

Press Release

Bhagwat Chattels Private Limited

August 02, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	44.72	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	86.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	130.72	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) on the Rs 86.00 Cr bank facilities of Bhagwat Chattels Private Limited. The rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) has been assigned on additional Rs.44.72Cr bank facilities of BCPL. The outlook is '**Stable**'

About the Company

BCPL is a Hyderabad based entity, incorporated in the year 2013 by Mr. Pramod Kumar Gupta and family. The company is a special purpose vehicle (SPV) formed for construction and lease of ware house facility at Vapi, Gujarat. The company leased out warehouse to Hindustan Unilever Limited (HUL) for a period of 9 years from May 2017 to April 2026. The warehouse built up area is 480,968 sq. ft. and leased out for a monthly rental of about Rs.79 lakhs with an escalation at 15 per cent every three years. It is a part of Scalar group and is a subsidiary of Egwood Industries Private Limited.

About the Group

Mr. Promod Kumar is the promoter of the Scalar group which is into wood and wood products manufacturing, infrastructure development and leasing business. The group owns contracted Warehouse space of ~2.7 Million sq. ft. in 7 locations all over India

Analytical Approach

Acuite has considered the standalone business and financial risk profile of BCPL to arrive at this rating.

Key Rating Drivers

Strengths

Experienced management and establish track record of operations

BCPL is a part of Scalar group promoted by Mr. Pramod Kumar Gupta and family. The promoters of the group have been engaged in the warehouse construction and leasing business for more than a decade through various entities including Musaddilal Projects Private Limited, Egwood Industries Private Limited, Musaddilal Properties Private Limited among others. The group owns contracted warehouse space of ~2.7 Million sq. ft. in 7 locations all over India and entered long term lease agreements of 9-10 years with reputed clients namely Hindustan Unilever Limited, ITC Limited and UTI Worldwide (India) Private Limited under various SPVs. Apart from the leasing business, the Scalar group is in plywood manufacturing business since 1964 under 'Egwood Boards and Panels Private Limited'. Acuité believes that the company will continue to benefit from the experience of the management over the medium term.

Steady revenue stream under lease arrangement from reputed client

BCPL derives its revenues by way of lease rentals from HUL through its warehouse facility based in Vapi Gujarat. HUL is among India's largest FMCG companies with a diverse product portfolio including soaps and detergents, personal care products, and food and beverages. The total built-up area is 4.81 lakh sq. ft. The facility was rented at a monthly lease rental of about Rs.79 lakhs with an escalation at 15 per cent every three years from May 2017 to April 2026. BCPL receives advance payment every month. Apart from that, all the revenue inflows are routed through ESCROW account and the company is maintaining DSRA of three months EMI. HUL is among India's largest FMCG companies with a diverse product portfolio including soaps and detergents, personal care products, and food and beverages. The company has 28 owned factories and many outsourced production facilities across the country. The company has around 18,000 employees and more than 1,000 suppliers work with the Company's supply chain spanning own factories and several others that manufacture on the Company's behalf. The products are stocked in warehouses dotted across the country and delivered to over 3,500 distributors. The company also creates employment opportunities for several thousand more across its value chain – from smallholder farmers who provide raw materials, to the distribution partners who take company's products to customers and consumers.

Weaknesses

Customer concentration risk in revenue receipts

To serve the LRD loan, the company's revenues are entirely dependent on single customer i.e. HUL. Acuité believes that any unprecedented stretch in receiving lease rental from HUL is likely to impact BCPL's debt servicing ability. However, the risk is partially mitigated by the long-term agreement of 9 years and lock-in period for entire years along with a clause of levying a penal interest of 18 percent on delayed rentals as per the lease agreement.

Rating Sensitivities

- High debt-funded capital expenditure in the near to medium term.
- Timely renewal of agreement at similar or better terms than the existing agreements

Material covenants

None

Liquidity: Adequate

BCPL has reported revenue of Rs.12.00Cr in FY22 (Provisional) and net loss of Rs.0.25Cr. The company has availed top up Lease rental discounting (LRD) loan with additional Rs.54.5Cr of

loan from Indian Bank. This is to repay the existing loan of Rs. 79.32 Cr with SBI and Balance to repay the existing NCD's Rs.35Cr. The DSCR in FY22 (calculated considering cash flows against LRD and price escalation of 15 percent from FY24 as per the lease agreement) is 1.15 times. The inflows are managed by Escrow mechanism and company is following DSRA mechanism by maintaining deposit around Rs.2.60Cr (Three Months Installments). DSCR calculated from the rental cash flows stood at 1.10 times as on March 31, 2022. Interest coverage stood 1.65 times as on March 31, 2022(Provisional). Acuite believes that Liquidity position of the company will remain adequate over the medium term as the company follows escrow mechanism, which ensures timely receipt of rentals, and DSRA reserve which ensures additional security for debt repayments of the company

Outlook: Stable

Acuite believes that BCPL will maintain a 'Stable' outlook over the medium term from its promoters' industry experience and long term lease agreement with the HUL. The outlook may be revised to 'Positive' in case of early payment of its loan obligations while maintaining its cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its receivables or diversion of liquid investments leading to deterioration of its financial flexibility and liquidity

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	12.00	11.88
PAT	Rs. Cr.	(0.25)	1.71
PAT Margin	(%)	(2.09)	14.39
Total Debt/Tangible Net Worth	Times	(9.32)	(11.00)
PBDIT/Interest	Times	1.65	1.78

Status of non-cooperation with previous CRA (if applicable)

BCPL's rating was further downgraded and remained in 'ISSUER NON COOPERATING' status with CRISIL, through its rating rationale dated June 17, 2022. The reason provided by CRISIL is non-furnishing of information by BCPL.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 May 2021	Bills Discounting	Long Term	86.00	ACUITE BBB Stable (Reaffirmed)
04 Feb 2020	Bills Discounting	Long Term	86.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	86.00	ACUITE BBB Stable Reaffirmed
Indian Bank	Not Applicable	Lease Rental Discounting	Not Applicable	Not Applicable	Not Applicable	44.72	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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