

## Lakshmi Tobaccos

April 24, 2020

### Rating

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	9.90	<b>CARE D;</b> <b>ISSUER NOT COOPERATING*</b> (Single D; Issuer Not Cooperating)	<b>Issuer not cooperating on the basis of best available information</b>
<b>Total Facilities</b>	<b>9.90</b> <b>(Rupees Nine Crore and Ninety Lakhs only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 13, 2019, placed the ratings of Lakshmi Tobaccos (LT) under the 'issuer non-cooperating' category as LT had failed to provide information for monitoring of the rating. The firm continues to be non-cooperative despite repeated requests for submission of information through e-mail communications from January, 2020 to April 16, 2020 and numerous phone calls. 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.

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

### Detailed description of the key rating drivers

*At the time of last rating on March 13, 2019, the following were the rating strengths and weaknesses:*

#### **Key Rating Weakness**

##### ***Delays in debt Servicing***

The firm has poor liquidity position due to insufficient cash flows, thereby resulting in delays in servicing debt obligations.

##### ***Vulnerability of the tobacco business to government regulations and to climatic risks affecting tobacco availability***

Tobacco products form a major source of revenue in the form of taxes to both central as well as state government and hence there are regular modifications in taxation laws/tax rates with respect to the same. Due to the harmful nature of the product, the various state governments have banned manufacture and sale of various tobacco products under the Food Safety and Standards (Prohibition and Restrictions on Sales) Regulations, 2011 and availability of tobacco is highly susceptible to the factors like area under cultivation, Climatic risk, crop yield. Hence, the profitability margins of the firm are vulnerable to government regulations on tobacco products and availability of tobacco.

##### ***Proprietorship nature of constitution with inherent risk of withdrawal of capital***

Constitution as a proprietorship has the inherent risk and possibility of withdrawal of capital at a time of personal contingency which can adversely affect the capital structure of the firm. Furthermore, proprietorships have restricted access to external borrowings as credit worthiness of the proprietor would be a key factor affecting the credit decision of lenders.

### **Key Rating Strengths**

#### ***Long track record and experience of the proprietor for more than three decades in tobacco business***

Lakshmi Tobaccos (LT) was established in 2000 as a proprietorship firm, by Mr. S. Narayana Rao, who has around 35 years of experience in tobacco business which has helped the firm in establishing relationship with customers.

**Analytical Approach:** Standalone

### **Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology- Wholesale Trading](#)

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

\*Issuer did not cooperate; Based on best available information

### About the Firm

Andhra Pradesh based, Lakshmi Tobaccos (LT) was established in the year 2000 as a proprietorship concern by Mr.S.Narayana Rao. LT is an authorized licensed dealer in tobacco registered with Tobacco Board for trading of Virginia tobacco (VFC). LT is mainly engaged in trading of Virginia tobacco.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	35.32	40.36
PBILDT	1.35	1.51
PAT	0.24	0.19
Overall gearing (times)	2.63	2.82
Interest coverage (times)	1.31	1.23

### A-Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

### Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	9.90	CARE D; ISSUER NOT COOPERATING*

\*Issuer not cooperating; on the basis of best available information

### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	9.90	CARE D; ISSUER NOT COOPERATING*	-	-	1)CARE D; ISSUER NOT COOPERATING* (13-Mar-19) 2)CARE B+; Stable (13-Apr-18)	-

\*Issuer not cooperating; on the basis of best available information

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**Contact Us****Media Contact**

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)**Analyst Contact**

Ms. Nivedita Ghayal

Contact no: 040-40102030

Email: [nivedita.ghayal@careratings.com](mailto:nivedita.ghayal@careratings.com)**Business Development Contact**

Name: Ravi Babu

Contact no. : 040-40102030

Email ID: [ravi.babu@careratings.com](mailto:ravi.babu@careratings.com)**About CARE Ratings:**

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**