



Dar Credit & Capital Ltd.

...we make life simple

23rd January, 2023

To

Corporate Relationship Department

BSE Limited

1st Floor, New Trading Ring,

Rotunda Building,

P.J. Towers, Dalal Street, Fort,

Mumbai-400001

Scrip Code: 960472, 960473, 960474, 960475

Subject: Re-affirmation of Credit Ratings by Care Ratings Limited

Dear Sir/ Madam,

Pursuant to Regulation 55 of SEBI (Listing Obligations Disclosure Requirements) Regulations, 2015 (“Regulations”), We would like to inform you that Care Ratings Limited, The credit rating agency vide its letter dated 29th December, 2022 issued to us on 29th December, 2022 has re-affirmed the Credit Ratings of the Company as detailed below:

Name of the Company	Credit Rating Agency	Type of the Credit Rating	Existing Rating	Reaffirmed Rating	Remarks/ Reasons
Dar Credit & Capital Ltd.	Care Ratings Limited	Long-Term Rating	Care BBB- ; Stable (Triple B Minus); Outlook: Stable	Care BBB- ; Stable (Triple B Minus); Outlook: Stable	Rating Re-affirmed

This is for the information of the exchange(s) and the Members.

Please take the above on records.

Thanking You,

Yours faithfully,

For Dar Credit & Capital Ltd.

RAMESH
KUMAR VIJAY

Digitally signed by
RAMESH KUMAR VIJAY
Date: 2023.01.23
18:14:55 +05'30'

Ramesh Kumar Vijay

Director

No. CARE/HO/RL/2022-23/3495

Shri Rajkumar Vijay

Director

Dar Credit & Capital Limited

Unit 6 B, 6th Floor, 206, Business Tower,

A.J.C. Bose Road, Kolkata

West Bengal 700017

December 29, 2022

Confidential

Dear Sir,

Credit rating for Non-Convertible Debenture issue

On the basis of recent developments including operational and financial performance of your Company for FY22 (Audited) and H1FY23 (Unaudited), our Rating Committee has reviewed the following ratings:

Sr. No.	Instrument	Amount (Rs. crore)	Rating ¹	Rating Action
1.	Non Convertible Debentures	12.50	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
	Total Instruments	12.50 (Rs. Twelve Crore and Fifty Lakhs Only)		

2. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

Instrument type	ISIN	Issue Size (Rs cr)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Details of top 10 investors
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3. The rationale for the rating will be communicated to you separately.
4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
5. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information

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

CARE Ratings Limited

throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the aforementioned rating actions in any manner considered appropriate by it, without reference to you.

6. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
7. Users of this rating may kindly refer our website www.careedge.in for latest update on the outstanding rating.
8. CARE Ratings Ltd. ratings are not recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

Akshith Vora

Akshith Subhash Vora
Analyst
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Geeta Chainani

Geeta Chainani
Assistant Director
geeta.chainani@careedge.in

Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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CIN-L67190MH1993PLC071691

No. CARE/HO/RR/2022-23/1551

Shri Rajkumar Vijay

Director

Dar Credit & Capital Limited

Unit 6 B, 6th Floor, 206, Business Tower,

A.J.C. Bose Road, Kolkata

West Bengal 700017

January 19, 2023

Confidential

Dear Sir,

Credit rating of Non-Convertible Debenture and bank facilities aggregating to Rs. 137.50 crore

Please refer to our letter dated December 29, 2022 on the above subject.

2. The rationale for the ratings is attached as an **Annexure-I**.
3. We request you to peruse the annexed document and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible.

If you have any further clarifications, you are welcome to approach us.

Thanking you,

Yours faithfully,

Akshit Vora

Akshit Subhash Vora

Analyst

akshit.vora@careedge.in

Geeta Chainani

Geeta Chainani

Assistant Director

Geeta.Chainani@careedge.in

Encl.: As above

Annexure-I
Rating Rationale
Dar Credit and Capital Limited

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	125.00 (Enhanced from 120.00)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	125.00 (₹ One Hundred Twenty-Five Crore Only)		
Non Convertible Debentures	12.50	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Long Term Instruments	12.50 (₹ Twelve Crore and Fifty Lakhs Only)		

Details of Instrument/Facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has reaffirmed the ratings assigned to the long- term bank facilities and Non-convertible debentures of Dar Credit & Capital Ltd. at 'CARE BBB-' with 'stable' outlook. The rating continues to factor in experienced management team &, long track record of operations, adequate liquidity profile and adequate capitalization for the scale of business. However, the ratings are constrained on account small scale of operations, moderate asset quality metrics driven by entirely unsecured portfolio, high geographical concentration and modest earnings profile.

