

## Motor & General Sales Private Limited

December 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	80.50	CARE D; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	14.50	CARE D/CARE D; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

Motor and General Sales Private Limited (MGSP) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Limited's (CARE Ratings') rating on MGSP's bank facilities will now be denoted as **"CARE D / CARE D; ISSUER NOT COOPERATING"**.

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

The reaffirmation of rating assigned to bank facilities of MGSP factors in the instance of delay in servicing of debt obligations by the company.

**Analytical approach:** Standalone

**Outlook:** Not applicable

### Detailed description of the key rating drivers

At the time of last rating on June 12, 2024, following were the rating strengths and weaknesses (updated based on limited information available from the company).

### Key Rating Weaknesses

#### Instances of delays in servicing of debt obligations

As per the lender's feedback received, there was instance of delay by the company in the repayment of tranches due in Channel finance (CF) account during the month of April 2024, wherein the tranche due in CF account remained overdue for a continuous period of fifteen days. The instance of delay was largely on account of poor liquidity position of the company.

#### Low profitability margins

The profitability margins of the company though improved, continued to remain at low levels, marked by profit before interest, lease rental, depreciation, and taxation (PBILDT) and profit after tax (PAT) margins of 4.11% and 1.14% respectively in FY24 (refers to the period from April 01, 2023 to March 31, 2024)) as against 2.72% and 0.65% respectively in FY23 (refers to the period from April 01, 2022 to March 31, 2023)). Further, the company achieved a total operating income of Rs.311.67 crore in FY24 vis-à-vis Rs.179.57 crore in FY23. The growth in company's scale and improvement in profitability margins was largely on account of contribution from franchise business with Kalyan Jewellers.

#### Leveraged capital structure and weak debt coverage indicators

MGSP's capital structure continued to remain leveraged marked by overall gearing ratio of 4.32x as on March 31, 2024 though the same improved from 5.22x as on March 31, 2023(Audited). The improvement was largely on account of increase in tangible net worth of the company post accretion of profits to reserves. Due to low profitability margins and high debt levels, the debt coverage indicators of the company remained weak as marked by interest coverage ratio and total debt to gross cash accruals of 1.54x and 17.12x in FY24 (Provisional).

#### Cyclical and competitive nature of automotive industry

The automobile industry is cyclical in nature and automotive component suppliers' sales are directly linked to the sales of auto Original Equipment Manufacturers (OEMs). Further, the auto-ancillary industry is competitive with presence of a large number of players in the organized as well as unorganized sector. While the organized segment majorly caters to the OEM segment, the unorganized segment caters mainly to the replacement market and to Tier II and Tier III suppliers.

#### Working capital intensive nature of jewellery industry and gold price fluctuation risk

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

The working capital intensive nature of the business is an inherent characteristic of the retail gems and jewellery industry. The operating cycle of the company remained elongated at 121 days in FY24 (Provisional) as against 109 days in FY23 (Audited), due to franchise business with Kalyan Jewellers, resulting in a high average inventory holding period of 108 days in FY24 (Provisional). Further, gold prices are correlated to international gold prices and exchange rates. Therefore, any adverse change in the gold prices is likely to have an impact on the company's revenues and margins.

## Key Rating Strengths

### Experienced promoters

MG SPL was promoted by Late Shri Rahul Gupta in the year 1955. The company is currently 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 sons of Late Shri Rahul Gupta and Mrs. Shivani Gupta. Mr. Divas Gupta, and Mr. Raghav Gupta are postgraduates by qualification and possess experience of more than a decade in the similar line of business. Mrs. Shivani Gupta is a graduate by qualification and has an overall experience of more than three decades in the similar line of businesses. Mr. Vivek Shukla is also a director in the company and act as Chief Financial Officer (CFO) of the company. He is a Chartered Accountant by qualification.

