

**Devi Tobacco Exports (Revised)**

September 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	10.50	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	4.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*	LT rating downgraded from CARE BB-; Stable and ST rating reaffirmed and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

**Rationale and key rating drivers**

CARE has been seeking information from Devi Tobacco Exports (DTE) to monitor the ratings vide e-mail communications dated July 03, 2024, July 16, 2024, July 25, 2024, July 31, 2024, August 06, 2024, August 08, 2024, August 20, 2024, September 03, 2024, September 13, 2024 and September 18, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Devi Tobacco Exports (DTE) bank facilities will now be denoted as CARE B+; Stable; CARE A4 ISSUER NOT COOPERATING\*.

**Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings have been revised and migrated to INC category due to non-availability of requisite information due to non-cooperation by Devi Tobacco Exports (DTE) with CARE'S efforts to undertake a review of the rating outstanding. CARE Ratings views information availability risk as a key factor in its assessment of credit rating.

**Analytical approach:** Standalone

**Outlook:** Stable

**Detailed description of key rating drivers:**

**At the time of last rating on September 13, 2023, the following were the rating weaknesses and strengths.**

**Key weaknesses**

**Constitution of the entity as a partnership with the inherent risk of withdrawal of capital:** DTE's constitution as a partnership firm with a low net worth base restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. At the same time, there is an inherent risk of withdrawal of capital and dissolution of the firm in case of the insolvency of a partner. However, over the review period, the partners have infused funds into the business to support operations. In FY23, the partners infused Rs.4.54 crore into the capital.

**Business operations are vulnerable to government regulations:** The tobacco industry is highly susceptible to adverse regulatory changes due to restrictive government policies in the form of excise duties and the imposition of multiple taxes. Moreover, to maintain an acceptable level of quality of processed tobacco, sourcing quality tobacco is a prerequisite. The availability of quality tobacco depends on the climatic conditions and in the event of any adverse climatic events like untimely rains, drought, etc. may limit the availability of the same.

**Highly fragmented and competitive nature of the industry:** The firm is engaged in the trading of tobacco which is a highly fragmented business due to the presence of the large number of organized and un-organized players in the industry resulting in high competition.

**Profitability margins are susceptible to fluctuation in foreign exchange prices:** The firm derives around ~52% of its revenue from the export market which is exposed to foreign exchange fluctuation risk a phenomenon common to the players in the industry. Due to the trading nature and limited value addition, the margins remain thin. The PBILDT margins stood at 1.69%

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

in FY23 as compared to 1.34% during FY22. Similarly, the PAT margins of the firm also improved during FY23 to 1.58% as compared to 0.64%. The rise in the PAT margins is on the back of higher PBILDT of the firm during FY23. However, the company has availed sanction of Rs.10.50 crore of Cash Credit which may affect the margins of the company going forward while expanding the scale of operations.

## Key strengths

**Experienced and resourceful promoters:** Devi Tobacco Exports is promoted and managed by Mr Naresh (Managing Partner), a qualified M.S who have experience of around six years of and the business operations are supported by Ms Lakshmi Priyanka (Partner) who has six years of experience and is an engineering graduate. The partners gained experience through its family business which has been in the tobacco industry for around two decades. Furthermore, the partners are resourceful and will bring need-based funds to support the business operations. During FY23, the partners infused Rs.4.54 crore into the capital of the firm.

**Strong growth in TOI during FY2023:** The firm was established in 2019 and FY21 was its first full year of commercial operations. Hence, the firm has a short track record of business operations. Whereas the scale of operations of the firm improved in comparison to the last review period i.e., from Rs.28.74 crore in FY22 to Rs.96.40 crore in FY23 (Prov). Furthermore, the networth base remained small but improved with an infusion from partners, the networth improved to Rs.7.36 crore as on March 31, 2023. In FY22, the actual sales of the company were Rs.38.96 crore, however, about Rs.10.54 crore of the sales were cancelled. Due to this, the TOI during FY22 is Rs.28.74 crore.