Rating Sensitivities:

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Sustained growth in scale of operations and improvement in profitability with ROTA above 3.00% on sustained basis
- Diversified funding profile

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Inability to raise resources for growth in scale of operations
- Significant decline in liquidity position due to impact on collection efficiency
- Deterioration in asset quality with Gross NPA (180+ dpd) above 3.00% on sustained basis
- Significant deterioration in its scale of operations with ROTA below 1% on sustained basis

Detailed description of the key rating drivers

Key Rating Strengths

Experienced management team with long track record of operations:

DCCL is jointly promoted and 100% held by promoters, Mr. Ramesh Kumar Vijay & Mr. Rajkumar Vijay (both in their personal capacity & families). The operations of the company are jointly led by Mr. Ramesh Kumar Vijay (Chairman) and his brother Mr. Rajkumar Vijay (Wholetime Director and Chief Executive Officer). While Mr. Ramesh Kumar Vijay, a C.A. and C.S. by qualification, has overall experience of around three decades, Mr. Rajkumar Vijay, an M.B.A. (Finance) by qualification, has overall experience of over two decades.

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

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DCCL's head office is situated in Kolkata while administrative office is located at Jaipur. The company has a long track record of more than 25 years in the industry. As on September 30, 2022, DCCL has presence in 23 locations across Rajasthan, Gujarat, West Bengal, Madhya Pradesh, Karnataka and Chhattisgarh. DCCL's the loan portfolio is moderately diversified with personal loan to individuals (mainly class IV municipal employees) and microfinance Loans comprising 56% and 39% of total O/s loan portfolio as on September 30, 2022 with SME loans comprising the remaining portion.

Adequate capitalisation levels:

Owing to decline in disbursements and consequent loan portfolio over last few years, the capitalization levels of the company have improved. The company capital adequacy ratio (CAR) improved to 53.64% as on March 31, 2022 (March 31, 2021: 44.56%), with Tier-I CAR being 44.18% (March 31, 2021: 36.95%) and to further 56.94% with Tier CAR at 46.82% as on Sept 30, 2022.

In sync with lower disbursements, borrowings of the company have been declining. DCCL's gearing declined to 1.75 times as on March 31, 2022 as compared to 1.98 times as on March 31, 2021 and to further 1.64 times as on September 30, 2022. While the company's disbursements and fresh borrowings have increased during H1FY23 vis a vis FY22 levels, management intends to cap its gearing at 4x on steady state basis.

While the company has ample headroom for gearing, going forward, the ability of the company to mobilise fresh resources for profitably growing its business operations will be a key rating monitorable.

Particulars	FY20	FY21	FY22	H1FY23
Tangible Net worth (₹ cr)	57.20	59.84	60.86	61.89
Tier I CAR (%)	36.76	36.95	44.18	46.82
Overall CAR (%)	36.76	44.56	53.64	56.94
Gearing (x)	3.57	1.98	1.75	1.64

Key Rating Weaknesses

Small scale of operations:

