

## Zen Tobacco Private Limited

November 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	5.50 (Enhanced from 1.50)	CARE BB-; Stable	Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Rating assigned to the bank facility of Zen Tobacco Private Limited (ZTPL) continues to remain constrained on account of operating and net losses in FY25 (Audited, FY refers to period April 01 to March 31) along with moderate capital structure and weak debt coverage indicators and large amount of advances extended to its group entities. Rating continues to take into consideration moderate scale of operation, stretched liquidity, business operations susceptible to adverse changes in government regulations as well as seasonality associated with raw material availability and susceptibility of its profitability to fluctuations in raw material prices. Rating, however, continues to derive comfort from vast experience of promoters in tobacco industry and ZTPL being a part of Zen group as well as established sourcing arrangements along with wide distribution network.

Further, CARE Ratings Limited (CareEdge Ratings) has withdrawn the rating assigned to one of the long-term bank facilities as the said facility is closed as per latest bank sanction letter.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Sustaining scale of operations marked by Total operating income (TOI) above Rs.70 crore and PBILDT margin above 10%
- Decline in advances to group entities below Rs.40 crore on sustained basis
- Improving Total outside liabilities/Tangible net worth (TOL/TNW) to below 1.50

#### Negative factors

- Decline in scale of operations to below Rs.50 crore and PBILDT margin below 5%
- Deterioration in capital structure owing to debt funded capex or otherwise leading to overall gearing above 1.5x
- Any unfavourable development that leads to a material impact on profitability from FY27 onwards

**Analytical approach:** Standalone

#### Outlook: Stable

CareEdge Ratings believes that that ZTPL is likely to sustain its overall moderate financial risk profile marked by scale of operations, profitability margins and capital structure with the support of acquired brand 'Amber'.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Decline in profitability albeit moderate scale of operations

Scale of operations although improved, remained moderate at Rs.96.13 crore in FY25 over Rs.66.84 crore in FY24 with support of 'Amber' brand. However, it reported operating loss of Rs.1.33 crore majorly on account of high legal expenses and subsequent net loss of Rs.6.57 crore owing to high depreciation cost with recent acquisition of 'Amber' brand. Till October 31, 2025, ZTPL reported TOI of Rs.63.26 crore. Scale of operations are anticipated to improve further with the support of Amber brand however; profits are expected to remain thin in FY26 owing to continued legal expense in FY26.

##### Moderate capital structure and weak debt coverage indicators

Capital structure remained moderate as marked by overall gearing of 0.61x as on March 31, 2025, as against 0.45x as on March 31, 2024, due to higher vehicle loans and reported net loss in FY25. Debt coverage indicators weakened due to reported operational loss. TDGCA stood at 24.65x during FY25.

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

**Large amount of advances extended to group companies**

Zen Fincorp Private Limited (ZFPL) is a group company and RBI registered Non-Banking Financial Company (NBFC). Mr. Rashmin Majithia and Mr. Jay Majithia hold directorship in ZFPL. ZFPL is engaged in the business of lending. Mr. Rashmin Majithia also holds directorship in ZTPL. ZTPL lends the excess funds during the year to ZFPL and Zen Exim Private Limited (ZEPL). However, there is no specific terms and conditions for the repayment of loans and as such repayable on demand. Loan outstanding as on March 31, 2025, remained at Rs.50.02 crore, solely pertaining to ZFPL (P.Y.: Rs.63.97 crore).

**Business operations susceptible to adverse changes in government regulations**

Tobacco products have been the major source of revenue in the form of taxes to both central as well as state governments, and hence there are regular modifications in taxation laws/tax rates with respect to the same. However, the demand for tobacco products is highly inelastic and the manufacturers are able to transfer the additional cost to the end customers. Due to the hazardous nature of tobacco, the shops or kiosks selling tobacco products are required to display warnings such as "tobacco causes cancer" or "tobacco kills" prominently on their advertisement boards.

**Seasonality associated with the raw material availability and susceptibility of its profitability to fluctuations in raw material prices**

The prices of raw tobacco have been moderately volatile in the past depending upon the availability in the market; however, the prices of silver (as coating on zarda) and flavours have been highly volatile. Since there is a long-time lag between raw material procurement and liquidation of inventory, the company is exposed to the risk of adverse price movement resulting in lower realization than expected. However, due to the demand of chewing tobacco having very low level of price elasticity, the company is in a position to pass-on the increased cost to its final consumers which lowers the risk of raw material price fluctuations.

