



Press Release
Bhagwat Chattels Private Limited
December 03, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	130.72	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Total Withdrawn Quantum (Rs.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 130.72 Cr. bank facilities of Bhagwat Chattels Private Limited (BCPL). The outlook is 'Stable'.

Rationale for reaffirmation:

The rating reaffirmation continues to be supported by the experienced management and establish a track record of operations, a steady revenue stream under lease arrangements from reputed clients, and an adequate liquidity position marked by adequate cash accruals against repayment obligations. The rating is, albeit, constrained by susceptibility to lessee's performance along with occupancy and renewal risk.

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 a warehouse facility at Vapi, Gujarat. The company leased out a 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 percent every three years. It is a part of the Scalar Group and is a subsidiary of Egwood Industries Private Limited.

Unsupported Rating

Not Applicable

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 the 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, and 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 has been in the plywood manufacturing business since 1964 under 'Egwood Boards and Panels Private Limited'. Acuite 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 of 15 percent every three years from May 2017 to April 2026. The operating income stood at Rs. 13.50 Cr. in FY2024 as against Rs. 12.00 Cr. in FY2023. BCPL receives advance payment every month. Apart from that, all the revenue inflows are routed through the ESCROW account, and the company is maintaining a 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 its 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 the 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 a 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 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
- Early payment of its loan obligations while maintaining its cash accruals

Liquidity Position: Adequate

BCPL has adequate liquidity marked by comfortable net cash accruals to its maturing debt obligations. The DSCR stood at 1.20 times for FY2024. BCPL receives advance payment every month. Apart from that, all the revenue inflows are routed through the ESCROW account, and the company is maintaining the DSRA of three months EMI. Acuité believes that the liquidity of the company will remain adequate with steady cash inflows from the reputed customers.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	13.50	12.00
PAT	Rs. Cr.	0.80	(2.68)
PAT Margin	(%)	5.96	(22.33)
Total Debt/Tangible Net Worth	Times	(9.59)	(9.19)
PBDIT/Interest	Times	1.18	1.17

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Oct 2023	Lease Rental Discounting	Long Term	130.72	ACUITE BBB Stable (Reaffirmed)
02 Aug 2022	Lease Rental Discounting	Long Term	86.00	ACUITE BBB Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	44.72	ACUITE BBB Stable (Assigned)
06 May 2021	Bills Discounting	Long Term	86.00	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Lease Rental Discounting	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2037	130.72	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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