

# **A**NNUAL REPORT 2012-2013



# **CEEJAY FINANCE LIMITED**

## CORPORATE INFORMATION

### Board Of Directors

Harshad Dalal	<i>Chairman</i>
Deepak Patel	<i>Managing Director</i>
Kiran Patel	<i>Director</i>
Shailesh Patel	<i>Director</i>
Kiritkumar Dalal	<i>Director</i>
Bharat Amin	<i>Director</i>
Bhikhubhai Patel	<i>Director</i>
Sunil Patel	<i>Director</i>

### Company Secretary

Kamlesh Upadhyaya

### Statutory Auditors

M/S. Kantilal Patel & Co.,  
(A Member Firm Of Polaris IA Internation, USA.)  
“Paritosh”, 2nd Floor, Usmanpura,  
Ahmedabad -380 013

### Internal Auditors

Vipinchandra C. Shah & Co.  
133-134, Santram Super Market,  
Nr Laxmi Cinema, Nadiad-387 001

### Bankers

Bank of Baroda  
Union Bank Of India

### REGISTERED OFFICE

C. J. House.  
Mota Pore, Nadiad-387 001.

### CORPORATE OFFICE

9th Floor, Abhijit-II,  
Mithakhali Six Roads,  
Ellisbridge, Ahmedabad-380006.

Contents	Page No.
Notice	1
Directors' Report	3-7
Report on Corporate Governance	8-13
Auditors' Report	14-15
Balance Sheet	18
Profit & Loss Account	19
Cash Flow Statements	20-21
Schedule Forming Part of Accounts	22-36

## NOTICE

NOTICE is hereby given that the TWENTIETH Annual General Meeting of CEEJAY FINANCE LIMITED will be held at C.J. House, Mota Pore, Nadiad on Saturday 28<sup>th</sup> September, 2013 at 11.00 A.M. to transact the following business.

### ORDINARY BUSINESS:

1. To receive consider and adopt Balance sheet as at 31<sup>st</sup> March, 2013 and the Profit and Loss Account of the company for the year ended on that date and the Reports of the Board of Directors' and Auditors' thereon.
2. To declare dividend for the year ended 31<sup>st</sup> March, 2013.
3. To appoint a director in place of Mr. Kiritkumar Dalal who retire by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Mr. Deepak Patel who retire by rotation and being eligible, offers himself for re-appointment.
5. To appoint a director in place of Mr. Shailesh Patel who retire by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to fix their remuneration.

### SPECIAL BUSINESS:

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

RESOLVED THAT pursuant to the provisions of section 257 and all other provisions if any, of the Companies Act, 1956 Mr. Sunilkumar G. Patel be and is hereby appointed as a Director of the company, liable to retirement by rotation.

Register Office  
C.J. House, Mota Pore,  
Nadiad-387 001  
Dated: 25<sup>th</sup> May, 2013

By order of the Board  
For **CEEJAY FINANCE LIMITED**

**Kamlesh Upadhyaya**  
Company Secretary

### NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY IN ORDER TO BE EFFECTIVE, MUST BE DEPOSITED AT THE REGISTER OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of members and Share Transfer Books of the Company will be closed from Saturday, 21<sup>st</sup> September 2013 to Saturday, 28<sup>th</sup> September, 2013 (both days inclusive).
3. Trading in equity shares of the company through stock exchanges was made compulsory in dematerialized electric form. The company has entered into agreement with National Securities Depository services (India) Ltd. (NSDL) and Central Depository Services (India) Ltd (CDSL). Shareholders can open the account with any of the Depository Participant registered with any of these Depositories.
4. Members are requested to send their queries at least 10 days before the date of meeting so that information can be made available at the meeting.

5. Unpaid / unclaimed dividends for period of seven years i.e. 2004-05 have been transferred to the Investors' education and protection fund pursuant to section 205 C of the Companies Act 1956. As such, no claim of the shareholder shall be entertained after that period.
6. The detailed profile of the proposed re-appointed directors is attached here.
7. Explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to items of Special Business is annexed hereto.

By order of the Board  
For **CEEJAY FINANCE LIMITED**

Register Office  
C.J. House, Mota Pore,  
Nadiad-387 001  
Dated : 25<sup>th</sup> May, 2013.

