

Ceejay Finance Limited

March 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term/short-term bank facilities	15.00	CARE BBB-; Stable/CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has reaffirmed ratings assigned 'CARE BBB-; Stable/CARE A3' to bank facilities of Ceejay Finance Limited (CFL), deriving strength from the continuous funding support from group entities of the Ceejay Group. The group has diversified business interests in sectors such as tobacco, real estate, and finance. Ratings also derive strength from CFL's secured nature of lending, healthy capital adequacy ratio (CAR), and comfortable overall gearing along with adequate liquidity.

However, ratings are constrained by CFL's modest scale of operations, weak asset quality, and product and geographical concentrations in the loan portfolio, with mainly two-wheeler loans extended mostly in the Gujarat region. The ability of the company to expand its operations profitably with better product and geographical diversification and improving the asset quality would remain key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial increase in scale of operations while maintaining resilient earning and geographical diversification.
- Significant improvement in asset quality with gross non-performing assets (GNPA) (90+ dpd) falling below 4% on a sustained basis.

Negative factors

- Degrowth in scale of operations of the company impacting the profitability of the company on a sustained basis.
- Change in support philosophy of the Ceejay Group companies towards CFL in terms of access to credit.
- Rise in gearing above 1x on a sustained basis.
- Decline in the asset quality with GNPA basis 90+ dpd remaining above 15% on a sustained basis.
- Deterioration in profitability with return on total assets (ROTA) falling below 3% on a sustained basis.

Analytical approach: Standalone.

CARE Ratings has adopted the standalone approach for analysing CFL.

Outlook: Stable

CARE Ratings believes that CFL will continue receiving funding support from the Ceejay Group while maintaining a healthy profitability profile and comfortable capitalisation levels.

Detailed description of key rating drivers

Key strengths

Experienced promoters and management

CFL has an operational track record of more than two decades in the financing business with experienced promoters. Mr. Kiran Patel, Non-executive Chairman and Promoter of CFL, has more than 35 years of industry experience. He has been looking after manufacturing, marketing, accounting, finance, and taxation functions of the entire group. The company's day-to-day operations are headed by Mr. Deepak Patel, Wholetime Director and Promoter. He is an MBA from the University of Florida (Miami) with an overall experience of 29 years in businesses of finance, investments, power generation, and real estate. is assisted by Mr. Devang Shah, a BCom, LLB, and CA by profession. He has been working with Ceejay since 1996 as their Chartered Accountant and as CFO since past eight years.

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

Healthy capital adequacy ratio and comfortable overall gearing

CFL reported a healthy CAR of 67.77% (entirely comprising of Tier-I capital) as on March 31, 2023, with slight improvement to 69.58% as on December 31, 2023. However, its CAR is well above regulatory requirements of 15%, indicating sufficient capital cushion for growing its business. The overall gearing as on March 31, 2023, was also comfortable at 0.45x. As per the management, gearing levels are expected to continue being modest and not increase substantially in the medium term.

Support from the group in the form of low-cost funding, resulting in low reliance on external debt

CFL has received continuous funding support from its group entities through unsecured loans at relatively lower interest rates ranging between 8.00% and 9.00%. However, this has made the company's resource base concentrated, historically rendering the benefit of low cost of funds to CFL. As on March 31, 2023, the company had a net worth of ₹62.53 crore and unsecured loans from group of ₹4.75 crore as against a loan portfolio of ₹91.52 crore. This translates into low reliance on external borrowings, resulting into a healthy net interest margin (NIM) of 18.62% in FY23.

Going forward, ability of the company to reduce reliance on inter-group borrowings and tap external debt, if required, at cost-effective rates for funding future growth will remain to be a key credit monitorable.

Key weaknesses**Modest scale of operations**

CFL has a long operational track record, having commenced operations in 1996. However, its scale of operations remains modest with a loan portfolio of ₹91.52 crore in FY23 (FY22: ₹79.42 crore). The loan portfolio stood at ₹94.72 crore as on December 31, 2023. The loan portfolio has been growing steadily over the years, but growth rate has been slow due to the company's strategy of selective lending with focus on profitability, and higher reliance on own resources. The loan portfolio growing, supported by diversified funding resources, will be crucial going forward.

