

Rating Rationale

April 09, 2025 | Mumbai

Dugar Finance and Investments Limited

Rating reaffirmed at 'Crisil BBB-/Stable'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.135 Crore (Enhanced from Rs.85 Crore)
Long Term Rating	Crisil BBB-/Stable (Reaffirmed)

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 reaffirmed its 'Crisil BBB-/Stable' rating on the long-term bank facilities of Dugar Finance and Investments Limited (Dugar Finance).

The rating continues to reflect the company's comfortable asset quality performance and sustained earnings profile, while maintaining adequate capitalisation. 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 214.02 crore as on December 31, 2024, 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 networth of around Rs 50 crore and adjusted gearing of 3.4 times as on December 31, 2024. The company is likely to continue to maintain on-book gearing at below 4 times over the medium term.

The portfolio comprises private cars (~29%), commercial vehicles (CVs; 43%) and LAP (loan against property) loans to SME (small and medium enterprise) borrowers (~28%). Commercial vehicles include passenger CVs (~9%), small CVs (~20%), utility vehicles (~7%) and heavy goods vehicles (~7%).

As far as asset quality is concerned, 90+ days past due (dpd) remains comfortable at 0.54% as on December 31, 2024, 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 3.9% (annualised) for the first nine months of 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 December 2024, 90+ dpd stood at 0.53% against 0.70% as on March 31, 2024. The company's average collection efficiency during the last 6 months stood at ~99%. 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 28% of the total portfolio as of December 2024 (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 the first nine months of fiscal 2025, RoA stood at 3.9% (annualised) 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 amortisation from the leased vehicles, with an operating expenditure ratio to total assets of 5% (annualised) for the nine months ended December 31, 2024, against 5% for the period ended March 31, 2024 (7.3% for fiscal 2023). The operating expenses remained 5-7.3% for the past five fiscals.
- **Adequate capital position expected to further improve with equity infusion likely by March 2025:** Networth was around Rs 50 crore as on December 31, 2024, against Rs 42.12 crore as on March 31, 2024. The adjusted gearing stood at 3.4 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 3 crore in fiscal 2024 and is expected to infuse an additional Rs 6 crore by the end of March 2025. Despite the strong growth plans, gearing is expected to remain controlled and under 4 times over the medium term.

Weaknesses:

- **Small scale of operations and regional concentration:** The AUM grew to Rs 214.02 crore as on December 31, 2024, from Rs 80.34 crore in fiscal 2022. However, the company continues to operate on a relatively small scale. The company currently has presence in six states, with the top three states accounting for around 71% of the total portfolio. The home state, Tamil Nadu, has the highest share of around 30%, followed by Gujarat (21%) and Maharashtra (20%).
- **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 80 crore during year-to-date in fiscal 2025. The incremental cost of borrowings during the first nine months of fiscal 2025 stood at 11.73%. 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 on March 15, 2024, Dugar Finance had liquidity of Rs 4.54 crore in the form of cash and cash equivalent and liquid investment, which is sufficient to cover one month's cash outflows of Rs 3.47 crore. The company has month-on-month collection rate (current collections excluding overdue and prepayments) of Rs 4.2-5 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 in Tamil Nadu, Karnataka, Maharashtra, Gujarat, Madhya Pradesh and Rajasthan through its network of more than 30 branches as of December 31, 2024.

Key Financial Indicators

For the year / period ended	Unit	Dec-2024/9M Fiscal 2025	Mar-2024	Mar-2023	Mar-2022	Mar-2021
Total assets	Rs Cr	220	182	113	83	62
Total income	Rs Cr	23	21.98	16.44	12.07	10.20
Profit after tax	Rs Cr	5.9	6.6	4.5	3.4	2.7
90+ dpd	%	0.5	0.7	0.7	1.0	1.3
Adjusted gearing	Times	3.40	3.20	2.30	1.90	1.50
Return on assets (RoA)	%	3.9	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	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	10-Mar-28	12.00	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

Annexure - Rating History for last 3 Years

Instrument	Current			2025 (History)		2024		2023		2022		Start of 2022
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	135.0	Crisil BBB-/Stable		--	05-03-24	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	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	6.89	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
Term Loan	12	Shriram Finance Limited	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)

