

Ceejay Finance Limited

October 01, 2019

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.00	CARE BBB-; Stable [Triple B Minus; Outlook: Stable]	Reaffirmed
Total Bank Facilities	15.00 (Rupees Fifteen Core Only)		

Details of instrument in Annexure-1

Detailed rationale & key rating drivers

The rating assigned to Ceejay Finance Limited (CFL) continues to derive strength from its parentage of Ceejay group which has diversified business interest and established presence in fields such as tobacco, real estate and food & beverages through various group entities; and has demonstrated constant funding support to CFL resulting in the latter's low reliance on external debt.

The rating also continues to derive strength from CFL's healthy capital adequacy ratio (CAR) and comfortable overall gearing; alongwith secured nature of lending.

The rating, however, continues to be constrained by CFL's modest scale of operations, weak asset quality and product and geographical concentration in loan portfolio with mainly two wheeler loans largely extended in Gujarat region.

CFL's ability to increase its scale of operations along-with geographical diversification of loan portfolio, improve its asset quality while maintaining its profitability and capitalization levels alongwith continued support of group entities shall be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters and established operations of Ceejay group in varied businesses:

CFL is part of Ceejay group which has an established presence of more than a century across sectors like tobacco, real estate and finance.

CFL has an operational track record of more than two decades in financing business with rich experience of its promoters in this segment. Mr. Kiran Patel, Chairman of CFL, has more than three decades of industry experience whereas Mr. Deepak Patel, Managing Director, has more than 25 years of industry experience. The promoters are assisted by professionals at various levels for daily operations.

Low cost of funding from group entities resulting in low reliance on external debt:

CFL has received continuous support from its group entities in the form of unsecured loans at relatively lower interest rate. As on March 31, 2019, company had a networth of Rs.43.32 crore and unsecured loans from group of Rs.11.76 crore, as against a loan portfolio of Rs.66.42 crore. This translates into low reliance on external borrowings and has resulted into comfortable net interest margin (NIM) of 17.40 during FY19 (PY: 19.87%).

Healthy CAR and comfortable overall gearing:

CFL reported a healthy CAR of 62.42% as on March 31, 2019, which has improved significantly from 59.57% as on March 31, 2018 due to growth in networth and deployment of internal accruals for the growth of its loan portfolio of Rs.66.42 crore.

Further, CFL's overall gearing has also improved in FY19 at 0.62x compared to 0.73x at FY18 end, with repayment of loans to the group entities.

Key Rating Weaknesses

Modest scale of operations:

CFL scale of operations continues to remain modest with a loan portfolio of Rs.66.42 crore as on FY19 end alongwith TOI of Rs.14.90 crore in FY19 (Rs.16.19 crore in FY18). Marginal dip in income in FY19 was mainly due to transfer of micro finance loan portfolio to another group entity, resulting in lower income from the segment. Income from asset financing business remained stable in FY19.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Loan portfolio of the company remains limited due to selective lending by the management with focus on profitability, alongwith higher reliance on own resources. Growth in loan portfolio aided by continued support of group entities shall remain crucial going forward.

Weak asset quality; albeit secured nature of lending:

CFL's asset quality improved marginally in FY19 with gross NPA of 7.65% as on March 31, 2019 (8.04% as on March 31, 2018) with wearing off of the effect of demonetization resulting in recovery of loans; however remained weak. Collection efficiency also remains moderate at around 90% mainly due to weak and vulnerable credit profile of the borrowers, as majority of them are farmers whose income depends upon agricultural output. However, 90% of its loan portfolio is secured by way of hypothecation or mortgage. This provides a comfort to the lending business, as actual loss in case of delinquency is lower compared to unsecured loans. CFL has adequate systems for loan disbursements and recovery (tie ups with recovery agency and professional legal team) for the same.

Regionally concentrated portfolio with major portion deployed towards two-wheeler financing:

Product portfolio of CFL continues to remain concentrated towards two wheeler loans which form around 60% of the loan portfolio, due to high IRR and shorter tenure of loans. Furthermore, major portion of its o/s loan portfolio continues to remain concentrated in Gujarat (83%) as on March 31, 2019, while balance is in Maharashtra. Overall, company has a network of 28 branches in these two states.

Seasoning of the product portfolio is also low due to shorter tenures of loans and no top-ups loans provided by CFL.

Liquidity Indicator:

CFL has adequate liquidity with shorter tenure loans and portfolio largely being funded through network and unsecured loans from group entities, resulting in low reliance on external debt.

CFL has no long term loans or scheduled repayments and utilization of the fund based limits remain at around 10% on an average. Furthermore, company also has free cash balance of around Rs.3 crore as on March 31, 2019, aiding its liquidity.

Analytical Approach: Standalone alongwith group support

Applicable Criteria

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

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

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

[Financial Ratios – Financial Sector](#)

[Rating Methodology - Factoring Linkages in Ratings](#)

About the Company

Incorporated in 1993, Ceejay Finance Limited (CFL) is a Reserve Bank of India (RBI) registered Non-Banking Finance Company (NBFC) – Asset Finance Company promoted by Mr. Harshad Dalal, Mr. Kiran Patel and Mr. Deepak Patel. CFL is primarily engaged in the business of asset financing (mainly vehicles finance and LAP). CFL operates in the state of Gujarat and Maharashtra through its network of 28 branches as on March 31, 2019.

CFL is part of Ceejay group which was initially established in 1912 as C. J. Patel and Co., a partnership firm with the objective of trading tobacco and subsequently it started marketing and manufacturing of beedis. Over the years, the group has diversified its business interest in real estate & finance sectors through its various entities and also owns wind mills with a power generating capacity of 8.50 Mega Watts. The group has recently ventured into ready to eat food business and has also established Ceejay Microfin Ltd. as microfinance institution.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	16.42	14.90
PAT	5.56	5.09
Interest coverage (times)	3.66	4.11
Total Assets	71.55	72.54
Net NPA (%)	5.77	5.17
ROTA (%)	8.21	7.12

A: Audited

During Q1FY20, CFL reported a total operating income (TOI) of Rs.4.18 crore with a PAT of Rs.1.37 crore as against a TOI of Rs.4.05 crore and PAT of Rs.1.40 crore during Q1FY18. The loan portfolio in Q1FY20 vis-à-vis Q1FY19 witnessed a growth of 24%.

Status of non-cooperation with previous CRA: ICRA placed the rating of Ceejay Finance Limited under Issuer Non Cooperating Category as per press release dated September 01, 2017 due to absence of requisite information to carry its review.

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	15.00	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	15.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (03-Oct-18)	1)CARE BBB-; Stable (21-Jul-17)	-

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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