**Kamlesh Upadhyaya**  
Company Secretary

**Brief resume of Directors to be appointed/re-appointed at this meeting are given below:**

Name of Director	Mr.Kirit Dalal	Mr.Deepak Patel	Mr.Shailesh Patel	Mr. Sunil G.Patel
Date of Birth	12-12-1943	05-07-1961	15-08-1965	28-05-1956
Date of Appointment	31-12-2005	20-04-1993	17-07-2001	29-09-2012
Experience (Yrs.)	40 Yrs.	20 Yrs	16 Yrs	25 Yrs
Expertise	Finance, Marketing	Finance, Marketing, Real estate	Purchase Production	Purchase, Marketing, Production
Other Directorship	Nil	Four Company	Three Company	Nil
Shareholding in company	1500	81730	81830	Nil
Education	B.com, LL.B	B.com,M.B.A.	Commerce	B.com.(M.S.Uni)

**Explanatory Statement pursuant to Section 173 of the Companies Act, 1956.**

**Item No. 7**

Mr. Sunilkumar G. Patel was appointed as an Additional Director on 29<sup>th</sup> September,2012 pursuant to section 260 of the Companies Act, 1956 and Article 114 of the Articles of Association of the Company. As per the existing provision, he will vacate office at the ensuing Annual General Meeting of the company.

The company has received notice under section 257 of the Companies Act, 1956 from a member signifying the intention to propose at the ensuing general meeting, the appointment of Mr.Sunil Patel as director of the company.

Mr.Sunil Patel, aged 56 is B.Com. He is at present engaged in the tobacco merchant business.

No directors are interested and concerned in the resolution. He does not hold any shares in the company.

By order of the Board  
For **CEEJAY FINANCE LIMITED**

Register Office  
C.J. House, Mota Pore,  
Nadiad-387 001  
Dated : 25<sup>th</sup> May, 2013.

**Kamlesh Upadhyaya**  
Company Secretary  
By order of the Board

**DIRECTORS' REPORT**

To,  
THE MEMBERS OF

**CEEJAY FINANCE LIMITED**

Your Directors hereby present their TWENTIETH Annual Report together with the audited accounts of the company for the year ended 31<sup>st</sup> March 2013.

**FINANCIAL RESULTS:**

(₹ in Lacs)

<b>PARTICULARS</b>	<b>YEAR ENDED 31/03/2013</b>	<b>YEAR ENDED 31/03/2012</b>
Revenue From Operations	1088.85	1024.67
Total Revenue	1095.08	1026.66
Profit Before Depreciation & Tax	555.47	444.77
Depreciation	9.32	8.51
Profit before Tax	546.15	436.26
Provision for tax		
Current	177.00	130.50
Deferred	(0.01)	11.67
Provision of Income Tax of earlier period	(7.46)	7.29
Profit After Tax	376.62	286.80
Balance of Profit brought forward	76.26	56.98
Profit available for Appropriation	452.88	343.78
<b>APPROPRIATION</b>		
Proposed Dividend	48.30	41.40
Corporate tax on Dividend	8.21	6.72
Transferred to		
Statutory reserve	75.50	57.40
General reserve	250.00	162.00
Balance Carried to Balance Sheet	70.87	76.26

**DIVIDEND:**

We are pleased to recommend dividend of 14% p.a (Rs.1.40 per share) on the Equity Share Capital of the Company for the financial year ended March 31, 2013. The dividend, if approved by the members, will be paid to members within the period stipulated by the Companies Act, 1956. The board has increased dividend to 14% for the current year as against 12% declared last year.

**OPERATIONS:**

Your Company has continued to grow steady but substantially due to the concerted marketing efforts in new business centers, new product, and prudent recovery system. Company achieved strong growth in operations and profit during fiscal 2012-13. Total revenue including income from operations and other income increased to Rs.1095.08 lacs in the current year from Rs.1026.66 lacs in previous year. In spite of inflation hike total expenses reduced 590.40 lacs in previous year to Rs.548.93 lacs in current year. Similarly, in spite of increase in bank interest rate, the bank charges have been reduced to Rs.224.05 lacs in the current year compared to

Rs.249.43 lacs in previous year. Accordingly, the profit before tax increased from Rs.436.26 lacs in the previous year to Rs.546.15 lacs in the current year 2012-13, registering growth 25.19%. After providing tax of Rs.177.00 lacs in the current year (Rs.130.50 lacs in previous year) profit after tax remained 376.62 lacs against Rs.286.80 lacs in the previous year, registering growth of 31.32%.