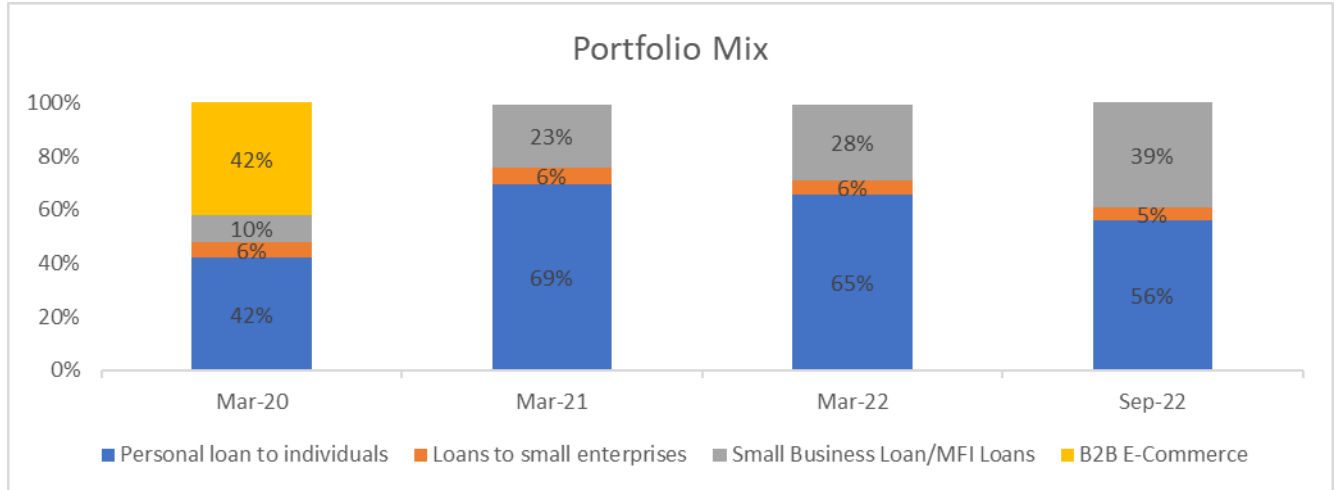
DCCL was incorporated in 1994 and commenced its operations in 1998. DCCL's loan portfolio stood at Rs. 113.30 crore as on March 31, 2022 as against Rs.127.71 crore as on March 31, 2021. Going forward, the ability of the company to profitably grow its scale of operations will be a key rating monitorable.

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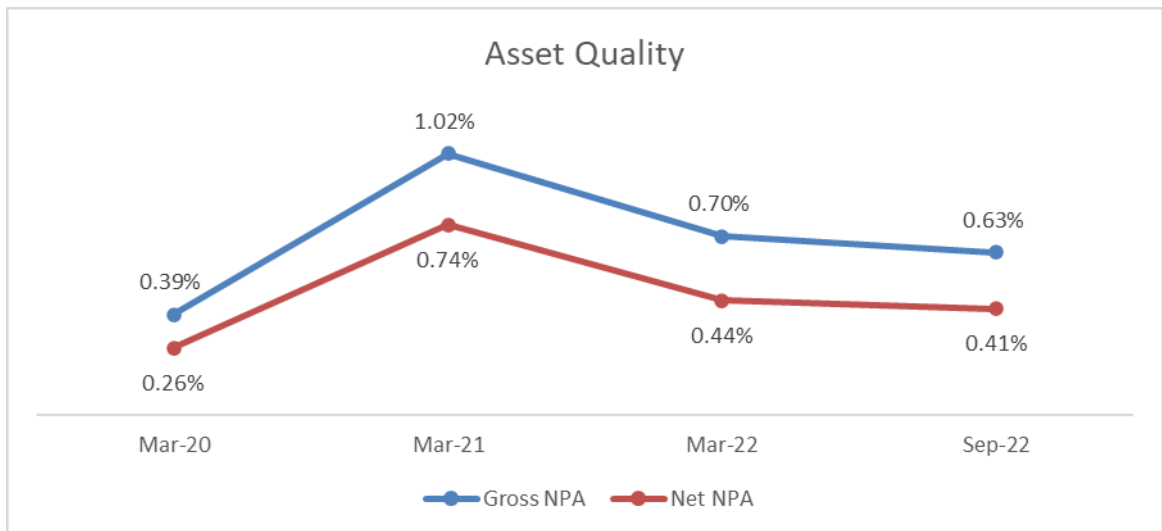
Moderate Asset quality metrics driven by 100% unsecured lending:

DCCL's clientele mainly comprises of customers who are more vulnerable to economic shocks. The company extends loans to clients who are mainly class-four employees in Municipalities as well as micro finance loans to women borrowers. Although personal loans to municipal employees are completely unsecured in nature, the company mainly provides loans to on-roll employees and has tied up with the municipal departments for collections which are directly deducted from the employee salary. While this arrangement provides some comfort in terms of collection, recoveries are sometimes delayed thereby resulting into rise in NPAs in interim period. GNPA in personal loans to municipal employees segment as on March 31, 2022 stood at 0.55% and as on September 30, 2022 stood at 0.53%.

Further, DCCL also disburses loans to MFI's (23% of total loan portfolio), with major presence in east of India majorly across West Bengal. MFI loans are largely targeted towards small businesswomen entrepreneurs, with an average ticket size of around Rs.10,000 to Rs.1,00,000 and is extended for a tenure of around 12-24 months. The company also has a small portfolio of SME loans, which are largely disbursed towards existing, and promoter known small businesses, the loan has no fixed repayment cycle and is largely repayable on demand with an average yield of around 14-16%. GNPA in MFI loan segment as on March 31, 2022 stood at 1.19% and as on September 30, 2022 stood at 0.87%.



