

Dandona Finance Limited

	Amount	Rating Action
	(Rs Crore)	November 2016
Long-Term Bank Lines	45	[ICRA]BB (stable); Reaffirmed

ICRA has reaffirmed the long-term rating of [ICRA]BB (pronounced ICRA double B) with a stable outlook for the Rs.45 crore bank lines of Dandona Finance Limited (DFL)†.

The rating factors in DFL's long track record of financing in the three-wheeler segment, the management's sound local market knowledge and its comfortable capitalisation profile (gearing of 2.0 times as on September 30, 2016). The rating however remains constrained by DFL's relatively moderate scale of operations (portfolio of Rs. 43 crore as on September 30, 2016), its focus on high yielding, relatively risky product and customer segments (primarily three-wheeler and e-rickshaw financing) and its high geographical concentration (with entire portfolio concentrated in the NCR region). The rating also takes into consideration the company's relatively weak asset quality indicators (gross NPA% of 5.5% as on September 30, 2016). ICRA notes that the company's portfolio vulnerability is likely to remain high given the inherent riskiness associated with three-wheeler and e-rickshaw financing though the long experience of the management and the relatively lower ticket size limits the risk to some extent. .

The rating favourably factors in the company's demonstrated fund raising ability and its banking relationships that have enabled it to fund its growth so far. Going forward, DFL's ability to increase its scale of business while improving asset quality and profitability would remain key rating sensitivities.

The company follows prudent credit policies with an average ticket size of Rs. 1.35 lakh, average tenures for new and used three-wheeler loans of 24 and 36 months respectively, and a maximum LTV of 85%. DFL's portfolio stood at Rs. 43¹ crore as on September 30, 2016, reflecting a growth of 14% from Rs. 38 crore as on March 31, 2016. This increase in portfolio was driven by the company's lending to the e-rickshaw segment, where the company is a relatively new entrant.

During FY2016, DFL reported net profit in relation to average total assets (ROA) of ~2.7% and net profit in relation to average net worth (ROE) of 7.9%. During H1FY2017, the company reported a RoA of 3.9¹% and ROE of 12.2¹%, with the improvement in profitability being largely driven by the higher scale of operations.

Company Profile

DFL was incorporated as a private limited company in January 1995 and was converted into a public limited company in December 1996. Mr. Sanjeev Dandona is the Managing Director of the company. DFL is dealing in financing of three wheelers and auto-rickshaws, and operates in the Delhi NCR Region. The company is also engaged in trading in shares and derivatives.

Recent Results

DFL reported a net profit of Rs.1.09 crore on total asset base of Rs.43.5 crore in FY2016 as compared with a net profit Rs.1.26 crore on total asset base of Rs.48.5 crore in the FY2015. As on March 31, 2016, the company had a net worth of Rs. 14.3 crore and a capital adequacy of 37.75%.

For H1FY2017, DFL reported a net profit of Rs. 0.9 crore over an asset base of Rs. 48.2 crore. The net worth of DFL stood at Rs. 15.2 crore and capital adequacy at 30.7% as on September 30, 2016.

November 2016

† "For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications

¹ Financials for H1FY2017 are provisionals



For further details please contact:

Analyst Contacts:

Mr. Rohit Inamdar (Tel. No. +91-124-4545847)

rohit.inamdar@icraindia.com

Ms. Manushree Saggur (Tel. No. +91 124 4545 316)

manushrees@icraindia.com

Mr. Deepak Gupta (Tel. No. +91 124 4545442)

deepak.gupta@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)

jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500