscal 2025, RoA stood at 3.5% against 4.5% in fiscal 2024. The average RoA for the last five fiscals has been ~4.4%. The operating expenditure is generally high due to the high depreciation and amortization from the leased vehicles, with an operating expenditure ratio to total assets of 4.7% fiscal 2025, against 4.8% for the period ended March 31, 2024 (7.3% for fiscal 2023). The operating expenses remained 4.5-7% for the past five fiscals.

Adequate capital position supported by regular equity infusion by promoters: Net worth was around Rs 57 crore as on March 31, 2025, against Rs 42 crore as on March 31, 2024. The adjusted gearing stood at 3.3 times against 3.2 times. The company has been consistently profitable for the last 4-5 fiscals and accretion has been supporting capital position. The promoters infused Rs 7.75 crore in fiscal 2025 (Rs 3 crore in fiscal 2024) and are expected to infuse additional equity of Rs 5-6 crore in the medium term. Despite the strong growth plans, gearing is expected to remain controlled and under 4 times over the medium term.

Weakness:
Small scale of operations and regional concentration: The AUM grew to Rs 236 crore as on March 31, 2025, from Rs 80.34 crore in fiscal 2022. However, the company continues to operate on a relatively small scale. The company currently has a presence in six states, with the top three states accounting for around 76% of the total portfolio as on March 31,2025. The home state, Tamil Nadu, has the highest share of around 32%, followed by Maharashtra (23%) and Gujarat (21%).

Limited diversity in funding mix: The company has availed of term loans and cash credit limits from various banks and non-banking financial companies (NBFCs). It raised around Rs 75 crore during fiscal 2025. The incremental cost of borrowings during the first fiscal 2025 stood at ~12%. The company is gradually diversifying its resource profile through raising funds from multiple lenders, including PSU (public sector undertaking) banks. However, the ability to raise sufficient funds to support the AUM growth will be monitorable.

Liquidity: Adequate
As of May 2025, Dugar Finance had liquidity of Rs 7.98 crore in the form of unencumbered cash and cash equivalent and liquid investments, which is sufficient to cover one month's cash outflows of Rs 5.09 crore in June 2025. The company has a month-on-month collection rate (current collections excluding overdue and prepayments) of Rs 4.6-5 crore during the last six months.

Outlook: Stable
Crisil Ratings believes Dugar Finance will continue to benefit from the comfortable asset quality and its ability to maintain adequate capitalisation.

Rating Sensitivity Factors
Upward factors:
* Substantial improvement in capital position (from current level) with gearing maintained below 4 times
* Significant improvement in scale of operations while maintaining asset quality (90+ dpd) at below 2%

Downward factors:
* Steady state adjusted gearing to exceed 6 times
* Earnings profile remaining average with RoA of less than 1%
* Significant deterioration in asset quality metrics.

About the Company
Incorporated in 1987, Dugar Finance and Investments Limited was registered as a non-banking financial company, headed by Mr Ramesh Dugar. The company is engaged in providing Vehicle and MSME loans and has presence in six states i.e. Tamil Nadu, Karnataka, Maharashtra, Gujarat, Madhya Pradesh and Rajasthan through its network of 30 branches as of March 31, 2025.

Key Financial Indicator

For the year / period ended	Unit	FY25	FY24	FY23	FY22	FY21
Total assets	Rs Cr	249	182	113	83	62
Total income	Rs Cr	32	22	16	12	10
Profit after tax	Rs Cr	7.6	6.6	4.5	3.4	2.7
90+ dpd	%	0.9	0.7	0.7	1	1.3
Adjusted gearing	Times	3.3	3.2	2.3	1.9	1.5
Return on assets (RoA)	%	3.5	4.5	4.6	4.7	4.5

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Non Convertible Debentures#	NA	NA	NA	26.10	Simple	Crisil BBB-/Stable
NA	Cash Credit	NA	NA	NA	32.00	NA	Crisil BBB-/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	0.95	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	29-Jun-28	4.55	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	18-Nov-29	6.65	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	20-Oct-26	2.93	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	30-Jan-29	4.00	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	18-Dec-29	28.50	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	29-Dec-26	4.37	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	31-Oct-26	4.57	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	05-Sep-27	6.89	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	14-Dec-27	2.73	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	03-Feb-28	4.86	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	28-Feb-29	20.00	NA	Crisil BBB-/Stable
NA	Term Loan	NA	NA	10-Mar-28	12.00	NA	Crisil BBB-/Stable

 # Yet to be issued

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	135.0	Crisil BBB-/Stable	09-04-25	Crisil BBB-/Stable	05-03-24	Crisil BBB-/Stable		--		--	--

Non Convertible Debentures	LT	26.1	Crisil BBB-/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	10	Union Bank of India	Crisil BBB-/Stable
Cash Credit	12	The Karur Vysya Bank Limited	Crisil BBB-/Stable
Cash Credit	10	Tamilnad Mercantile Bank Limited	Crisil BBB-/Stable
Proposed Long Term Bank Loan Facility	0.95	Not Applicable	Crisil BBB-/Stable
Term Loan	12	Shriram Finance Limited	Crisil BBB-/Stable
Term Loan	6.89	The Karur Vysya Bank Limited	Crisil BBB-/Stable
Term Loan	4.55	Indian Overseas Bank	Crisil BBB-/Stable
Term Loan	6.65	Indian Overseas Bank	Crisil BBB-/Stable
Term Loan	2.93	Shriram Finance Limited	Crisil BBB-/Stable
Term Loan	4	Union Bank of India	Crisil BBB-/Stable
Term Loan	28.5	Union Bank of India	Crisil BBB-/Stable
Term Loan	4.37	The Federal Bank Limited	Crisil BBB-/Stable
Term Loan	4.57	The Karur Vysya Bank Limited	Crisil BBB-/Stable
Term Loan	2.73	Rar Fincare Limited	Crisil BBB-/Stable
Term Loan	4.86	IKF Finance Limited	Crisil BBB-/Stable
Term Loan	20	Union Bank of India	Crisil BBB-/Stable

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for Finance and Securities companies (including approach for financial ratios)

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