The disbursement in the current year remains Rs 3744 lacs compared to Rs.3830 lacs in previous year. The Company's strategy to focus for the business in smaller places and specialization in two/three wheeler segment has remained unchanged. Hypothecation / loan stock of the Company has increased from Rs.3450.24 lacs in previous year to Rs.3554.72 lacs in the current year.

The assets of the company are properly and adequately insured and recoveries are at satisfactory level.

#### **FUTURE OUTLOOK/ MANAGEMENT DISCUSSION AND ANALYSIS:**

During the year under review, the world faced several economic and political challenges including Eurozone debt crisis. Growth of the Indian economy, consistent with expectations, hit a decade low of 5% in 2012-13. Separately, full-year data released by the Controller General of Accounts showed that the fiscal deficit or gross borrowings of the Union government, in the last fiscal was lower than projected. While the slowdown is largely because industry is a laggard, weakness in the services sector is also clearly visible. Thus, the economy has bottomed out, the lift available to the economy is very weak. It seems that unless inflation numbers surprise on the lower side, a rate cut by central bank monetary policy review is unlikely. As we get control over inflation, there is more space available to pursue pro-growth policies. Though consumption decelerated, key factors underlying estimates of a shallow economic recovery to 5.7% include lower rates, favorable monsoon, a gradual pickup in investments, and a modest consumption recovery, due to lower rates and pre-election year spending.

Though the Indian economy grew strongly for a few years after Global Financial Crises in 2007-08, fiscal 2012-13 has not been one of its best years with deceleration in GDP growth rates, widening fiscal and current account deficit and currency volatility. The Government has taken initiatives during last few months to reverse the slowdown and reduced vulnerabilities. Various reviews indicate that the Indian Economy recovery in growth and economic activities is expected during the next fiscal and they have forecast GDP growth of 6.4% for fiscal 2012-13.

Despite high inflation, disaffection with political situation and daunting infrastructure bottlenecks, the Indian consumers remain inspirational and confident about their income and employment outlook keeping the Indian consumption story intact.

The domestic two-wheeler industry recorded sales volumes of 13.8 million units in 2012-13, a growth of 2.9% over the previous year. This pace of expansion was significantly slower than the 13.7% volume posted by the industry in the last five years. In the past, India's per capita real GDP growth at 8.6% over the six year period 2005-2011 had contributed substantially towards raising the standard of living of households, which in turn had been one of the key drivers of growth for the country's automobile industry. But over 2011-12 and 2012-13, inflationary conditions, firm interest rates, rising petrol prices as well as weak monsoons adversely impacted disposable incomes causing a consumption squeeze. Overall, company expects the domestic 2W industry volumes remain flat in 2013-14 as demand slowdown as well as base effect catches up with the industry that has demonstrated a healthy volume expansion over the last three years at cumulative annual growth rate of 13.8%. This has technically reflected in the volume of the company as discussed above, however the profitability is not effected due to strong fundamentals of the company.

Our mission is to be sound NBFC among regional players in terms of product offerings, technology, service levels, risk management and audit and compliance etc. The objective is to continue building sound customer / franchises across distinct businesses so as to be a preferred provider of NBFC services for its target retail and customer segments, and to achieve a healthy growth in profitability, consistent with the company's risk appetite. The company's range of retail financial products and excellent services and branches net work is fairly exhaustive to meet up the coming challenges. The objective is continue to build sound customer/dealer friendly atmosphere to achieve healthy growth in profitability, consistent with company's risk appetite. The company also emphasizes to develop innovative products and services that attract its Customers, Increase its market share as NBFC and

financial services industry by following a disciplined growth strategy focusing on balancing quality and volume growth while delivering high quality customer service, maintain reasonably good standards for asset quality through disciplined credit risk management; and continue to develop products and services that reduce its cost of funds; and Focus on healthy earnings growth with low volatility. Our company growth is more important especially looking to the concentration in rural area for the business. The company grew its retail assets portfolio in a well balanced manner focusing on both returns as well as risk. Company intends to follow conservative view in the coming years. Company also expects continuous threats to small/medium Company like us, from global/giant players in the retail finance market especially with large size/volume, lower rate of interest and ability to sustain in the market is inevitable for the company to sustain in the market.

Overall, in spite of various pros and cons your company has demonstrated outstanding achievement in terms of earned valued and well built market presence. Your company is cash rich, has better liquidity, improved working capital and it has shown its readiness to accept market challenges. All of these are signs of strong fundamentals which the company has been able to establish with the help of better and professional management support.

