September 01, 2017

Ceejay Finance Limited

Summary of rated instruments

Instrument *	Amount (in Rs. crore)	Rating Action
Long Term Fund-Based bank lines	15.00	[ICRA]BB+ (stable) ISSUER NOT COOPERATING#; Rating moved to the ‘Issuer not Cooperating’ category
Total	**15.00**	

*Instrument Details are provided in Annexure-1
#Issuer did not co-operate; based on best available information

Rating action

ICRA has moved the rating for the Rs. 15.00 crore long term fund-based bank facilities of Ceejay Finance Limited to the ‘Issuer Not Cooperating’ category. The rating is now denoted as **“[ICRA] BB+ (Stable); ISSUER NOT COOPERATING”**

Rationale

The rating is based on limited or no updated information on the entity’s performance since the time it was last rated in June 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity’s credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with Ceejay Finance Limited, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity’s management has remained non-cooperative. In the absence of requisite information, and in line with SEBI’s Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, the company’s rating is now denoted as: **“[ICRA]BB+(Stable) ISSUER NOT COOPERATING”**. ICRA’s Rating Committee has taken a rating view based on the best available information.

Key rating drivers

Credit strengths

- **Long track record and experience in the vehicle financing business for over 20 years -** The rating factors in the company’s long track record in the two-wheeler financing business, sound local market knowledge and a strong dealer/sub-dealer network built in over 2 decades of operations.
- **Strong promoter profile; promoter is a prominent player in the tobacco industry –** Ceejay Finance Limited is a part of the Ceejay Group. The flagship company of the group, Ceejay Tobacco Limited has been operational since 1982 in the tobacco business while its other group companies have interest in the tobacco business and in the real estate.
- **Low cost of funds on account of credit lines from the parent –** Ceejay Finance has access to funding lines from Ceejay Tobacco Limited at lower rates vis-a-vis banks. These funding lines form a significant portion of their borrowings mix and thus support the net interest margins and thus the bottom line of the company.

Credit weaknesses

- **Monoline nature of business with portfolio focussed on the two-wheeler segment –** The portfolio of the company is tilted towards the 2 wheeler financing segment which is perceived to be riskier as the eventual loss given default in the segment is on the high side.
- **Business geographical concentrated in Gujarat –** Majority of the company's business is sourced in the state of Gujarat which exposes the company to concentration risk with CFL vulnerable to credit shocks in case of any geography specific event.
- **Relatively riskier borrower profile –** CFL caters primarily to the low income borrowers, typically farmers and agricultural labourers. The profile of borrowers of CFL thus remains a credit concern as they remain more vulnerable to economic shocks.

Analytical approach:
For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:
ICRA's Credit Rating Methodology for Non-Banking Finance Companies

About the company
Ceejay Finance Limited (CFL), incorporated in 1993 as Heritage Packaging Limited, is an Ahmedabad-based deposit-taking NBFC (Asset Financing Company registered with RBI) that is primarily into the business of vehicle financing. The name of the company was changed from Heritage Packaging Limited to Ceejay Finance Limited in August 2001. The Company is a part of the C.J. Group that undertakes manufacturing and marketing of beedis, tobacco and tendu leaves and is also into construction of Commercial and Residential Real Estate. During FY2017, the company reported a net profit of Rs. 4.67 Crore on a total asset base of Rs. 63.35 crore as compared to a net profit of Rs. 3.75 crore on a total asset base of Rs. 50.44 Crore during FY2016.

Key Financial Indicators

	FY2015	***FY2016***
Net interest income	*9.02*	*9.87*
Profit before tax	*5.51*	*5.64*
*Profit after tax**Error! Bookmark not defined.***	*3.73*	*3.75*
Net worth	*26.67*	*29.78*
Total assets	*49.88*	*50.44*
Gearing	*0.79*	*0.60*
Return on assets	*7.89%*	*7.48%*
Return on net worth	*14.84%*	*13.29%*

Amounts in Rs. crore
Source: Company and ICRA research

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Table:

Sr. No.	**Instrument**	**Current Rating (FY2018)**			**Chronology of Rating History for the past 3 years**		
		Type	**Rated Amount (Rs. crore)**	**Sept 2017**	**FY2017**	**FY2016**	**FY2015**
					June 2016	**-**	**-**
1	Long Term Fund-Based bank lines	Long Term	15.00	[ICRA] BB+ (Stable); ISSUER NOT COOPERATING*	[ICRA]BB+ (stable)	-	-

*Issuer did not co-operate; based on best available information

Complexity level of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

ISIN No.	Instrument	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Rated Amount (Rs. crore)	Current Rating and Outlook
NA	Long Term Fund-Based bank lines	NA	NA	NA	15.00	[ICRA] BB+ (Stable); ISSUER NOT COOPERATING*

Source: Company
*Issuer did not co-operate; based on best available information

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About ICRA Limited:
ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.
Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.
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