As on March 31, 2022, the company's GNPA and NNPA improved to 0.70% [PY: 1.02%] and 0.44% [0.74%] owing to recoveries in the personal loans segment. GNPA and NNPA levels stood at 0.63% and 0.41% as on September 30, 2022. Ability to generate growth while maintaining strong asset quality metrics remains a key rating monitorable. Given, the unsecured nature of business and income profile of the borrower's asset quality to remain strong will be a key rating monitorable.



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Geographical concentration in loan portfolio:

DCCL has presence in the urban and semi-urban areas of West Bengal (comprising ~41% of loan portfolio outstanding as on September 30, 2022 (September 30, 2021: 27%)), while Rajasthan and Madhya Pradesh stood at 34% and 23% (Mar'22: 41% & 24%; Mar'21: 44% and 26%) respectively, with Gujarat and Chhattisgarh contributing to the remaining portfolio.

Moderate earnings profile:

The company terminated its B2B E-commerce lending arrangement with Hiveloop during FY20, post which its disbursements declined significantly from Rs.114 crore during FY20 to Rs.48 crore during FY21. This coupled with impact on account of Covid further led to lower disbursements of Rs.38 crore during FY22. While credit costs for the company have remained rangebound, lower disbursements coupled with margin pressures have impacted the company's profitability. Consequently, ROTA has declined from 1.89% during FY21 [P.Y.: 2.14%] to 1.46% during FY22.

During H1FY23, however, disbursements have risen to Rs. 34.82 crore (H1FY21: 15.31 crore) from Rs. 36.91 crore during FY22, led by Personal Loans to individuals (21%), Small business loans/MFI loans (78%) and Loans to small business (1%). Despite higher disbursements, NIM of the company has declined by 60bps during H1FY23 vis a vis FY22 on account of margin pressures due to competition. This is also visible in company's NIM which declined to 5.61% during H1FY23 (H1FY22: 6.32%) against 6.21% during FY22 (FY21: 5.11%). During H1FY23, ROTA stood at 1.85%.

Liquidity: Adequate

As on September 30, 2022, DCCL's liquidity remained adequate, with no cumulative mismatch in any of the time bucket. As on September 30, 2022, DCCL had free cash and cash equivalents of Rs.15.34 crore. For the next 12 months along with Rs.52.28 crore of inflows from advances company had total debt repayment of Rs.31.19 crore. The cashflow debt coverage of Dar credit & capital ltd for next one year stood at 1.30x as on September 30, 2022.

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Non Banking Financial Companies](#)

About the Company

Dar Credit & Capital Ltd. (DCCL) is a Jaipur based mid-sized (Total loan portfolio as on September 30, 2022 – Rs.116.99 crore) RBI registered Non-Deposit taking NBFC, engaged in the financing of unsecured loans to individuals and small enterprises. DCCL was incorporated in 1994 by Mr. Ramesh Kumar Vijay and Mr. Rajkumar Vijay as a public limited company and got the license to operate as NBFC from RBI in November, 1998. DCCL's head office is situated in Kolkata while administrative office is located at Jaipur.

Financials:

For the Y.E. / As on March 31,	2020	2021	2022	H1FY23
	A	A	A	UA
Particulars				
Interest Income	45.17	25.96	23.01	10.48
Other Operating Income	1.50	1.37	1.22	1.21
Other Income	0.24	0.45	0.70	0.24
Total Income	46.91	27.78	24.92	11.93
Interest Expenses	10.21	14.54	12.13	5.86

