GULZAR MOTORS PRIVATE LIMITED

July 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	2.25	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	92.75	CARE BB+; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Gulzar Motors Private Limited (GMPL) factors in low profitability margins of the company associated with dealership business, its leveraged capital structure owing working capital-intensive nature of operations which is primarily financed using external debt. The ratings also take cognizance of inherent competition from other Original Equipment Manufacturer (OEM) dealers, limited bargaining power and cyclical nature of auto industry. However, the ratings draw strength from growing scale of operations of the company. Further, the ratings also factor in the established track record of operations and long-with standing association with Maruti Suzuki India Limited (MSIL).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of operations, with total operating income (TOI) more than Rs. 380 crores coupled with (Profit Before Interest, Lease, Depreciation, and Tax) PBILDT margin above 4.00% on sustained basis.
- Improvement in solvency position as reflected by overall gearing below 1.25 times on sustained basis.

Negative factors

- Any deterioration in operational performance of the company as marked by TOI below Rs. 250 crore along with the PBILDT margin below 2.20% on a sustained basis.
- Any further deterioration in capital structure due to increased dependence on working capital borrowing as marked by overall gearing above 3.70x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that GMPL will sustain growth in its operational performance and continue to derive benefit from its long-standing association with MSIL.

Detailed description of key rating drivers:

Key weaknesses

Established track record of operations and long-standing association with MSIL: Harkirat Singh, Wholetime Director of GMPL, has been associated with automobile dealership business for nearly three decades. The dealership operations are professionally managed at each location, with Harkirat Singh overseeing the Arena segment and Ramneek Baweja looking after the operations of Nexa segment. GMPL has been associated with MSIL for over two decades and currently operates at different locations in Punjab.

Growing scale of operations albeit low profitability margins associated with dealership business: The total operating income of the company grew at a Compound Annual Growth Rate (CAGR) of ~14% in the past five years ended FY25 to Rs. 334.13 crore. The growth in scale is attributed to the consistent expansion through the establishment of new showrooms, coupled with rising demand for passenger vehicles. The company generates revenue from the sales of new cars and used cars which contributes to ~90% TOI, balance 10% pertains to sales of spares parts and workshop income. However, the profitability margins of the company remain low owing to inherent risks associated with the trading nature of the auto dealership business. The PBILDT and PAT (Profit After Tax) margin of the company remain low at 2.70% and 1.00% respectively during FY25. Further, the margins

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

are expected to improve going forward, supported by higher operating income. This growth is driven by the addition of new outlets, the launch of new models by MSIL, and increasing demand for passenger vehicles.

Key strengths

Leveraged capital structure: The company's capital structure remained leveraged marked by overall gearing of 3.31x as on March 31, 2025 (PY: 3.03x), primarily due to a high working capital borrowing driven by the growth in scale of operations and higher inventory requirements. Going forward, the capital structure is expected remain in similar range owing to higher working capital requirements.

Working capital intensive nature of operations: GMPL's operations are inherently working capital-intensive, as the company requires to maintain a high inventory of vehicles and spare parts to meet customer demand to meet customer demand and mitigate risks arising from supply chain disruptions. The capital is often tied up in inventory, making efficient inventory management crucial for sustaining liquidity and operational stability. The company's average inventory holding period stood at 33 days at the end of FY25 (PY: 28 days). Going forward, the company's inventory holding requirements may increase due to higher sales targets from OEMs, making the company's ability to effectively manage its working capital a key factor to monitor.

Inherent competition and cyclical nature of the auto industry: The company is exposed to competition from the products of other OEM's and dealers operating in the same region. In order to capture the market share, the auto dealers' offer better buying terms like allowing discounts on purchases. Accordingly, the company has to resort to offering better buying terms like allowing discounts to capture the market share. Such discounts create margin pressure and negatively impact the earning capacity of the company. However, the company's association with its customers, its established network helps it to sustain the competition to an extent and maintain its strong market position in the region. Furthermore, the auto industry is inherently vulnerable to the economic cycles and is highly sensitive to the interest rates and fuel prices. The company thus faces significant risks associated with such cyclical nature of the auto industry.

Limited bargaining power with principal automobile manufacturer: GMPL's business model is largely in the nature of trading wherein profitability margins are low. Moreover, dealers have less bargaining power over principal manufacturer. Furthermore, the fortunes of the company are directly linked to its supplier. This also exposes the company's revenue growth and profitability to its supplier's future growth prospects. Any impact on business and financial profile of the manufacturer will also have an impact on the growth prospects of the company.

Liquidity: Stretched

The company has earned gross cash accruals (GCA) of Rs. 4.17 crore during FY25 and is projecting to generate GCA of around Rs. 4.34 crores for FY26 against the scheduled repayment obligations of Rs. 1.65 crores for FY25. The current ratios stood at a moderate level of 1.14x as on March 31, 2025. The operating cycle has deteriorated to 72 days during FY25 as against 58 days during FY24. The average working capital utilisation remained almost 80-90% utilised throughout the year.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Auto Dealer
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Automobile and Auto Components	Automobiles	Auto Dealer

Incorporated on February 26, 1996, GMPL, is a private limited company promoted by Harkirat Singh. Since its inception, GMPL has been an authorized dealer of MSIL. The company is engaged in the sales of cars, car accessories, spare parts, and pre-owned vehicles. The company has Arena and Nexa showrooms. Currently, GMPL operates five showrooms, and four workshops located in Dholewal, Firozpur Road, Raikot, and Doraha in Punjab, India. The company is opening three new sales counters at Khanna, Hathoor, and Meharban.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	251.94	309.24	334.13
PBILDT	5.95	7.29	9.02
PAT	2.52	3.05	3.34
Overall gearing (times)	2.71	3.03	3.31
Interest coverage (times)	1.51	1.61	1.44

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

Status of non-cooperation with previous CRA: CRISIL, Brickwork, and Infomerics have conducted the review on the basis of best available information and has classified the GMPL as "Not cooperating" vide its press releases dated July 12, 2024, May 30, 2024, and May 16, 2025, respectively.

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2030	2.25	CARE BB+; Stable
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	92.75	CARE BB+; Stable / CARE A4+

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 2025-2026	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
1	Fund-based - LT/ ST-Working Capital Limits	LT/ST	92.75	CARE BB+; Stable / CARE A4+	-	-	-	-
2	Fund-based - LT-Term Loan	LT	2.25	CARE BB+; Stable	-	-	-	-

LT: Long 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/ ST-Working Capital Limits	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.

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