### Diversified streams of revenue

MG SPL has diversified streams of revenue to support the business growth. Till FY20, MG SPL was purely engaged into dealership business of OEMs, Honda, Ford, and Tata Motors. In FY21, the promoters of the company diversified the business and entered into fabrication business. The company receives order from renowned customers including from India Railways for fabrication work. Further, it is engaged in the manufacturing of Agri implements such as trenchers, tillers, rotovators etc. It also owns and operates a cinema theatre viz. Novelty Cinema in Lucknow (Uttar Pradesh), which is a more than five decades old multi-screen theatre having seating capacity of around 500 persons. MG SPL has also entered into franchise business with Kalyan Jewellers during Q4FY23 (refers to period from January 01, 2023, to March 31, 2023). By having diversified streams of revenue, MG SPL is able to avoid the risk of revenue concentration coupled with economic slowdown in a particular industry.

### Liquidity: Poor

MG SPL has poor liquidity position as marked by reported instance of delay in repayment of tranches due in the CF account

### Applicable criteria

[Policy in respect of non-cooperation by issuers](#)  
[Definition of Default](#)  
[Liquidity Analysis of Non-financial sector entities](#)  
[Rating Outlook and Rating Watch](#)  
[Manufacturing Companies](#)  
[Financial Ratios – Non financial Sector](#)  
[Retail](#)  
[Service Sector Companies](#)  
[Auto Ancillary Companies](#)  
[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Automobile and Auto Components	Auto Components	Auto Components & Equipments

Incorporated in the year 1955 and based in Lucknow (Uttar Pradesh), MG SPL is engaged in business of design and fabrication of vehicles bodies like bus body, truck load bodies, tippers, trailers, trolleys, water tanks, wrecker truck, mobile ATM van, etc. It is also engaged in the manufacture of Agri equipment and implements like straw reaper, ratoon manager, trencher, rotovators etc. Further, it undertakes orders from Indian Railways for refurbishing or repair of railways wagons and coaches. Moreover, it runs a more than five decades old multi-screen cinema theatre (Novelty Cinema), located in Lucknow (Uttar Pradesh). During Q4FY23 (refers to period from January 01, 2023, to March 31, 2023), the company further entered into franchise business with Kalyan Jewellers and is operating two stores located in the markets of Hazratganj and Gomti Nagar, Lucknow (Uttar Pradesh).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	179.57	311.67
PBILDT	4.88	12.79
PAT	1.18	3.55

Overall gearing (times)	5.22	4.32
Interest coverage (times)	1.21	1.54

A: Audited; UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	January 2033	20.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	20.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	40.50	CARE D; ISSUER NOT COOPERATING*
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	0.50	CARE D / CARE D; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	14.00	CARE D / CARE D; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working Capital Limits	LT	40.50	CARE D; ISSUER NOT COOPERATING*	1)CARE D (12-Jun-24)	1)CARE BB; Stable (23-Oct-23)	1)CARE BB; Stable (20-Oct-22)	-
2	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	14.00	CARE D / CARE D; ISSUER NOT COOPERATING*	1)CARE D / CARE D (12-Jun-24)	1)CARE BB; Stable / CARE A4 (23-Oct-23)	1)CARE BB; Stable / CARE A4 (20-Oct-22)	-
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	0.50	CARE D / CARE D; ISSUER NOT COOPERATING*	1)CARE D / CARE D (12-Jun-24)	1)CARE BB; Stable / CARE A4 (23-Oct-23)	1)CARE BB; Stable / CARE A4 (20-Oct-22)	-
4	Fund-based - LT-Term Loan	LT	20.00	CARE D; ISSUER NOT COOPERATING*	1)CARE D (12-Jun-24)	1)CARE BB; Stable (23-Oct-23)	-	-
5	Fund-based - LT-Working Capital Limits	LT	20.00	CARE D; ISSUER NOT COOPERATING*	1)CARE D (12-Jun-24)	1)CARE BB; Stable (23-Oct-23)	-	-

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

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

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

### Contact us

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### About us:

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### Disclaimer:

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