For the Y.E. / As on March 31,	2020	2021	2022	H1FY23
	A	A	A	UA
Operating Expenses	28.56	8.40	8.51	4.05
PPOP	7.64	4.29	3.74	1.72
Provisions & Write-Offs	0.13	0.10	0.19	0.04
PBT	7.51	4.19	3.55	1.68
Tax	1.87	0.76	0.99	0.15
PAT	5.64	3.42	2.56	1.53
Tangible Net-Worth	57.20	59.84	60.86	61.89
Total Borrowings	204.05	118.52	106.77	101.43
Loans Portfolio (Balance Sheet)	221.02	127.71	113.30	116.99
Total Assets	266.29	180.76	169.79	165.61
Managed portfolio	-	-	-	-
Key Ratios				
Interest Inc / Avg Loan Portfolio (%)	20.24	20.33	19.09	17.78
Interest Exp / Avg Total Borrowings (%)	13.99	12.77	10.77	11.63
Interest Spread (%)	6.25	8.06	8.33	6.15
ROTA Chain (On Balance Sheet)				
NIM (%)	6.30	6.32	6.21	5.61
Other Income / Avg Total Assets (%)	0.09	0.25	0.40	0.29
Operating Exp / Avg Total Assets (%)	3.87	4.65	4.86	4.92
Credit Cost / Avg Total Assets (%)	0.05	0.04	0.11	0.05
ROTA (%)	2.14	1.89	1.46	1.85
PAT / Total Income (PAT Margin) (%)	12.01	12.31	10.27	12.82
RONW (%)	11.21	5.72	4.24	4.98
Overall Debt / Equity Ratio (times)	3.57	1.98	1.75	1.64
Interest Coverage (times)	1.26	1.29	1.29	1.29
Capital Adequacy Ratio (CAR) (%)	36.76	44.56	53.64	56.94
Tier-I CAR (%)	36.76	36.95	44.18	46.82
Gross NPA Ratio (%)	0.39	1.02	0.70	0.63
Net NPA Ratio (%)	0.26	0.74	0.44	0.41
Provision Coverage Ratio (%)	33.33	28.46	36.71	35.14
Net NPA to Tangible NW (%)	0.99	1.55	0.82	0.78

A: Audited; UA: Unaudited.

*Calculated on the basis (denominator) of March 2021 numbers only due to significant contraction in the loan portfolio

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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CARE Ratings Limited

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CIN-L67190MH1993PLC071691

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures*	INE04Q907058	February 11, 2021	12%	10 February 2024	3.20	CARE BBB-; Stable
Debentures-Non Convertible Debentures*	INE04Q907074	February 11, 2021	12%	10 February 2024	2.00	CARE BBB-; Stable
Debentures-Non Convertible Debentures*	INE04Q907066	February 11, 2021	12.25%	10 February 2026	4.55	CARE BBB-; Stable
Debentures-Non Convertible Debentures*	INE04Q907082	February 11, 2021	12.25%	10 February 2026	2.75	CARE BBB-; Stable
Fund-based - LT-Cash Credit	-	-	-	-	16.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	Sep-2026	109.00	CARE BBB-; Stable

*ISINs has been revised after the NCDs got fully paid

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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	16.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (04-Jan-22)	1)CARE BBB-; Stable (31-Mar-21) 2)CARE BBB-; Stable (22-May-20)	1)CARE BBB-; Positive (06-Dec-19)
2	Fund-based - LT-Term Loan	LT	109.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (04-Jan-22)	1)CARE BBB-; Stable (31-Mar-21) 2)CARE BBB-; Stable	1)CARE BBB-; Positive (06-Dec-19)

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
							(22-May-20)	
3	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	-	1)Withdrawn (31-Dec-20) 2)CARE A3 (11-Sep-20) 3)CARE A3 (02-Sep-20)	-
4	Debentures-Non Convertible Debentures	LT	3.20	CARE BBB-; Stable	-	1)CARE BBB-; Stable (04-Jan-22)	1)CARE BBB-; Stable (31-Mar-21) 2)CARE BBB-; Stable (31-Dec-20)	-
5	Debentures-Non Convertible Debentures	LT	2.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (04-Jan-22)	1)CARE BBB-; Stable (31-Mar-21)	-
6	Debentures-Non Convertible Debentures	LT	4.55	CARE BBB-; Stable	-	1)CARE BBB-; Stable (04-Jan-22)	1)CARE BBB-; Stable (31-Mar-21)	-
7	Debentures-Non Convertible Debentures	LT	2.75	CARE BBB-; Stable	-	1)CARE BBB-; Stable (04-Jan-22)	1)CARE BBB-; Stable (31-Mar-21)	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

Sr. No.	Name of Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Fund-based - LT-Term Loan	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 instrument: CARE Ratings Ltd. 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.

Contact us

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(This follows our brief rationale for the entity published on January 02, 2023)

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

CONTACT

CARE Ratings Ltd.

