Ceejay Finance Limited

April 04, 2025

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), comfortable overall gearing, and 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 company's ability 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: Factors that could individually or collectively lead to positive rating action/upgrade:

- 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+ days past due [dpd]) falling below 4% on a sustained basis.

Negative factors: **Factors that could individually or collectively lead to negative rating action/downgrade:**

- 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 1.5x on a sustained basis.
- Decline in the asset quality with GNPA basis 90+ dpd remaining above 7.5% 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 a proven operational history of over two decades in the financing sector, led by experienced promoters. Kiran Patel, the Non-executive Chairman and Promoter of CFL, brings over 35 years of industry experience and has been responsible for overseeing the manufacturing, marketing, accounting, finance, and taxation functions across the entire group. The day-to-day operations of the company are managed by Deepak Patel, the Wholetime Director and Promoter, who holds an MBA from the University of Florida (Miami) and has 29 years of experience in finance, investments, power generation, and real estate. He is supported by

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

Devang Shah, a BCom, LLB, and Chartered Accountant, who has been with Ceejay since 1996, serving as their Chartered Accountant and CFO for the past eight years.

Healthy capital adequacy ratio and comfortable overall gearing

As on March 31, 2024, CFL reported a robust capital adequacy ratio (CAR) of 66.49%, entirely comprising Tier-I capital. This slightly decreased to 64.47% by December 31, 2024. The CAR remains well above the regulatory minimum requirement of 15%, providing a strong capital buffer for business expansion. Overall gearing ratio as on March 31, 2024, was a comfortable 0.48x. According to management, gearing levels are expected to remain modest and are not anticipated to rise significantly 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 of 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, 2024, the company had a net worth of ₹68.87 crore. This translates into low reliance on external borrowings, resulting into a healthy net interest margin (NIM) of 17.42% in FY24.

Going forward, the company's ability 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.

Increasing yet modest scale of operations

CFL has a long operational history, having commenced its operations in 1996. However, its scale of operations remains relatively modest, with an asset under management (AUM) of ₹93.96 crore in FY24, compared to ₹88.48 crore in FY23. As on December 31, 2024, the loan portfolio stood at ₹113.96 crore. While the AUM has experienced steady growth over the years, the growth rate has been slow, driven by the company's strategy of selective lending with a focus on profitability and a higher reliance on internal resources. Going forward, the continued growth of the loan portfolio, supported by diversified funding sources, will be critical.

Key weaknesses

High geographical concentration

The company initially began its operations in Gujarat and has since gradually expanded into Maharashtra. Currently, majority CFL's business is sourced from Gujarat, which exposes the company to concentration risk, as it remains vulnerable to credit shocks arising from region-specific events. As of December 31, 2024, Gujarat accounts for 91% of the assets under management (AUM), while Maharashtra constitutes ~9% of the AUM. The company operates a network of 36 branches and serves 22,832 borrowers across these two states as of December 31, 2024. CFL plans to expand its network by adding more branches in FY25-FY26.

Exposure to relatively riskier borrower segment

CFL primarily extends financing to farmers and agricultural labourers, whose income is contingent on agricultural output, and to small traders and business owners. The company's customer base presents a concern, as the creditworthiness of these borrowers remains untested and is more susceptible to economic shocks, resulting in a higher vulnerability of the potential loan portfolio. However, a significant portion of CFL's loan portfolio is secured through vehicle hypothecation and property mortgages, which offers a level of comfort to the lending business. In the event of delinquency, the actual loss is expected to be lower compared to unsecured loans.

Weak asset quality

In FY24, the GNPA showed a slight improvement, declining from 5.82% in FY23 to 5.18% in FY24. A revision in NPA recognition norms from 120+ dpd to 90+ dpd in December 2024 further reduced the GNPA to 4.76% as of December 31, 2024. On a 90+ dpd basis, the metric stood at 12.26% in FY24, compared to 11.76% in FY23, before significantly dropping to 4.76% as of December 31, 2024, reflecting improved asset quality.

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 ₹1.53 crore as on March 31, 2024.

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

Macroeconomic 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 Kiran Patel, Deepak Patel, and 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 36 branches as on December 31, 2024, and some dealer networks.

Standalone Financials of Ceejay Finance Limited

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25(UA)
Total income	19.87	20.91	18.88
PAT	6.84	6.57	5.22
Total Assets	93.75	104.90	129.38
Net NPA (%)	2.60	2.22	2.23
ROTA (%)	7.78	6.61	5.94*

A: Audited UA: Unaudited; Note: these are latest available financial results *Annualised

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: 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 and Rating Outlook
Fund-based-LT/ST	-	-	-	-	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 2024-2025	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
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)
2	Fund-based-LT/ST	LT/ST	15.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (21-Mar-24)	1)CARE BBB-; Stable / CARE A3 (27-Mar-23)	-

LT: Long 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 lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Vineet Jain Senior Director **CARE Ratings Limited** Phone: 912267543623 E-mail: vineet.jain@careedge.in Jitendra Meghrajani Assistant Director **CARE Ratings Limited** Phone: 912267543526 E-mail: Jitendra.Meghrajani@careedge.in Sudeeksha Rathi Rating Analyst **CARE Ratings Limited** E-mail: Sudeeksha.rathi@careedge.in

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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