

Motor and General Sales Private Limited

October 20, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	16.50	CARE BB; Stable (Double B; Outlook: Stable)	Assigned
Long Term / Short Term Bank Facilities	18.50	CARE BB; Stable / CARE A4 (Double B ; Outlook: Stable/ A Four)	Assigned
Total Bank Facilities	35.00 (₹ Thirty-Five Crore Only)		

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

Rating assigned to the bank facilities of Motor and General Sales Private Limited (MGSP) is primarily constrained on account of modest scale of operations, moderate profitability margins, moderate capital structure and debt coverage indicators. Further, the ratings continue to remain constraint by fragmented and competitive nature of Industry. The ratings, however, derive comfort from experienced promoters coupled with long track record of operations and diversified source of revenue.

Rating Sensitivities

Positive factors– Factors that could lead to positive rating action/upgrade:

- Improvement in scale of operations to above Rs.180.00 crore on sustained basis.
- Improvement profitability margins marked by PBILDT margin and PAT margin of above 9.00% and 4.00% respectively.

Negative Factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in the capital structure as marked by overall gearing ratio of above 2.25x on sustained basis.
- Deterioration in profitability margins as marked by PBILDT and PAT margin below 3.00% and 1.00% respectively.
- Elongation in collection period beyond 90 days on a sustainable basis

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations:

MGSP's scale of operation remain modest over the period of past three financial years (FY20-FY22). The total operating income (TOI) of MGSP has increased to Rs. 109.03 crore in FY22 from Rs. 59.10 crore in FY21. Till, FY20 the company was purely into commercial vehicle dealership business. However, from FY21 onwards the company has entered into the business of fabrication which has resulted in significant improvement in TOI in FY22. Nevertheless, the scale remains modest, it limits the company's financial flexibility in times of stress and deprives it of scale benefits. The company has achieved TOI of Rs. 65.00 crore during 5MFY23 (refers to the period April 1 to August 31). As envisaged with the unexecuted orders in hand amounting to ~Rs.44.40 crore, the company's total operating income is expected to improve and stood at ~Rs 150-Rs.180 crore during FY23.

Moderate profitability margins:

MGSP's profitability margins stood moderate as marked by PBILDT margin of 8.81% in FY22 as against 2.25% in FY21. The improvement in margin is on account of execution of Government's tender for supply of customised ambulances which fetch better margins. Further, PAT margin of the company also improved and stood at 2.83% in FY22 as against 0.72% in FY21 backed by improvement in PBILDT margins. The PBILDT margins are expected to remain in the range of 8.00-9.00% as envisaged over the medium term.

Moderate capital structure and debt coverage indicators:

Capital structure of the company stood moderate as marked by overall gearing ratio of 1.80x as on March 31, 2022 as against 3.79x as on March 31, 2021. The improvement in gearing is on account of improvement in tangible net worth of the company.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

The unsecured loan to the tune of Rs. 8.16 crore in FY22 is classified as quasi equity as the same is subordinated to debt as per sanction letter. The gearing is expected to remain at similar levels over the medium term as envisaged.

Debt coverage indicators of the company has improved and stood moderate as marked by interest coverage ratio of 2.10x in FY22 as against 0.33x in FY21. The improvement in interest coverage ratio is on account of improvement in profitability margins at absolute levels. Total debt to GCA ratio also improved to 6.50x for FY22 as against 7.58x in FY21 on account of increased GCA levels. As envisaged, interest coverage ratio and Total Debt to GCA ratio are expected to improve further over the medium on the back of expected improvement in the level of PBILDT and GCA, coupled with limited debt levels.

Fragmented and competitive nature of Industry:

Indian commercial vehicle industry has registered y-o-y growth of 36.00% as on August, 2022. Further, Indian automobile industry witnessed y-o-y growth rate of ~11.00% as on August, 2022 comprising, y-o-y growth rate of 9.60% for two-wheeler segment. Further, m-o-m growth rate for domestic sales of two-wheelers segment remains at 5.50% in July, 2022. It is expected that adequate rainfall across the country along with the upcoming festive season will keep the momentum going. Apart from the above, sales of agricultural machinery parts have remained unaffected from headwinds of economic cycles.