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Phone : +91-40-4010 2030

KOLKATA

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071
Phone : +91-33-4018 1600

NEW DELHI

13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055
Phone : +91-11-4533 3200

PUNE

9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 016
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QC

CIN - L67190MH1993PLC071691

Dar Credit & Capital Limited

January 04, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	120.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Bank Facilities	120.00 (Rs. One Hundred Twenty Crore Only)		
Non Convertible Debentures INE04Q907033	2.00	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Non Convertible Debentures INE04Q907025	4.55	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Non Convertible Debentures INE04Q907041	2.75	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Non Convertible Debentures INE04Q907017	3.20	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Total Long Term Instruments	12.50 (Rs. Twelve Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has reaffirmed the ratings assigned to the Long term bank facilities and Non-convertible debentures of Dar credit & capital ltd. at 'CARE BBB-' with 'Stable' outlook. The rating continues to factor in experienced management team, adequate liquidity profile, long track record of operations, and adequate capitalization for the scale of business. However, the rating is constrained on account of significant decline in the AUM on the back of exit from the business with Hiveloop Technology Pvt. Ltd. (HTPL), for financing of traders (clients of HTPL) on www.Udaan.com.

Furthermore, the ratings are constrained on account of decline in disbursements in recent times due to challenges faced in resource mobilization, moderate asset quality metrics on the back of presence in 100% unsecured lending business combined with high quantum of restructured assets in the MFI loan portfolio, high geographical concentration in loan book with Rajasthan constituting to around 43% of the total loan portfolio as on September 30, 2021, moderate earnings profile, and moderate scale of operations.

Positive factors - Factors that could lead to positive rating action / upgrade:

- Sustained growth in scale of operations and improvement in profitability with ROTA above 3.00% on sustained basis
- Diversified funding profile with higher number of lenders.

Negative factors: Factors that could lead to negative rating action / downgrade:

- Inability to raise resources at competitive rates to grow business in the next 1-2 quarters, leading to year on year decline in borrowings as on March'22 vis-à-vis March'21.
- Significant decline in liquidity position due to impact on collection efficiency
- Deterioration in asset quality with Gross NPA (180 dpd) above 3.00% on sustained basis.
- Significant deterioration in its scale of operations with ROTA below 1%.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced management team with long track record of operations:

The operations of the company are jointly led by Mr. Ramesh Kumar Vijay (Chairman) and his brother Mr. Rajkumar Vijay (Whole-time Director and Chief Executive Officer). While Mr. Ramesh Kumar Vijay, a C.A. and C.S. by qualification, has overall experience of around three decades, Mr. Rajkumar Vijay, an M.B.A. (Finance) by qualification, has overall experience of over two decades. Apart from that, DCCL has also appointed Mr. Siddhartha Pradhan, veteran IRS (Indian Revenue Service) officer having vast experience in various central and state government departments. Mr. Santanu Mukherjee (former Managing Director of State Bank of Hyderabad and currently on the Board of Bandhan Bank Ltd.) and Mr. Jayanta Banik (Chartered Accountant having experience of more than 27 years) act as advisors to DCCL's board.

Further, DCCL's head office is situated in Kolkata while administrative office is located at Jaipur. The company has a long track record of more than 25 years in the industry. As on September 30, 2021, DCCL has presence in 21 locations across Rajasthan, Gujarat, West Bengal, Madhya Pradesh, Karnataka and Chhattisgarh, further disbursements in Gujarat are carried out through branches. Further, the loan portfolio is moderately diversified with Personal loan to individuals (Municipal employees) and SME Loans (akin to MFI Loans) comprising 70% and 23% of total O/s loan portfolio as on September 30, 2021 while Loans to small businesses comprise the remaining portion.

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

Adequate capitalisation

The capital adequacy ratio (CAR%) of the company has improved from 36.76% as on March 31, 2020 to 44.56% as on March 31, 2021 and further to 48.53% as on September 30, 2021. Improvement in CAR% was majorly on account of decline in risk weighted assets combined with increase in net owned funds due to internal accruals. Overall gearing of the company has also improved on similar lines and stood at 1.98 times as on March 31, 2021 and 1.65 times as on September 30, 2021 against 3.57 times as on March 31, 2020. The decline in gearing is majorly on account of reduced borrowings, on the back of reduced business activity. The capital base is considered to be adequate relative to the scale of business with networth of 59.84 crore as on March 31, 2021, which further improved to Rs. 60.69 crore as on September 30, 2021. Going forward, the ability of the company to mobilise its resources for growing its loan portfolio will be a key rating monitorable.

