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Sree Mahalakshmi Oil Mills

May 29, 2025

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	23.89	IVR BB+/Stable (IVR Double B Plus; with Stable Outlook)	IVR BB/ Negative, ISSUER NOT COOPERATING (IVR Double B with Negative Outlook; ISSUER NOT COOPERATING)	Upgraded, removed from ISSUER NOT COOPERATING category, and Outlook revised	Simple
Total	23.89(Rupees Twenty-Three Crore and Eighty-Nine Lakh)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The rating was migrated to ISSUER NOT COOPERATING category as Sree Mahalakshmi Oil Mills (Firm or SMOM) had not submitted the 'No Default Statement' for three consecutive months ended March 2024, and the uncertainty around its credit risk. Subsequently, firm has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPERATING category.

Infomerics Ratings has upgraded its rating and revised the outlook assigned to the bank facilities of Sree Mahalakshmi Oil Mills on account of the improving scale of operations.

The firm continues to derive benefits from the experience of the proprietor with long track record of operations, strong relationship with customers and suppliers and established supply chain network, and stable demand outlook albeit intense competition in the industry.

The ratings are however constrained due to thin Profitability and leveraged capital structure, highly competitive and fragmented nature of the industry, and exposure to regulatory/geopolitical risk.

The 'Stable' outlook indicates that Sree Mahalakshmi Oil Mills is expected to continue to get benefits out of the experience of proprietor with long track record of operations.



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Key Rating Sensitivities:

- **Upward Factors**
 - Substantial and sustained improvement in the scale of operations, leading to an improvement in the credit metrics and profitability.
- **Downward Factors:**
 - Deterioration in the scale of operations or a decline in EBITDA margins due to industry or firm-specific factors, leading to a significant deterioration in the credit metrics or liquidity, on a sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced proprietor with long track record of operations

Mr. S. Kanakaraj is the proprietor of Sree Mahalakshmi Oil Mills which was established in 2002. The proprietor holds three decades of experience in similar line of business. Prior to establishment of Sree Mahalakshmi Oil Mills, Mr. Kanakaraj worked with Senthil Traders which was established in 1989 by his father. The firm's long track record of operations for more than two decades and vast experience of the proprietor benefits the firm to receive the continuous orders from existing and new customers.

Strong relationship with customers and suppliers and established supply chain network enhance operational stability

The longstanding industry presence has helped the firm build good relationships with both suppliers and customers, supporting its operational stability and business growth. The firm has strong relationship with customers and suppliers for more than a decade. Additionally, the firm's ownership of transportation vehicles enables the timely procurement of raw materials and efficient delivery of goods, reinforcing its commitment to reliability and efficiency.

Improving scale of operations

The firm reported a total operating income of Rs. 590.74 crore in FY24[refers to period April 1st, 2023, to Mar 31, 2024], marking a growth of approximately 7.71% over Rs. 551.54 crore



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in FY23[refers to period April 1st, 2022, to Mar 31, 2023]. On a provisional basis till March 2025, the firm had achieved revenue of around ~Rs.1047 crore. Infomerics' expects continued revenue growth in FY26 and beyond.

Stable demand outlook albeit intense competition in the industry

Edible oil industry is expected to grow annually with rising demand owing to increase in population, disposable incomes, and growth of food processing sector. The consumption of edible oil in India has been rising steadily which can be attributed to factors such as better standard of living, growth in demand for fried processed food products and branded packaged edible oil. India's annual per capita consumption is well below the world average; thus, signifying substantial growth potential for the edible oil industry.

