

MK Road Lines

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	50.00	CARE B+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the long term bank facilities of MK Road Lines (MKR) takes into consideration its small scale of operation albeit improving over the years, constitution as a partnership firm and highly competitive nature of transportation and logistics business. The rating further remains constrained due to its leveraged capital structure, stretched debt coverage indicators and stretched liquidity position.

The aforementioned weaknesses gets partially offset due to experience of the promoters in logistics business, reputed client base and MKR's established infrastructure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operation with turnover beyond Rs 100 crores while maintaining PBILDT margin more than 10%.
- Overall gearing below 5x.

Negative factors

- Any major moderation in gearing from the current levels as a result of withdrawal of capital or debt funded capex.
- Deterioration in turnover, with TOI below Rs 40.00 crores.

Analytical approach: Standalone

Outlook: Stable

The stable outlook is based on CARE Ratings Limited's (CARE Ratings) expectation of sustained growth momentum in scale of operation while maintaining its profitability margin.

Detailed description of key rating drivers:

Key Weaknesses

Small scale of operation albeit improvement over the years

The scale of operation of MKR remained small albeit showing improvement in the last five years. The Total Operating Income (TOI) of MKR grew at a compounded annual growth rate (CAGR) of 18.87% in last 5 years ended FY24. On y-o-y basis TOI grew by 25% to Rs.52.36 crore in FY24 from Rs 41.86 crore in FY23 on account of firm's expansion of customer base and services offered.

The PBILDT margin also improved from FY23 onwards as the firm reduced dependence on hired fleet and increased its owned fleet size. The firm reported PBILDT margin of 12.93% in FY24 (FY22: 4.97% and FY23: 11.30%), although, due to high interest rates the PAT margin moderated significantly to 0.24% (FY22: 1.47% and FY23: 3.10%).

Furthermore, the firm has signed agreement of a tenure of 3 years with Tata Steels Ltd in January, 2024, for providing logistics services. The same is expected to increase the scale of operation from FY25 onwards and the company has achieved turnover of around Rs 49 crore for till December 31, 2024.

Constitution as a partnership firm

MKR, being a partnership firm, is exposed to inherent risk of withdrawal of capital by the partners resulting in reduction of capital base leading to an adverse effect on capital structure. There have been instances of withdrawal of capital by the partners during past five years which led to a low networth base of the entity.

Highly competitive nature of transportation and logistics business

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The transport business faces intense competition due to the presence of numerous players with limited fleet sizes in both organized and unorganized sectors. This high level of fragmentation results in several challenges: small operators have reduced bargaining power, making it difficult to negotiate favourable terms; there are increased storage and handling losses due to inefficiencies; and resources are not utilized optimally, leading to higher operational costs. Consequently, these factors collectively hinder the overall efficiency and profitability of the transport business.

Leveraged capital structure and strained debt coverage indicators

The entity's capital structure stood leveraged, as marked by an overall gearing of 17.11x as on March, 31, 2024 (3.93x as on March, 31, 2023) with high reliance on external debt. Its debt profile largely comprises external debt in the form of vehicle loans. The firm has started expanding its business backed by orders from clients, and therefore is increasing its bank borrowing to enhance the fleet size. The total debt stood at Rs 34.40 crore as on March 31, 2024 as against Rs 13.38 crore as on March 31, 2023.

Furthermore, MKR has continued its purchase of fleet during FY25 and has added around Rs 21.00 crore of additional term loan in the capital structure till January, 2025. As articulated by the management, the bank borrowing is expected to increase further in FY26 for purchase of more vehicles. As a result, the capital structure is expected to remain similar in medium term.

Debt coverage indicators also remained strained, with PBILDT interest coverage at 2.55x in FY24 (5.21x in FY23), and total debt to GCA (TD/GCA) rising to 7.92x in FY24 from 3.32x in FY23. This deterioration was due to improved profitability being offset by a significant increase in debt levels.

Key weaknesses

Experienced Promoters

MRK was founded by Late Mr. Kailash Pareek in 2008 in Rourkela, Odisha. The firm is currently managed by its two experienced partners Shri Nitesh Parekh and Shri Rahul Pareek, who oversees the day to day operations of the firm. The partners are well supported by a team of professionals.

Established infrastructure for logistics

MKR has been providing logistics services across various states in India for more than a decade. The operation is controlled by five regional offices located at Rourkela, Belpahar, Raipur, Jajpur, Nagpur and Visakhapatnam.

The company has started increasing its owned fleet size from FY23 onwards to increase its scale, and as on December 31, 2024 the company has around 150 owned flatbed trailers for providing services. Furthermore, as per requirement the firm also hire fleet from outside. Going ahead, the company is expected to add around two new vehicle each month which will increase the fleet size subsequently.

Reputed client base albeit risk of client concentration

MKR provides full truck load (FTL) and less-than-truck load (LTL) transportation services along with project logistics and relocation services. The firm has a long-standing relationship with various reputed clients, from which it has been receiving regular orders. The firm generally gets contract for a tenure of 2 to 3 years and post expiry the same gets renewed. The client base includes names like TRL Krosaki Refractories Limited, Tata Steels Limited (CARE AA+; Stable), RHI Magnesita India Refractories Ltd among others.

Liquidity: Stretched

The liquidity of the firm is marked stretched owing to high debt repayment obligation during FY25 as against expected cash generation during the year. Furthermore, in FY26, MKR is estimated to increase its term loan to purchase fleet, which in turn will increase the repayment obligation. However, with the projected increase in scale from FY26 onwards, the liquidity position is expected to improve.

The collection period of the company remained at 39 days for FY24 (FY23: 45 days). MKR has a sanctioned working capital limit of Rs 6.50 crore, which remains around 70% utilised.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Services	Road Transport

Founded in 2008 by Kailash Pareek, MK Road Lines (MKR) is based in Rourkela, Odisha. MKR offers a range of services including transportation, ODC handling, project logistics, relocation, and full truck load services. These services cater to various industries such as residential, commercial, mining, oil, gas, engineering, and construction.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	41.86	52.36	49.25
PBILDT	4.73	6.77	-
PAT	1.30	0.13	-
Overall gearing (times)	3.93	17.11	-
Interest coverage (times)	5.21	2.55	-

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

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	6.50	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	April, 2030	43.50	CARE B+; Stable

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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	43.50	CARE B+; Stable				
2	Fund-based - LT-Cash Credit	LT	6.50	CARE B+; Stable				

LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	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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About us:

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