Key rating weaknesses**Moderate scale of operations with moderate resource base:**

During FY21 the company witnessed exit from the E-commerce business loans, leading to a significant decline in loan towards HTPL's customers from Rs.93.29 crore as on March 31, 2020 to Rs.1.04 crore as on September 30, 2021, The exit is because HTPL has itself started lending business through its group company i.e. Hiveloop Capital Pvt. Ltd. As a result, DCCL's total loan portfolio has moderated from Rs.221 crore as on March 31, 2020 to Rs.128 crore as on March 31, 2021 and Rs.119 crore as on September 30, 2021.

Further during FY21 the company witnessed significant decline in the disbursements which was to the tune of Rs. 47.61 crore as compared to Rs.91.58 crore (excluding disbursements made towards HTPL customers) during FY20, the impact was largely on account of challenges in resource mobilization and the impact of covid. Furthermore, the resource base continues to be concentrated with term loan borrowings from banks and FI's constituting to around 62% of the total borrowings as March 31, 2021.

Going forward the company plans to focus on building its MFI loan portfolio in the West Bengal which would be facilitated through the wholly owned subsidiary Dar Credit Microfinance Pvt Ltd. The company is still at a nascent stage and is yet to receive the MFI license, which is expected in the short term. The company also plans to expand its personal loans to municipal employee's loan portfolio in the state of Chhattisgarh and Gujarat. The ability of the company to scale up its business operations by diversifying its resource mix will remain to be a key rating monitorable.

Moderate asset quality:

During FY21 DCCL's asset quality deteriorated with Gross NPA and Net NPA of 1.02% and 0.73% as on March 31, 2021 as against 0.39% and 0.26% respectively as on March 31, 2020. Further Gross NPA and Net NPA stood at 0.83% and 0.43% as on September 30, 2021. Further, the company has been able to ramp up its provisioning to 48% as on September '21 as compared to 29% as on March '21. Net NPA to Net-worth has marginally deteriorated in FY21 and stood at 1.55% as compared to 1.01% as on March '20, albeit some improvement witnessed in H1FY22, with NNPA to Net Worth of 0.84% as on September 30, 2021.

The deterioration in the NPA witnessed in FY21 and H1FY22, is largely driven by weakening credit profile of MFI borrowers. The MFI loans constitute to around 23% of the O/s loan portfolio as on September 30, 2021. Further, the restructured book as on September 30, 2021 stood at Rs.7.51 crore, which is largely towards MFI loans. The restructured book is around 12% of Tangible Net Worth and around 5.51% of the total o/s loan portfolio as on September 30, 2021.

100% unsecured nature of portfolio:

DCCL extends loans to clients who are mainly class-four employees (on roll as well as off roll), sweepers and peons in Government Departments. Although these loans are completely unsecured in nature, the company has tied up at the departmental level for collections and deductions, which are made directly from the salary by the department. This provides some comfort in terms of collection from the municipal employees to DCCL. Loans to individuals comprised of around 70% of the total loan portfolio as on September 30, 2021.

Further, DCCL also disburses loans to MFI's (23% of total loan portfolio), with major presence in east of India, with around 15 branches across West Bengal. MFI loans are largely targeted towards small businesswomen entrepreneurs, with an average ticket size of around Rs.30,000 to Rs.1,00,000 and is extended for a tenure of around 10-24 months.

The company also has a small portfolio of SME loans, which are largely disbursed towards existing, and promoter known small businesses, the loan has no fixed repayment cycle and is largely repayable on demand with an average yield of around 15-17%. Given, the aftereffects of the pandemic are not yet completely waned out, CARE Ratings expects DCCL's asset quality to remain anchored on the vulnerability of income profiles of the borrowers.

Moderate earning profile:

Net Interest Income (NII) has reduced from Rs.16.46 crore in FY20 to Rs.11.09 crore during FY21, on account of subdued disbursements combined with exit from the B2B E-Commerce business. Subsequently NIM declined to 4.96% in FY21 from 6.24% in FY20, leading to a decline in return on total assets (ROTA) from 2.14% in FY20 to 1.53% in FY21. Operating cost (including employee cost) of DCCL has marginally reduced from Rs.10.72 crore in FY20 to Rs.8.95 cores in FY21, leading to a marginal decline in operating expenses as a % of average total assets ratio over the period to 4.00% in FY21 (4.07% in FY20) on account of subdued business activity. As the nature of lending is mainly unsecured, the company requires a strong collection team especially for collection from MFI loan borrowers. Hence the operating costs are on the higher side. While the management expects to reduce its operating expenses by implementing process improvisation, however, the same is yet to be reflected in the business .