B. Key Rating Weaknesses

Thin Profitability and leveraged capital structure

The firm operates with thin profitability margins, reflecting the trading nature of the business where earnings are heavily influenced by volatile raw material prices and intense industry competition. The EBIDTA margin of the firm remained thin ranging from 0.80% to 1.00% over past five years ended FY24. In FY24 EBIDTA margin stood at 0.93%. Firm's capital structure remained moderately leveraged as on March 31, 2024, marked by overall gearing at 4.27x as on March 31, 2024 against 6.82x as on March 31, 2023 and the total indebtedness of the firm as reflected by TOL/TNW improved from 7.25x as on March 31, 2023, to 4.38x as on March 31, 2024, in FY 24. Additionally, while the firm operates under a proprietorship model, the associated risks are effectively mitigated by the proprietor's industry experience and financial capacity. Their ability to infuse capital as needed ensures operational stability and supports the firm's continued growth.

Highly competitive and fragmented nature of the industry

The Indian edible oil industry is intensely competitive due to numerous small players and some reputed players. Moreover, the firm has thin profit margins due to the trading nature of operations without any value addition.



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Exposure to regulatory/ geopolitical risk

India's edible oil industry is highly vulnerable to geopolitical and regulatory risks due to its reliance on imports from countries like Indonesia, Malaysia, Ukraine, and Russia. Disruptions in these regions—such as export restrictions, conflicts, or poor harvests—can significantly impact raw material availability and drive-up prices. Additionally, government policies, including import duties and agricultural cesses, further influence market stability and cost structures for industry players.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Guidelines on what constitutes Non-Cooperation by clients](#)

[Criteria for assigning Rating Outlook](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Policy on Default Recognition](#)

Liquidity: Adequate

The firm is earning adequate levels of GCA, and the liquidity position of the company was adequate with GCA of Rs. 2.77 crore to cover the debt obligation of Rs. 1.59 crore in FY24. The expected GCA of Rs.7.43 crore and 11.44 crore in FY26 and FY27 are adequate to cover the debt obligation of Rs.2.30 crore and 1.18 crore in FY26 and FY27. This indicates adequate degree of liquidity of the firm in meeting its obligations. The fund based working capital utilization stood at 93.22% for the 7 months ended April 2025. The company has current ratio of 1.53x as on 31 March 2024. Additionally, the company has cash and cash equivalents of Rs 0.29 crore as on 31 March 2025. The operating cycle remained comfortable, stood at 20 days in FY24.

About the firm

Sree Mahalakshmi Oil Mills (SMOM or the firm) is a proprietorship firm, established in September 2002 by Mr. Kanakaraj. The firm is engaged in trading of edible oil viz. palmolein oil, sunflower oil, rice oil and ground nut oil and engaged in processing of sunflower oil on



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small scale. The firm has crushing unit located at Karamadai with installed capacity of three oil expellers which can produce 10-15 tonnes of oil per day. SMOM manufactures and supplies to retail shops located domestically in its own brand name 'Mahas Gold'.

Financials (Standalone):

	Rs. Crore	
For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	551.54	590.74
EBITDA	5.92	5.47
PAT	2.25	1.76
Total Debt	33.31	37.44
Tangible Net worth	4.89	8.76
EBIDTA Margin (%)	1.07	0.93
PAT Margin (%)	0.41	0.30
Overall Gearing ratio (X)	6.82	4.27
Interest coverage (x)	2.34	2.02

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: None

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 (05 April 2024)	Date(s) & Rating(s) assigned in 2023-24(16 August 2023)	Date(s) & Rating(s) assigned in 2022-23
1	Cash Credit	Long Term	22.50	IVR BB+/Stable	IVR BB/ Negative, ISSUER NOT COOPERATING	IVR BB+/Stable	-
2	Term Loan	Long Term	1.39	IVR BB+/Stable	IVR BB/ Negative, ISSUER NOT COOPERATING*	IVR BB+/Stable	-

* Issuer did not cooperate; based on best available information



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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Facility details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	Revolving	22.50	IVR BB+/Stable
Term Loans	-	-	-	FY26	1.39	IVR A4+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-sree-mahalakshmi-may25.pdf>

Annexure 3: Detailed explanation of covenants of the rated security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.