

March 28, 2025

The Mithra Agencies (Hyderabad): Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term-Fund based-Cash credit	10.00	10.00	[ICRA]BB+ (Stable) reaffirmed
Long-term-Fund based-Term loan	0.45	2.25	[ICRA]BB+ (Stable) reaffirmed
Short-term-Fund based-Cash credit	29.80	28.00	[ICRA]A4+ reaffirmed
Total	40.25	40.25	

*Instrument details are provided in Annexure-I

Rationale

The ratings factor in The Mithra Agencies' (TMA) established presence as a dealer of Maruti Suzuki India Limited's (MSIL) passenger vehicles (PVs) in the Hyderabad region with 12 outlets including sales, servicing, and True Value outlets. The ratings consider the strong market position of the principal, MSIL, in the domestic passenger car industry, supporting the revenues. However, TMA's revenues are likely to decline by 12-14% in FY2025 owing to subdued demand for new vehicles in the addressable market, while service and spares income continues to record a steady growth. Expected recovery in PV demand is likely to support revenue growth in FY2026.

The ratings are constrained by a moderate scale of operations, as indicated by revenues of Rs. 237 crore in FY2024. The ratings also consider thin operating margins inherent to the auto dealership business and the firm's moderate financial profile. Elevated inventory holding for a significant part of the year resulted in high working capital borrowings and increased interest costs. This, along with lower revenues, is likely to result in moderation in debt metrics in FY2025. However, scale, earnings, and debt metrics are expected to improve in FY2026 with recovery in demand. The ratings continue to be constrained by the intense competition from other dealers of MSIL and other OEMs, and risks associated with the partnership nature of the firm.

The Stable outlook on the [ICRA]BB+ rating reflects ICRA's opinion that TMA will record a healthy growth in revenues and earnings, benefiting from the recovery in demand and MSIL's strong market position.

Key rating drivers and their description

Credit strengths

Established position in PV dealership business – TMA was the first authorised dealer of MSIL's PVs in Hyderabad and thus, has a long and reputed presence in the Hyderabad market. The firm is promoted by Mr. Bhaskara Murthy and Mr. Chandramouli Sarma, who have more than 25 years of experience in the car dealership business. Mr. Venkata Siva Subhramanyam joined the firm on April 1, 2022, post exit of Mr. Ramalingam.

Strong market position of MSIL in domestic PV Industry – MSIL has a strong position in the PV industry with a market share of 40.8% in 9M FY2025, supporting the revenues of dealers like TMA.

Credit challenges

Moderate scale of operations – The firm’s scale of operations remains moderate, as indicated by its revenue of Rs.236.9 crore in FY2024, limiting its financial flexibility. The company’s revenue is expected to decline by 12-14% in FY2025 owing to muted demand for new cars in its addressable market. While expected recovery in demand is likely to support the company’s revenue in FY2026, its scale is likely to remain small.

Moderate capital structure and coverage indicators – The firm’s financial profile remains moderate, characterised by gearing of 2.2 times, Total Debt/OPBITDA of 4.6 times (5.8 times in FY2023), and interest coverage of 1.8 times (2.2 times in FY2023) in FY2024. The firm’s debt metrics are expected to moderate in FY2025 owing to decline in scale of operations, elevated interest costs and high repayment obligations. However, expected recovery in demand in FY2026 is likely to result in improvement in debt metrics.

Intense competition and geographical concentration of revenues – TMA’s operations are limited to Hyderabad, exposing the firm to demand and adverse event risks specific to the region. In addition, the firm faces intense competition from other dealers of MSIL and other car manufacturers, limiting its margins.

Risks associated with partnership nature of TMA – TMA is a partnership firm and thus it does not have the obligations that entities constituted as companies have in terms of governance practices, accounting standards, and disclosures. The firm is also exposed to the risk of capital withdrawals, given the partnership nature of the business.

Liquidity position: Adequate

The firm’s liquidity is adequate, with a buffer of ~Rs. 5.6 core in its working capital limits / drawing power as on February 28, 2025, against repayment obligations of Rs. 2-2.5 crore in the next 12 months and capex plans of Rs. 2-3 crore. The partners of the firm are expected to infuse Rs. 1-3 crore as equity in March 2025 to support the liquidity.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is a substantial improvement in the scale of operations, along with stable profit margins, leading to an overall improvement in credit metrics. A specific credit metric that could lead to an upgrade of ratings includes an interest cover of more than 3.0 times on a sustained basis.

Negative factors – The ratings could be downgraded if a significant decline in revenues or lower profit margins impact its credit metrics. Any stretch in the working capital cycle, impacting the firm’s liquidity position may also put pressure on its ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology-Automobile Dealers
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of the rated entity.

