

Ceejay Finance Limited

| Instrument | Amount (In INR Crores) | Rating Action (May 2016) |
|---------------------------------|---------------------------|-----------------------------|
| Long Term Fund-Based bank lines | 15.00 | [ICRA]BB+ (Stable) Assigned |

ICRA has assigned the rating of [ICRA]BB+ (pronounced ICRA double B plus) to the Rs. 15.00 Crore Long Term Fund Based bank lines of Ceejay Finance Limited (CFL)†. The outlook on the long term rating is 'Stable'.

The rating for CFL favourably 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. The rating also factors in good capitalisation profile of the company (gearing of 0.8 times as on March 31, 2015) and moderate profitability indicators (ROE of 13.3% for 2015-16) which have been supported by low cost funding support from the group companies. The rating is however constraint by the small scale of operations (networth of Rs. 29.79 crore and portfolio of ~Rs. 48 crore as on March 31, 2016), relatively monoline nature of business with ~80% of business coming from two-wheeler financing, and high concentration risk arising out of ~79% of portfolio being concentrated in the state of Gujarat. ICRA has also taken into consideration the relatively weak asset quality indicators for CFL (gross NPA% of 5.64% as on December 31, 2015). The asset quality for the company is likely to remain vulnerable given the target borrower profile and the inherent riskiness associated with two-wheeler financing business. Going forward, the ability of CFL to increase the scale of business while improving the asset quality and profitability would remain key rating sensitivities.

The overall managed book of the company stands at ~Rs. 48 Crores as on 31st March 2016 with the two-wheeler segment forming nearly ~80% of the total book, while the other segments include 4 wheelers (~10-15%), and refinancing (~2-3%). The company is also trying to diversify the asset mix through mortgage loans and Personal micro loans; though the overall proportion remains small. The company currently targets only the semi-urban and rural segments in the states of Gujarat and Maharashtra. The business across these two states is supported by about 80 employees (across 17 branches). They have tie-ups with over 60 dealers in the two states with whom they share a healthy business relationship on account of a long history and strong promoter-backing.

The core clientele of CFL largely has an agricultural background, which is perceived to be riskier. With poor monsoons seen in the previous financial year, the asset quality for CFL worsened with the GNPA% increasing from 4.56% as on Mar-15 to 5.64% as on Dec-15. The NNPA% during the same period increased from 3.60% from 3.99%. The company currently follows a 180+ dpd NPA recognition norm and thus the asset quality could be expected to face downward pressure as the company moves to a tighter NPA recognition norm and would thus be a key rating sensitivity.

Company Profile

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 FY2016, the company reported a net profit of Rs. 3.75 Crore on a total asset base of Rs. 50.44 Crore as compared to a net profit of Rs. 3.73 Crore on a total asset base of Rs. 49.88 Crore during FY2015.

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† For Complete rating scale and definitions please refer to ICRA's Website www.icra.in or ICRA Rating Publications



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