**Key strengths****Vast experience of promoters in tobacco industry and ZTPL being part of ZEN Group**

ZTPL is promoted by two individuals led by Mr. Rashmin Majithia, who is acting as a Managing Director and has an experience of more than two decades in the business of chewing tobacco. Mr. Pinakin Gor is acting as the director and has an experience of almost two decades in the business. ZTPL has operational track record of almost two decades; the promoters have been able to establish their own reputation. Also, over the years of operation, the company has developed strong relationships with the suppliers. ZTPL is part of reputed ZEN Group, having associate entities namely Zen Exim Private Limited (ZEPL) (CARE BB+; Stable/CARE A4+), Zen Fincorp Private Limited (ZFPL) is a RBI registered Non-Banking Financial Company (NBFC), Zen Industries Private Limited (ZIPL) engaged in manufacturing of non-addictive mouth fresheners. Director of ZTPL, Mr Rashmin Majithia is also Director in all other companies of the group.

**Established sourcing arrangement and wide distribution network**

ZTPL sources various grades of tobacco required for its products from Gujarat. The company has developed long-term relationship with tobacco vendors in the state. For other raw materials like flavour, perfumes, saffron, packaging material, etc., the company has established vendors and has long-term relationships with them as well. On the distribution front, the company has a vast dealer network spread across the country. The company has established its own distribution depots and had appointed more than 150 dealers across major cities of India.

**Liquidity: Stretched**

Liquidity remained stretched as large amount of advances are extended to its group entities. GCA for FY25 remained low at Rs.1.03 crore as against debt obligations of Rs.4.44 crore arising in FY26. However, repayment obligations are expected to be met from cash accruals of FY26 and recoveries of advances to group entity 'ZFPL'. Current ratio remained comfortable at 1.42x as on March 31, 2025, as against 1.39x as on March 31, 2024. Average utilisation of the fund-based working capital limits also remained high at ~85% for the past twelve months. Further, owing to higher credit period from trade payables, working capital cycle remained negative at 26 days.

**Applicable criteria**

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

## 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

Ahmedabad (Gujarat) based ZTPL was incorporated in the year 2003. The main products of ZTPL include Chewing Tobacco (Zarda). Mr. Rashmin Majithia, Managing Director, manages the day-to-day operations of ZTPL. The company markets its products under the brand 'Mazaa', 'Hero' and 'Eagle' across India. Further, in FY24, company had added "Amber" brand to its product portfolio (bidi). Its plant, located at Daskroi, Ahmedabad has a total installed capacity of 1500 Metric Tonnes Per Annum (MTPA) of Chewing Tobacco as on March 31, 2025. The finished product of ZTPL is distributed pan-India via well-established dealer channel which comprises of more than 150 dealers.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	7MFY26 (UA)
Total operating income	66.84	96.13	63.26
PBILDT	7.53	-1.33	NA
PAT	4.74	-6.57	NA
Overall gearing (times)	0.45	0.61	NA
Interest coverage (times)	8.54	NM	NA

A: Audited UA: Unaudited NM: Not measurable NA: Not available; Note: these are latest available financial results

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

**Any other information:** Not applicable

**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-Bank Overdraft		-	-	-	0.00	Withdrawn
Fund-based - LT-Bank Overdraft		-	-	-	5.50	CARE BB-; Stable

**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 2025-2026	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
1	Fund-based - LT-Bank Overdraft	LT	-	-	-	1)CARE BB-; Stable (14-Oct-24)	1)CARE BB; Stable (03-Nov-23)	1)CARE BB; Stable (11-Nov-22)
2	Fund-based - LT-Bank Overdraft	LT	5.50	CARE BB-; Stable	-	1)CARE BB-; Stable (14-Oct-24)	1)CARE BB; Stable (03-Nov-23)	1)CARE BB; Stable (11-Nov-22)

LT: Long 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-Bank Overdraft	Simple

**Annexure-5: Lender details**

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

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

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