

The Mithra Agencies (Hyderabad)

Instrument	Amount In Rs Crore	Rating Action
Term Loan	6.53 (revised from 6.08)	[ICRA]BB(Stable) reaffirmed
Cash Credit	10.00	[ICRA]BB(Stable) reaffirmed
Short Term Fund Based Limits	22.50 (revised from 22.00)	[ICRA]A4+ reaffirmed
Unallocated Limits	1.22 (revised from 2.17)	[ICRA]BB(Stable)/[ICRA]A4+ reaffirmed

ICRA has re-affirmed the long-term rating of [ICRA]BB (pronounced ICRA double B) assigned to the Rs. 6.53 crore¹ (revised from Rs. 6.08 crore) term loans and the Rs. 10.00 crore cash credit limits of The Mithra Agencies (Hyderabad) (MA / the firm)². ICRA has also re-affirmed the short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) assigned to the Rs. 22.50 crore (revised from Rs. 22.00 crore) fund based facilities and ratings of [ICRA]BB/[ICRA]A4+ to the Rs. 1.22 crore (revised from Rs 2.17 crore) unallocated limits of MA. The outlook on the long-term rating is Stable.

The reaffirmation of ratings continues to factor in MA's established track record of vehicle dealership business in Hyderabad; market leadership position of Maruti Suzuki India Limited (MSIL) in the passenger vehicle (PV) segment in India; and extensive experience of the promoters for more than two decades in the automobile dealership business. The ratings are however constrained by firm's moderate scale of operations; significant pressure on margins in the business, with the commissions being determined by the principal and the intense competition from other dealers of MSIL and of other OEMs. The ratings are also constrained by risks inherent in partnership nature of the firm and leveraged capital structure with gearing of 1.62 times on March 31, 2016 and weak coverage indicators with OPBDITA/Interest of 1.78 times and NCA/Total Debt of 11% for FY2016.

Going forward, the company's ability to increase its scale of operations and maintaining profitability, while managing working capital requirements, will remain the key rating sensitivities from a credit perspective.

Company Profile

The Mithra Agencies (MA), a partnership firm established in 1988, is the first MSIL dealer in passenger cars in Hyderabad. The firm is engaged in sales of new cars and used cars, vehicle servicing, along with the sale of spare parts. MA has two showrooms for the sale of new cars at Himayatnagar and Mehdiapatnam; "True Value" sales outlets at Himayatnagar, Nacharam and LB Nagar; and four workshops at RTC X Roads, Madhapur, LB Nagar and Nacharam. The stockyard is located at Nacharam.

MA is a partnership firm with three partners, Mr. Bhaskara Murthy, Mr. Ramalingam and Mr. Chandramouli Sarma. All three partners are actively involved with the firm, and have more than 20 years' experience in the automobile dealership business.

Recent Results

The company reported an operating income and net profit of Rs.207.82 crore and Rs 0.67 crore respectively in FY2016 as against an operating income and net profit of Rs. 190.68 crore and Rs. 0.40 crore respectively in FY2015.

December 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.



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