Geographical concentration in loan portfolio:

DCCL has presence in the urban and semi-urban areas of Rajasthan (comprising ~43% of loan portfolio outstanding as on September 30, 2021 (September 30, 2020: 42%)), while MP and West Bengal stood at 27% and 27% (Mar'21: 26% & 27%; Mar'20: 15% and 14%) respectively, and Gujarat and Chhattisgarh contributed the balance. Going forward the company plans to focus on building its MFI loan portfolio in the West Bengal and also plans to expand its personal loans to municipal employee's loan portfolio in the state of Chhattisgarh and Gujarat.

Liquidity: Adequate

DCCL's liquidity remained adequate as on September 30, 2021, with no negative cumulative mismatch witnessed in any of the time bucket. Further, as on September 30, 2021 for the next 12 months DCCL had free cash and cash equivalents of Rs.6.96 crore and free current investments of Rs.2.85 crore along with Rs.71.58 crore of inflows from advances. Against the same the company had total debt repayment of Rs.33.78 crore in next 12 months. Furthermore, DCCL's average collection efficiency (excluding prepayments and overdues) for the month of September 30, 2021 stood at 92% vis-à-vis 90% in April'21. Going forwards, company's ability to raise new funds and sustain healthy collections will remain crucial for maintaining an adequate liquidity.

Analytical approach: Standalone

Applicable Criteria:

[Criteria on assigning Outlook to Credit Ratings](#)

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

[Rating Methodology-Non-banking Financial Companies](#)

[Financial Ratios – Financial Sectors](#)

About the Company

Dar Credit & Capital Ltd. (DCCL) is a Jaipur based mid-sized (Total loan portfolio as on September 30, 2021 – Rs.118.74 crore) RBI registered Non-Deposit taking NBFC, engaged in the financing of unsecured loans to individuals and small enterprises. DCCL was incorporated in 1994 by Mr. Ramesh Kumar Vijay and Mr. Rajkumar Vijay as a public limited company and got the license to operate as NBFC from RBI in November, 1998. DCCL's head office is situated in Kolkata while administrative office is located at Jaipur.

Brief Financials (Rs. crore)	31-03-2020 (12M, A)	31-03-2021 (12M, A)	30-09-2021 (6M, UA)
Total operating income	46.91	27.78	12.48
PAT	5.64	3.42	1.31
Interest coverage (times)	1.26	1.29	1.26
Total Assets	266	181	164
Net NPA (%)	0.26	0.74	0.43
ROTA (%)	2.14	1.53	1.52*

A: Audited; UA: Unaudited; *Annualised

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Not Applicable

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	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	28.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	-	Feb-2025	92.00	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE04Q907017	January 11, 2021	12%	10 February 2024	3.20	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE04Q907033	January 11, 2021	12%	10 February 2024	2.00	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE04Q907025	January 11, 2021	12.25%	10 February 2026	4.55	CARE BBB-; Stable
Debentures-Non Convertible Debentures	INE04Q907041	January 11, 2021	12.25%	10 February 2026	2.75	CARE BBB-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	28.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Mar-21) 2)CARE BBB-; Stable (22-May-20)	1)CARE BBB-; Positive (06-Dec-19)	1)CARE BBB-; Stable (03-Oct-18)
2	Fund-based - LT-Term Loan	LT	92.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Mar-21) 2)CARE BBB-; Stable (22-May-20)	1)CARE BBB-; Positive (06-Dec-19)	1)CARE BBB-; Stable (03-Oct-18)
3	Commercial Paper-Commercial Paper (Standalone)	ST	-	-	-	1)Withdrawn (31-Dec-20) 2)CARE A3 (11-Sep-20) 3)CARE A3 (02-Sep-20)	-	-
4	Debentures-Non Convertible Debentures	LT	3.20	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Mar-21) 2)CARE BBB-; Stable (31-Dec-20)	-	-
5	Debentures-Non Convertible Debentures	LT	2.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Mar-21)	-	-
6	Debentures-Non Convertible Debentures	LT	4.55	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Mar-21)	-	-
7	Debentures-Non Convertible Debentures	LT	2.75	CARE BBB-; Stable	-	1)CARE BBB-; Stable (31-Mar-21)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Debentures-Non Convertible Debentures	Simple
2.	Fund-based - LT-Cash Credit	Simple
3.	Fund-based - LT-Term Loan	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 instrument: CARE Ratings Ltd. 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 CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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