High geographical concentration

The company originally commenced operations from Gujarat, gradually expanding to Maharashtra. Most of CFL's business is currently sourced in Gujarat, exposing it to concentration risk, given that it is vulnerable to credit shocks in case of geography-specific events. Gujarat constitutes 87% of the assets under management (AUM) as on December 31, 2023, followed by Maharashtra forming 13% of the AUM. Overall, the company has a network of 30 branches (of which 26 branches are in Gujarat) and 21,988 borrowers in these two states as on December 31, 2023. CFL aims at increasing its network by adding three to four branches in FY25.

Exposure to relatively riskier borrower segment

CFL provides finance mainly to farmers and agricultural labourers, whose income depends on agricultural output. Loans are also advanced to small traders and small business owners. The company's customer profile is a concern as its credit remains untested and more vulnerable to economic shocks. Thus, vulnerability of the potential portfolio is relatively high. However, most of CFL's loan portfolio is secured through hypothecation of vehicles and mortgage of properties. This provides comfort to the lending business, as actual loss in case of delinquency is lower compared to unsecured loans.

Weak asset quality

In FY23, CFL's asset quality remains weak, with gross stage 3 assets and net stage 3 assets (90+ dpd) of 11.76% and 11.24%, respectively, as on March 31, 2023 (GNPA and net NPA [NNPA] stood at 5.82% and 2.60%, respectively, based on 180+ dpd as on March 31, 2023). The overall NNPA-to-tangible net worth (TNW) stood at 3.68% as on March 31, 2023. In 9MFY24, there was a slight improvement with gross stage 3 assets and net stage 3 assets at 8.76% and 8.22%, respectively.

Liquidity: Adequate

CFL has adequate liquidity with shorter tenure loans and the portfolio largely funded through net worth and unsecured loans from group entities, resulting in low reliance on external debt with no major long-term loans or scheduled repayments. The company also has cash, cash equivalents and liquid investments of ₹2.31 crore as on December 31, 2023.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Short Term Instruments](#)

[Non Banking Financial Companies](#)

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Financial services	Financial services	Finance	Non-banking financial company (NBFC)

Incorporated in 1993, CFL is a public limited company registered as a non-banking finance company (NBFC)-asset finance company under the guidelines of the Reserve Bank of India (RBI). It is promoted by Mr. Kiran Patel, Mr. Deepak Patel and Mr. Shailesh Patel, all having relevant industry experience. CFL is part of the Ceejay Group. The group manufactures and markets biddies, tobacco, and tendu leaves (*bidi* leaves), apart from having interests in finance and real estate. CFL primarily finances two-wheelers and four-wheelers, apart from providing loans-against-property (LAPs) and personal loans (PLs). The company operates in Gujarat and Maharashtra through its network of 30 branches as on December 31, 2023, and some dealer networks.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	17.96	19.87	14.93
PAT	4.97	6.85	4.71
Interest coverage (times)	3.88	3.66	3.57
Total assets	82.27	93.75	Not Available
Net NPA (%)	2.60	2.60	1.62
ROTA (%)	6.29	7.55	Not Available

A: Audited; UA: Unaudited. Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating history for last three years: Please refer to Annexure-2

Covenants of rated instruments/facilities: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-LT/ST – Cash credit	-	-	-	-	15.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for 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 2023-2024	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
1	Fund-based - LT-Cash credit	LT	-	-	-	1)CARE BBB-; Stable (20-Jan-23) 2)Withdrawn (20-Jan-23)	1)CARE BBB-; Stable (03-Dec-21)	1)CARE BBB-; Stable (18-Nov-20)
2	Fund-based-LT/ST	LT/ST	15.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (27-Mar-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/short term.

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Not applicable

Note on complexity levels of rated instruments: CARE Ratings 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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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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