



Rating Rationale

Vazeer Tobacco Company

17May2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 8.00 Crores of Vazeer Tobacco Company.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jan, 2018)	Present
Fund based	8.00	8.00	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Reaffirmed
Total	8.00	8.00	INR Eight Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results till FY18, projected financial statements till FY20, publicly available information and information/clarification provided by the client.

The ratings assigned to Vazeer Tobacco Company draws strength from the experience of the promoters, improving profit margins and low dependency on borrowed funds.

The rating is, however, constrained by small scale of operations, low net worth, declining revenues and an inherent exposure to regulatory changes.

Going forward, the ability of the business to increase its scale of operations by increasing the revenue, to improve profitability margins and liquidity status would be the key rating factors for the rating of the business.



Description of Key Rating Drivers

- **Credit Strengths:**

Mr. SK. Karimula, the managing partner of the firm has more than 3 decades of experience in the same line of business, while all the other partners also have more than a decade's experience. Despite no significant increase in the firm's actual profits, the firm has improved its profit margins from 0.82% in FY17 to 1.02% in FY18. The firm also has a very low dependency on borrowed funds and have no long term loans on their balance sheet.

- **Credit Risks:**

The firm has a vintage of 45 years, despite which it is operating on low revenues and profits. The revenue of the firm declined from Rs. 16.77 Crs in FY17 to Rs. 15.09 Crs in FY18. The firm reported a PAT of Rs. 0.15 Crs in FY18. Due to the nature of a partnership firm, the partners withdraw funds from the business preventing the profits to be ploughed back into the firm. The tobacco industry also comes with an inherent risk to regulatory changes like restrictions on packaging and promotion, apart from the high tax structure for this industry.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Vazeer Tobacco Company** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Vazeer Tobacco company (VTC) is a Partnership Firm based in Guntur, Andhra Pradesh established in 1975. Mr. Shaikh Shabbir Ahmed, Mr. Shaikh Shajahan, Mr. Shaik Ahmed Ali, Mr. Shaik Karimulla and



Mr. Shaikh Elias are the five partners of the firm. Vazeer Tobacco company is into trading and processing of tobacco related products. The firm purchases tobacco leaves from different traders and then process it manually to produce different grades of tobacco. All the manufacturing activities of the firm is entirely pre – order basis. Only after customer order firm start production processes.

Company Financial Performance

The firm generated a revenue of Rs. 15.09 Crs and a profit of Rs. 0.15 Crs in FY18 where as in FY17 it generated a revenue of Rs. 16.77 Crs and a profit of Rs. 0.14 Crs. Tangible net worth of the unit was maintained at Rs. 1.72 Crs in FY18.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	04.01.18	25.10.16	26.06.15
	Fund Based	Long Term	8.00	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Reaffirmed	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable
	Total		8.00	₹ Eight Crores Only			

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	15.09	16.77
EBITDA	₹ Cr	1.14	1.32
PAT	₹ Cr	0.15	0.14
Tangible Net worth	₹ Cr	1.72	1.73
Total Debt/Tangible Net worth	Times	4.63	4.55
Current Ratio	Times	7.34	10.36

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.