**Favourable location of the unit:** The firm's facility is situated at Guntur which is close to the tobacco growing belt. The local set-up gives the advantage of tightly managed logistics and forwarding arrangements and the elimination of intermediaries. The firm purchases the raw tobacco from local farmers and dealers and gets it processed on a job-work basis.

**Comfortable capital structure and debt coverage ratios:** The capital structure of the company marked by overall gearing is comfortable at 0.03x during FY23 as compared to 0.50x. The lower overall gearing is due to a fall in the total debt levels. However, the firm's gearing is expected to deteriorate as the firm had availed cash credit of Rs.10.50 crore which was sanctioned only in June 2023. The debt coverage indicators are also comfortable with Total Debt/GCA at 0.14x and interest coverage ratio at 24.07x.

**Stable Industry Outlook:** A large proportion of the Indian economy is agro-based in which Tobacco is one of the principal cash crops. Tobacco production and its allied products' sales in the country have played a prominent role in the development of the nation's economy. India is the largest tobacco market in the world in terms of tobacco consumption. Smokeless tobacco has historically served as a tradition in India for many decades. Presently, smokeless tobacco is the largest tobacco product category in India. On account of the fact the majority of the Indian tobacco-consuming population consumes beedis, snuff and smokeless tobacco, including gutka, khaini and zarda, the tobacco market is majorly held by chewing and beedi tobacco products. Unlike other countries such as the US, UK, and others, in India, the tobacco market is majorly controlled by the production of snuffs, guthka and others. During the last few years, consumers belonging to lower-income groups have been showcasing a consistent paradigm shift from Beedis to lower-priced cigarette products. This in turn has augmented the overall tobacco market revenues as cigarettes are more expensive than Beedis. However, the increasing regulations in the industry via taxation bans on advertising promotion have led to a decline in the growth of tobacco product volume sales in the country.

## Liquidity: Adequate

The liquidity position of the firm remained adequate marked by a minimal amount of repayment obligation. Apart, the partners are resourceful and will bring need-based funds to support the business operations. The firm has no long-term debt obligations as of March 31, 2023. The cash credit limit sanctioned is utilised at 30% thus balance shall be available at the discretion of the company.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

## Applicable criteria

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Manufacturing Companies](#)

[Wholesale Trading](#)

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## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Cigarettes & Tobacco Products	Cigarettes & Tobacco Products

Guntur-based Devi Tobacco Exports (DTE) was established on November 30, 2019, as a partnership firm by Mr. Amirineni Naresh (Managing Partner) and Ms Amirineni Lakshmi Priyanka (Partner). The firm is engaged in the trading of tobacco. DTE purchases tobacco from local dealers and farmers located in and around Guntur and 50% of the sales are made through exports to Dubai, Mauritius, USA, and Bulgaria. The firm started commercial operations at the end of December 2019.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	5MFY2024(UA)
Total operating income	28.74	96.40	30.00
PBILDT	0.38	0.55	NA
PAT	0.18	0.45	NA
Overall gearing (times)	0.50	0.03	NA
Interest coverage (times)	2.56	8.83	NA

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

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** NA

**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-Cash Credit		-	-	-	10.50	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ST-CC/Packing Credit		-	-	-	4.50	CARE B+; Stable / CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

### 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	10.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (13-Sep-23)	1)CARE B+; Stable (14-Oct-22)	-
2	Fund-based - LT/ST-CC/Packing Credit	LT/ST	4.50	CARE B+; Stable / CARE A4; ISSUER	-	1)CARE BB-;	1)CARE B+; Stable / CARE A4	-

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
				NOT COOPERATING*		Stable / CARE A4 (13-Sep-23)	(14-Oct-22)	

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short 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-Cash Credit	Simple
2	Fund-based - LT/ ST-CC/Packing Credit	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Annexure-6: List of entities consolidated: NA**

**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](mailto:care@careedge.in) for clarifications.

## Contact us

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