Key Rating Strengths

Experienced proprietor coupled with long track record of operations:

MG SPL was promoted by Late Sh. Rahul Gupta. Currently, MG SPL is run and managed by its second line of promoters Mrs. Shivani Gupta, Mr Divas Gupta, and Mr Raghav Gupta. Mr. Divas Gupta and Mr Raghav Gupta are son of Late sh. Rahul Gupta and Mrs. Shivani Gupta. Mr. Vivek Shukla acts as an independent director of the company. Mrs. Shivani Gupta is a graduate, and has an experience of more than three decades in the similar line of business. Mr. Divas Gupta, is post graduate by qualification and holds experience of more than a decade in the similar line of business. Similarly, Mr. Raghav Gupta, is post Graduate by qualification and holds experience of more than a decade in the similar line of business.

Diversified source of revenue:

MG SPL has diversified revenue streams to support the growth of the business. MG SPL owns and operates more than five decades old 'Novelty Cinema' in Lucknow (U.P.). It is a 2-screen theatre comprising seating capacity of around 500 pax. Further, the company is also engaged in manufacturing of agricultural equipment such as cultivation equipment, trencher, cutters & planters etc. Having diversified source of revenue, the company avoids risk of revenue concentration coupled with economic slowdown in a particular industry.

Liquidity: Stretched

The liquidity position of the company is stretched as marked by high working capital limit utilisation of around 90% for the last 12 months ending on August 31, 2022. The company has generated Gross cash accruals of Rs. 5.11 crore in FY22, Rs. 2.00 crore during 5MFY23 and is expected to generate envisage Gross cash accruals of Rs. 5.30 crore for FY23 vis-à-vis repayment obligations of Rs. 8.18 crore in same year. Further, the company has unencumbered cash & bank balances of Rs. 2.20 crore as on March 31, 2022 (Prov.).

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Auto Ancillary Companies](#)

[Manufacturing Companies](#)

[Service Sector Companies](#)

About the Company

Established in 1955, Lucknow (Uttar Pradesh) based Motor and General Sales Private Limited (MG SPL) is engaged in fabrication of special application vehicles such as tippers, loaders, blood bank vehicles, ambulances, school buses, food trucks. Apart from the above, the company manufactures agricultural equipment such as cultivation equipment, trencher, cutters & planters etc. The company owns and operates more than five decades old 'Novelty Cinema' in Lucknow (U.P.). It is a 2-screen theatre

comprising seating capacity of around 500 pax. The company is owned and managed by its directors, Mrs. Shivani Gupta, Mr Divas Gupta, and Mr Raghav Gupta.

Brief Financials (Rs. crore)	31-03-2021 (A)	31-03-2022 (A)	5MFY23*
Total operating income	59.10	109.03	65.00
PBILDT	1.33	9.61	NA
PAT	0.43	3.09	NA
Overall gearing (times)	3.79	1.80	NA
Interest coverage (times)	0.33	2.10	NA

A: Audited; NA: Not Available; Prov.: Provisional

*refers to the period from April 1, 2022 to August 31, 2022.

Status of non-cooperation with previous CRA: CRISIL has maintained rating of Motor and General Sales Private Limited in Issuer Not Cooperating category vide its press release dated January 29, 2022

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure- 4

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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	16.50	CARE BB; Stable
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	proposed	8.50	CARE BB; Stable / CARE A4
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	10.00	CARE BB; Stable / CARE A4

Annexure-2: Rating History of 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	16.50	CARE BB; Stable				
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	10.00	CARE BB; Stable / CARE				

				A4				
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST*	8.50	CARE BB; Stable / CARE A4				

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

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

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

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

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