## **RISK MANAGEMENT AND PORTFOLIO QUALITY:**

Your company has comprehensive Risk Management System towards identification and evaluation of all potential business risks. Management has developed Risk Management Plan and reviews its implementation regularly. The company is exposed to external and internal risk associated with its business. To counter these risks, the company continues to broaden its product portfolio, increase customer profile and geographic reach.

Taking on various types of risk is integral to the NBFC business. Sound risk management and balancing risk-reward trade-offs are critical to a company's success. Business and revenue growth have therefore to be weighed in the context of the risks implicit in the company's business strategy. Of the various types of risks your company is exposed to, the most important are credit risk, market risk including liquidity risk and price risk and operational risk. The identification, measurement, monitoring and management of risks accordingly remain a key focus area for the Company. For credit risk, appropriate distinct policies and processes are in place for the retail businesses. Overall portfolio diversification and reviews also facilitate mitigation and management. Especially a small capital based company faces multiple problems due to poor recovery systems. The specific NPA provisions that the company has made continue to be more conservative than the regulatory requirements. This will help the company to maintain high standards for assets quality through disciplined credit risk management.

However, while the balance of risks in the last financial year were largely external, rising domestic interest rates as well as firm inflationary pressures have meant that domestic factors have now emerged as points of concern for growth in the current fiscal year.

While the possibility of negative impact due to one or more such risks can't be totally ruled out, the company proactively takes conscious and reasonable steps, making efforts to mitigate the significant risks that may affect it.

As on 31<sup>st</sup> March, 2013, against hypothecation of loan stock of Rs.3554.72 lacs (previous year Rs.3450.24), Rs.2617.09 is falling due within 12 months. The NPA of bad debts/hypo.loans written off is Rs.21.17 lacs while provision for doubtful/ nonperforming assets is Rs.2.04 lacs.

## **INTERNAL AUDIT AND COMPLIANCE:**

The Company has Internal Audit and Compliance functions which are responsible for independently evaluating the adequacy of all internal controls and ensuring operating and business units adhere to internal processes and procedures as well as to regulatory and legal requirements. The audit function also recommends improvements in operational processes and service quality. To mitigate operational risks, the Company has put in place extensive internal controls including restricted access to the company's computer systems, appropriate segregation of front and back office operations and strong audit trails. The Audit Committee of the Board also reviews the performance of the audit and compliance functions and reviews the effectiveness of controls and compliance with regulatory guidelines.

**RESOURCE MOBILATION:**

Cost of funds for retail-focused NBFCs, which remained high at 10.5% - 13%, is likely to remain elevated due to the new guidelines of market regulator SEBI that capped investments by mutual funds in NBFC issued debt securities. As mentioned earlier, company is in constant search to avail cheaper fund to reduce our cost of funds. The cash credit limit of the company has been elevated from Rs.975 lacs to Rs.1500 lacs with the Banks.

The Company has discontinued accepting or renewing fresh deposits, therefore the fixed deposit of the company reduced to Rs.33.35 lacs in current year from 208.97 lacs in previous year. Inter Corporate Deposit almost remain constant from 873.75 lacs in the previous year to Rs.877.25 lacs in current year. However utilization banks limits marginally increased from Rs.1046.85 lacs to Rs.1125.66 lacs in current year.

**CAPITAL ADEQUACY:**

Your company's Capital Adequacy Ratio (CAR) stood at 49.64%, well above the regulatory minimum of 15%. The revised Guidelines issued by R.B.I for recognition of Income, asset classification, Investment accounting, provision for non-performing assets and capital adequacy have been followed by your company. The company has also made the provision for non performing assets in case of Sub-standard, doubtful and loss assets as per R.B.I. guidelines.

**FIXED DEPOSITS:**

As reported earlier, the Company has discontinued to accept or renewed fresh/existing fixed deposits. The outstanding deposit remains Rs. of Rs 33.35 lacs as on 31<sup>st</sup> March, 2013. At the close of the year, no amount remained unclaimed. The company does not have any claimed but unpaid deposits.

**DIRECTORATE:**

Mr.Deepak Patel, Mr.Kirit Dalal and Mr.Shailesh Patel are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. During the year Sunilkumar Patel was appointed as an additional director and Mr. Jaimin Kiran Patel has resigned as a director.

**CORPORATE GOVERNANCE:**

As per clause 49 of the listing agreement with stock exchanges, your company was required to implement the code of corporate Governance. Accordingly, your company has complied in all material respects with the features of the said code. A report on the same is given separately.

**DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to the requirement of Section 217 (2AA) of the Companies Act, 1956 the Directors hereby confirm that:-

- (i) in the Preparation of the Annual Accounts for the Financial Year ended 31<sup>st</sup> March, 2013, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the Profit of the company for the year under review;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the Annual Accounts for the financial year ended 31<sup>st</sup> March 2013 on a 'going concern' basis.

**LISTING AGREEMENT WITH STOCK EXCHANGES:**

Pursuant to the provisions of listing agreement with stock exchanges, the equity shares of the company are listed at Ahmedabad (regional) and Mumbai stock exchanges.



**DEPOSITORY SYSTEM:**

Your company has established electronic connectivity with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. In view of the compulsory dematerialization of company's equity shares on stock exchanges, members are requested to dematerialize the shares on either of the depositories as aforesaid.

**AUDITORS:**

Kantilal Patel & Co. Chartered Accountants, auditors of the company, hold office until the conclusion of the ensuing Annual General Meeting of the company and being eligible, offer themselves for reappointment.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :**

As the main business of the company is of finance, the company has no activities relating to conservation of energy or technology absorption. The company has had no foreign exchange earnings or out goes during the year under review.

**PARTICULARS OF EMPLOYEES:**

There are no Employees covered by section 217 (2A) of the Companies Act, 1956 read with Companies (Particular of Employees) Rules, 1975 as amended.

**ACKNOWLEDGEMENT:**

The Directors would like to place on record their sincere appreciation to all the employees of their Continued effort towards the growth of the company and would also like to express their thanks to the Bankers, Shareholders and Fixed Depositors for their support and contribution which enabled the company to achieve its goals for the year.

**FOR AND ON BEHALF OF THE BOARD**

Place : NADIAD.  
Dated : 25<sup>th</sup> May 2013

**Harshad Dalal**  
**CHAIRMAN**

## CORPORATE GOVERNANCE REPORT

(In compliance with Clause 49 of the Listing Agreement)

Given below is a report on corporate governance:

### I Company's philosophy on Code of Governance:

The Company's philosophy on corporate governance is to ensure that its obligations are discharged in a fair and transparent manner and to enhance the value to all its stakeholders through sound and professional governance. The Company endeavors to constantly comply with and continuously improve on these aspects.

### II Board of Directors:

The Board comprises of a Non-Executive Chairman, a Managing Director and six Non-executive Directors of which four are independent directors.

Mr. Harshad Dalal is Promoter, Chairman of the company.

During the year ended March 31<sup>st</sup> 2013, six Board meetings were held on the following dates:

30-5-2012, 31-7-2012, 29-09-2012, 31-10-2012, 31-1-2013 and 30-3-2013.

The constitution of the Board and other relevant details are given below:

Name of Director	Category	Directorship in other Co.	Membership in Board Committees of other co.	Attendance at Meetings	
				Board	Last A.G.M. 19.09.2010
Mr. Harshad Dalal	Chairman Non-Exe./Promoter	4	—	6	Yes
Mr. Kiran Patel	Non-Exe./Promoter	4	—	6	Yes
Mr. Deepak Patel	Executive/Promoter	4	—	6	Yes
Mr. Shailesh Patel	Non-Exe./Promoter	3	—	5	Yes
Mr. Kiritkumar Dalal	Non-Exe./Independent	Nil	—	5	Yes
Mr. Bharatbhai Amin	Non-Exe. /Independent	Nil	—	5	Yes
Mr. Bhikhubhai Patel	Non-Exe. /Independent	Nil	—	5	Yes
Mr. Sunil G. Patel	Non-Exe. /Independent	Nil	—	2	No

The information as required under Annexure I A to the clause 49 of the listing agreement is made available to the Board of Directors. Mr. Kiritkumar Dalal, Mr. Deepak Patel and Mr. Shailesh Patel are liable to retirement by rotation, and being eligible offers themselves for re-appointment. Mr. Sunil G. Patel appointed as an additional director on 29-09-2012. Mr. Jaimin K. Patel, resigned as a director w.e.f. 29-09-2012.

### COMMITTEES OF THE BOARD:

There are two committees of the Board viz.

- Audit Committee
- Investors Grievance Committee

The Board determines the terms of reference of these committees from time to time. The respective committee's Chairman/Company secretary conveys meetings of these committees. At each board meeting, Minutes of these committees are placed before the Board for their perusal and noting.