Media Relations	Analytical Contacts	Customer Service Helpdesk
Ramkumar Uppara Media Relations Crisil Limited M: +91 98201 77907 B: +91 22 6137 3000 ramkumar.uppara@crisil.com	Ajit Velonie Senior Director Crisil Ratings Limited B: +91 22 6137 3000 ajit.velonie@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 3850 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com
Kartik Behl Media Relations Crisil Limited M: +91 90043 33899 B: +91 22 6137 3000 kartik.behl@crisil.com	Malvika Bhotika Director Crisil Ratings Limited B: +91 22 6137 3000 malvika.bhotika@crisil.com	For Analytical queries: ratingsinvestordesk@crisil.com
Divya Pillai Media Relations Crisil Limited M: +91 86573 53090 B: +91 22 6137 3000 divya.pillai1@ext-crisil.com	Prasad Ganurkar Senior Rating Analyst Crisil Ratings Limited B: +91 22 6137 3000 Prasad.Ganurkar@crisil.com	

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to Crisil Ratings. However, Crisil Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About Crisil Ratings Limited (A subsidiary of Crisil Limited, an S&P Global Company)

Crisil Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

Crisil Ratings Limited ('Crisil Ratings') is a wholly-owned subsidiary of Crisil Limited ('Crisil'). Crisil Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About Crisil Limited

Crisil is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

Crisil respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from Crisil. For further information on Crisil's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') provided by Crisil Ratings Limited ('Crisil Ratings'). For the avoidance of doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for use only within the jurisdiction of India. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as Crisil Ratings provision or intention to provide any services in jurisdictions where Crisil Ratings does not have the necessary licenses and/or registration to carry out its business activities. Access or use of this report does not create a client relationship between Crisil Ratings and the user.

The report is a statement of opinion as on the date it is expressed, and it is not intended to and does not constitute investment advice within meaning of any laws or regulations (including US laws and regulations). The report is not an offer to sell or an offer to purchase or subscribe to any investment in any securities, instruments, facilities or solicitation of any kind to enter into any

deal or transaction with the entity to which the report pertains. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way.

Crisil Ratings and its associates do not act as a fiduciary. The report is based on the information believed to be reliable as of the date it is published, Crisil Ratings does not perform an audit or undertake due diligence or independent verification of any information it receives and/or relies on for preparation of the report. THE REPORT IS PROVIDED ON "AS IS" BASIS. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAWS, CRISIL RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE. In no event shall Crisil Ratings, its associates, third-party providers, as well as their directors, officers, shareholders, employees or agents be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

The report is confidential information of Crisil Ratings and Crisil Ratings reserves all rights, titles and interest in the rating report. The report shall not be altered, disseminated, distributed, redistributed, licensed, sub-licensed, sold, assigned or published any content thereof or offer access to any third party without prior written consent of Crisil Ratings.

Crisil Ratings or its associates may have other commercial transactions with the entity to which the report pertains or its associates. Ratings are subject to revision or withdrawal at any time by Crisil Ratings. Crisil Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors.

Crisil Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For more detail, please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>. Public ratings and analysis by Crisil Ratings, as are required to be disclosed under the Securities and Exchange Board of India regulations (and other applicable regulations, if any), are made available on its websites, www.crisilratings.com and <https://www.ratingsanalytica.com> (free of charge). Crisil Ratings shall not have the obligation to update the information in the Crisil Ratings report following its publication although Crisil Ratings may disseminate its opinion and/or analysis. Reports with more detail and additional information may be available for subscription at a fee. Rating criteria by Crisil Ratings are available on the Crisil Ratings website, www.crisilratings.com. For the latest rating information on any company rated by Crisil Ratings, you may contact the Crisil Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 3850.

Crisil Ratings shall have no liability, whatsoever, with respect to any copies, modifications, derivative works, compilations or extractions of any part of this [report/ work products], by any person, including by use of any generative artificial intelligence or other artificial intelligence and machine learning models, algorithms, software, or other tools. Crisil Ratings takes no responsibility for such unauthorized copies, modifications, derivative works, compilations or extractions of its [report/ work products] and shall not be held liable for any errors, omissions or inaccuracies in such copies, modifications, derivative works, compilations or extractions. Such acts will also be in breach of Crisil Ratings' intellectual property rights or contrary to the laws of India and Crisil Ratings shall have the right to take appropriate actions, including legal actions against any such breach.

Crisil Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on Crisil Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisilratings.com/en/home/our-business/ratings/credit-ratings-scale.html>