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Mahalaxmi Distributors

March 17, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	20.73	IVR B+/Stable (IVR B Plus with Stable Outlook)	-	Rating Assigned	Simple
Short Term Bank Facilities	0.55	IVR A4 (IVR A Four)	-	Rating Assigned	Simple
Total	21.28	(Rupees Twenty-One Crore and Twenty-Eight Lakhs only)			

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

Detailed Rationale

Infomerics Ratings has assigned the long-term rating of IVR B+ with a Stable outlook and short-term rating of IVR A4 for the bank loan facilities of Mahalaxmi Distributors (MLD).

The assigned rating draws comfort from experience promoters with established track record of operations coupled with distributorship of established brands. However, these strengths are partially offset by moderate capital structure with weak debt protection metrics, moderate scale of operations and high competition from other players.

The stable outlook is assigned on the back of experienced promoters and running orders the firm receives from its customers. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. Infomerics ratings believes that MLD business & financials risk profile will be maintained over the medium term considering the overall risk profile of the firm.

Infomerics Ratings has principally relied on the standalone audited financial results of MLD up to FY24 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for



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FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027) and publicly available information/ clarifications provided by the firm's management.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and profitability
- Improvement in capital structure and debt protection metrics along with improvement in working capital cycle

Downward Factors

- Further deterioration of capital structure and debt protection metrics
- Elongation in operating cycle impacting liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with established track record of operations

Mahalaxmi Distributors (MLD) is led by Mr. Mukesh Agarwal, who has more than 40 years of experience in lubricants industry. The long-standing presence of the promoters in the industry has enabled the firm to establish strong relationships with customers in a remarkably short time.

Distributorship of established brands

MLD has been a distributor of Hindustan Petroleum Corporation Limited (HPCL) since 1999, supplying the full range of automotive lubricants in Jaipur, Dausa, Tonk, and Alwar. Additionally, since 2017, MLD has been a distributor for Reliance BP Mobility Limited (RBML), operating under the brand name 'Jio-bp,' and is supplying automotive and industrial lubricants across Rajasthan.

Key Rating Weaknesses

Moderate capital structure with weak debt protection metrics

The ATNW improved from Rs. 3.90 Crore as on March 31, 2023, to Rs. 4.83 Crore as on March 31, 2024, due to accretion of profits to reserves. Unsecured loan tune to Rs. 2.67 crore



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are subordinated to bank borrowings as of March 31, 2024. Total debt has increased from Rs. 14.13 Crore as on March 31st, 2023, to Rs. 20.81 Crore as on March 31st, 2024 on account of increase in utilisation of working capital limits. Overall gearing ratio stood at 4.31x as on March 31, 2024 against 3.63x as on March 31, 2023. The TOL/TNW stood at 6.70x as on March 31, 2024, against 6.78x as on March 31, 2023. The debt protection metrics is weak with Interest Coverage Ratio and DSCR of 1.16x and 0.90x respectively in FY24 as against 1.41x and 0.95x respectively in FY23.

Moderate scale of operations

The total operating income (TOI) of the proprietorship firm has remained modest over the years, with a CAGR of 9.12% over the last 2 fiscal years. The TOI for FY24 remained stable at Rs 78.51 crore, compared to Rs 78.88 crore in FY23. The proprietorship firm registered revenue of ~Rs 52.00 Crore in 9MFY25.

High competition from other players

The Indian lubricant market is highly competitive and price-sensitive, primarily dominated by PSUs, followed by leading private sector players. Branding and advertising represent significant expenses in the lubricants industry due to the intense competition and the commoditized nature of the product. However, holding distributorship of established brands helps mitigate this risk to a large extent.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

Liquidity – Stretched

The proprietorship firm's liquidity remains stretched marked by 98.30% average utilisation of fund-based limits during the past 12 months ended Jan 2025. The firm has GCA of Rs 0.62



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crores against debt obligation of Rs 0.87 crore in FY24 and expected GCA in the range of Rs. 0.70 crore to Rs 1.00 crore during FY25-27 against debt obligation in the range of Rs. 0.58 crore to Rs 0.22 crore during FY25-27. The current ratio remains above unity at 1.22x as on March 31, 2024. The Working Capital Cycle of the firm stood at 80 days in FY24 which was 62 days in FY23. The unencumbered cash and bank balance stood at Rs. 0.57 crore as on January 31, 2025.

About the Proprietorship

Mahalaxmi Distributors (MLD), established in 1999, specializes in the distribution of high-quality lubricants and related products. The firm has been a distributor of Hindustan Petroleum Corporation Limited (HPCL) for automotive lubricants in Jaipur, Alwar, Dausa, and Tonk since its inception. Additionally, since 2017, MLD has been a distributor for Reliance BP Mobility Limited (RBML) for both automotive and industrial lubricants throughout Rajasthan. The proprietorship is led by Mr. Mukesh Kumar Aggarwal, who brings over 40 years of experience in the lubricants industry.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	78.88	78.51
EBITDA	1.95	2.09
PAT	0.45	0.48
Total Debt	14.13	20.81
Adjusted Tangible Net Worth (including quasi equity)	3.90	4.83
EBITDA Margin (%)	2.47	2.66
PAT Margin (%)	0.57	0.60
Overall Gearing Ratio (x) (including quasi equity)	3.63	4.31
Interest Coverage (x)	1.41	1.16

* Classification as per Infomerics Standard

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:



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Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Fund Based Facilities	Long Term	0.45	IVR B+/Stable	-	-	-
2.	Fund Based Facilities	Long Term	20.28	IVR B+/Stable	-	-	-
3.	Non-Fund Based Facilities	Short Term	0.55	IVR A4	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) 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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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	February 2027	0.45	IVR B+/Stable
Cash Credit	-	-	-	20.28	IVR B+/Stable
Bank Guarantee	-	-	-	0.55	IVR A4

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-mahalaxmi-distributors-maar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated instrument/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.