

## Kuldeep Motors Lucknow Private Limited

April 01, 2026

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / short-term bank facilities	61.00	CARE BB; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Kuldeep Motors Lucknow Private Limited (KMLPL) factor in its weak financial risk profile marked by leveraged capital structure and weak debt coverage indicators. Ratings factor KMLPL's elongated working capital cycle, low profitability margins, exposure to inherent competition and cyclical nature of the auto industry.

However, these weaknesses are partially offset by experienced promoters and KMLPL's long-standing association with Maruti Suzuki India Limited (MSIL), established business presence in Uttar Pradesh, and growing though small scale of operations.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Consistent growth in the scale of operations as marked by total operating income (TOI) of above ₹200.00 crore and profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of above 4.50% on a sustained basis.
- Improvement in the capital structure with overall gearing of less than 2.00x on a sustained basis.

#### Negative factors

- Significant deterioration in the capital structure of the company as marked by overall gearing ratio of above 6.00x.
- Significant decline in scale of operations and profitability margins as marked by PBILDT margin below 2.00% on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

The 'Stable' outlook reflects CareEdge Ratings expectation that the entity is likely to sustain its operational performance, considering experienced promoters and long track record of operations.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Weak financial risk profile

KMLPL's capital structure is leveraged, owing to its low net worth base of ₹11.75 crore as on March 31, 2025, and high utilisation of working capital funds, as marked by overall gearing ratio of 4.49x and total debt to gross cash accruals (TD/GCA) of 26.92x as on March 31, 2025. The company's debt profile majorly consists of working capital borrowings for maintaining adequate inventory. The financial risk profile is expected to remain leveraged in the medium term, due to nature of business with high dependence on working capital limits and capex requirement of addition of new showrooms.

##### Elongated working capital cycle

The company's operating cycle remained elongated at 71 days as on March 31, 2025 (PY: 75 days), primarily considering elevated inventory holding levels, with inventory days at 77 as on March 31, 2025. The relatively slow inventory turnover could exert pressure on cash flows and lead to higher utilisation of working capital limits, which may impact the company's liquidity position. Vehicles held too long face depreciation, causing margin losses, especially when heavy discounting is required to clear inventory.

##### Low profitability margins

KMLPL's operating profit margin is low as marked by PBILDT margin of 4.63% in FY25 (PY: 4.54%). Being primarily into auto dealership business, KMLPL's business model is largely in the nature of trading, where profitability margins are inherently thin. Dealers have very less bargaining power over principal manufacturer as product margins are set at a particular level by the principal manufacturer, restricting incremental income for KMLPL.

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

### **Inherent competition and cyclical nature of the auto industry**

The Indian automobile industry is characterised by intense competition with numerous players such as MSIL, Tata Motors, Hyundai, Honda, and Toyota in the passenger vehicle segment, where original equipment manufacturer (OEMs) drive dealership expansion to boost sales, increasing competition among dealers whose fortunes are closely tied to industry trends and OEM performance. The company, being primarily an MSIL dealer, derives majority operating income from MSIL's passenger cars, making its prospects largely depend on MSIL. The sector's growth depends on broader economic conditions, credit availability, and consumer confidence. Its inherent vulnerability to economic cycles makes it highly sensitive to interest rates and fuel prices, with rising fuel costs directly impacting vehicle running expenses and reducing consumer disposable income, ultimately affecting purchase decision.

### **Key strengths**

#### **Experienced promoters with a long-term association with MSIL**

Promoters have over four decades of experience in the automobile dealership business through their association with this company and other group entities engaged in similar business. They are supported by well-qualified and experienced management team. KMLPL is an authorised dealer of MSIL and KMLPL's performance is strongly correlated with the performance of its principal's vehicles in the market and their ability to launch new products per market dynamics. MSIL is one of the largest automobile manufacturers and a leading player in the passenger vehicle (PV) segment reflected by its substantial market share. Thus, strong brand value of Maruti enables the company to gain access to wide customer base and healthy demand of its products.

#### **Growing though small scale of operations**

KMLPL's scale of operations witnessed a compounded annual growth rate (CAGR) of ~13.61% for five fiscals ending FY25. However, there was a decline in TOI of ~7.21% for FY25 compared to FY24 due to muted demand conditions in the automobile sector and moderation in MSIL's market share. KMLPL's TOI stood at ₹112.71 crore in FY25. The company achieved TOI of ~₹102.08 crore in 9MFY26 (refers to April 01, 2025, to December 31, 2025; based on provisional results). TOI is expected to reach in the range of ₹125-130 crore in FY26, with similar level of profit margins.

#### **Liquidity: Stretched**

The company's liquidity position is stretched characterised by negative cash flows from operations in FY25. The company's average utilisation remained at ~86.76% for 12 months ending January 2026. There were several instances of overutilisation in working capital fund-based limits for 12 months ended January 2026, due to interest debit at month end, which was regularised within next 3-4 days. On an average, the company maintains free cash of ~₹1.00-2.00 crore. Timely support from promoters in case of short-term cash flow mismatch will remain a key monitorable. There are nil term loans in the company and as articulated by the management, promoters to support through unsecured loans for addition of new showrooms without reliance on external debt.

**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

Lucknow (Uttar Pradesh) based KMLPL was incorporated on December 07, 2016, by Harjeet Singh, Taranpal Singh and Saravjeet Singh. The company is an authorised dealer of MSIL for sale of PV and its spare parts. KMLPL operates through its 3S (sales, spare, and services) showroom in Bahraich (Uttar Pradesh), workshop in Lucknow (Uttar Pradesh), and two retail outlets at

Lucknow (in Uttar Pradesh). The company is also engaged in refurbishment of second-hand vehicles through its own showrooms. KMLPL currently sells all models of MSIL through its showrooms/ outlets.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	9MFY26 (UA)
Total operating income	121.47	112.71	102.08
PBILDT*	5.52	5.22	3.73
Profit after tax (PAT)	0.70	0.71	1.86
Overall gearing (times)	3.65	4.49	4.52
Interest coverage (times)	1.55	1.65	1.56

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

\*PBILDT: Profit before interest, lease rentals, depreciation and tax

**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/ ST-Working Capital Limits	-	-	-	-	61.00	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	61.00	CARE BB; Stable / CARE A4	-	-	-	-

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/ ST-Working Capital Limits	Simple

**Annexure-5: Lender details**

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

**Note on complexity levels of rated instruments:** CareEdge 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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