



SMERA RATINGS LIMITED

**M.K. Stores
(MKS)****Rating
Rationale****March 10, 2015**

Facility	Amount (Rs. Crore)	Rating
Term Loan	11.07	SMERA BB/ Stable (Assigned)

SMERA has assigned a rating of **'SMERA BB' (read as SMERA double B)** to the Rs.11.07 crore long-term bank facility of M.K. Stores (MKS). The outlook is **'Stable'**. The rating is supported by the firm's healthy revenue visibility and comfortable debt servicing ability. However, the rating is constrained by the firm's exposure to customer concentration risk. The rating is also constrained by the firm's small-scale operations.

MKS, established in 2012, is a Punjab-based partnership firm engaged in providing warehousing services. MKS has a warehouse in Sangrur, Punjab. The firm has rented out the warehouse to Punjab Grains Procurement Corporation Limited (Pungrain). MKS has entered into a tripartite agreement which provides long term revenue visibility. According to the terms of the agreement, the firm is eligible to receive rental income of ~Rs.2.41 crore per annum for 20 years.

MKS has comfortable debt protection metrics marked by debt service coverage ratio (DSCR) of 2.50 times and interest coverage ratio of 2.80 times in FY2013-14 (refers to financial year, April 01 to March 31).

MKS is exposed to customer concentration risk as the firm caters to a single client. The firm has small-scale operations marked by operating income of Rs.2.41 crore in FY2013-14.

Outlook: Stable

SMERA believes MKS will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the firm registers sustained improvement in profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the firm's capital structure.

About the firm

MKS, established in 2012, is a Punjab-based partnership firm promoted by Mr. Anwar Ahmed, Mr. Akhtar Ahmed and Mr. Ghulam Ahmed. MKS provides warehousing services to Punjab Grains Procurement Corporation Limited. The firm has a warehouse in Sangrur, Punjab.

For FY2013-14, MKS reported net profit of Rs.0.19 crore on total income of Rs.2.41 crore, as compared with net loss of Rs.0.39 crore on total income of Rs.0.42 crore in FY2012-13. MKS's net worth stood at Rs.4.15 crore as on March 31, 2014, as compared with Rs.3.57 crore a year earlier.

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M.K. Stores (MKS)

Rating Rationale

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