About the company

The Mithra Agencies (TMA) is a partnership firm established in 1988. TMA is the first MSIL dealer of passenger cars in Hyderabad. The company is involved in sales of new and used cars along with spare parts and vehicles servicing. The firm operates 12 facilities in Hyderabad, including new car sales showrooms, service centres, pre-owned car showrooms, and driving school. TMA is ranked in Royal Platinum category by MSIL.

Key financial indicators (audited)

TMA (Standalone)	FY2023	FY2024
Operating income	219.4	236.9
PAT	0.6	0.6
OPBDIT/OI	2.4%	2.9%
PAT/OI	0.3%	0.3%
Total outside liabilities/Tangible net worth (times)	2.7	2.6
Total debt/OPBDIT (times)	5.8	4.6
Interest coverage (times)	2.2	1.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Mar 28, 2025	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long term	2.25	[ICRA]BB+ (Stable)	Feb-29-24	[ICRA]BB+ (Stable)	Dec-5-22	[ICRA]BB+ (Stable)	Dec-31-21	[ICRA]BB (Stable)
Cash Credit	Long term	10.0	[ICRA]BB+ (Stable)	Feb-29-24	[ICRA]BB+ (Stable)	Dec-5-22	[ICRA]BB+ (Stable)	Dec-31-21	[ICRA]BB (Stable)
Inventory funding	Short term	28.00	[ICRA]A4+	Feb-29-24	[ICRA]A4+	Dec-5-22	[ICRA]A4+	Dec-31-21	[ICRA]A4+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term– Fund based/Term Loan	Simple
Long-term – Fund-based/ Cash Credit	Simple
Short Term- Fund Based	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or

complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan-I	FY2019	NA	FY2025	2.25	[ICRA]BB+ (Stable)
NA	Cash Credit	NA	NA	NA	10.00	[ICRA]BB+ (Stable)
NA	Inventory funding	NA	NA	NA	28.00	[ICRA]A4+

Source: Company

Annexure II: List of entities considered for consolidated analysis- Not Applicable

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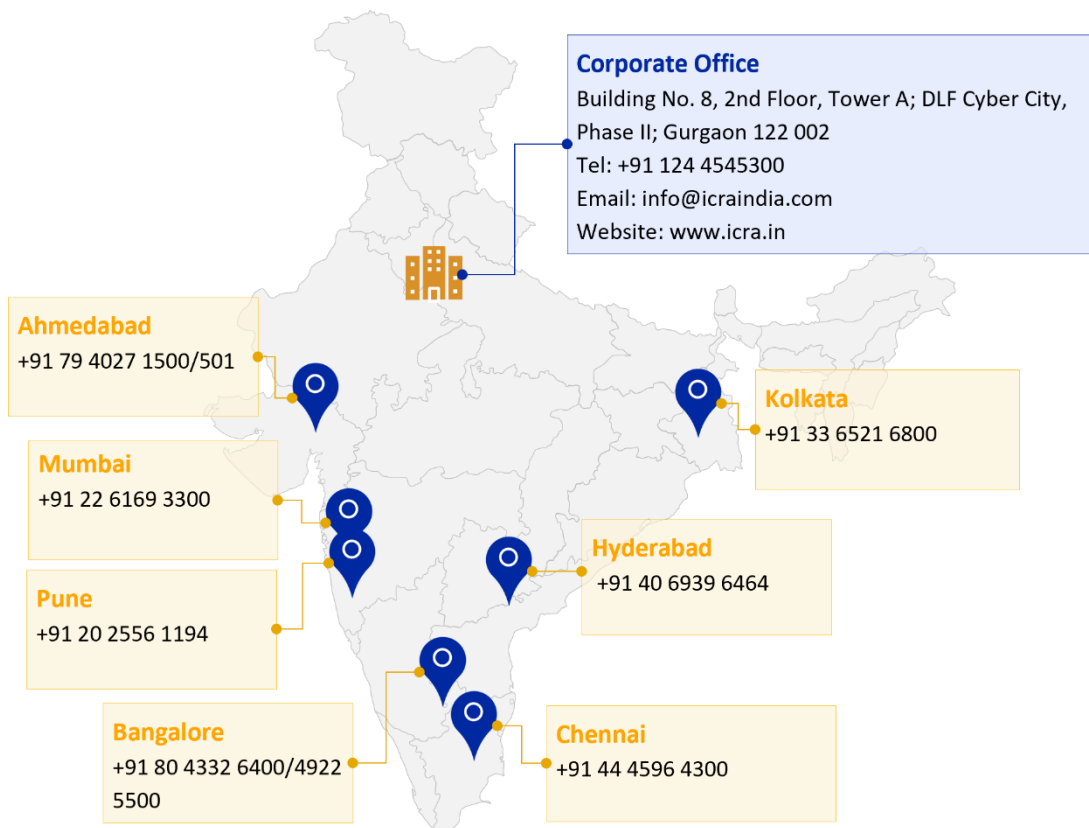
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