



Press Release
MUSADDILAL HOLDINGS PRIVATE LIMITED
April 15, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	109.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	109.00	-	-
Total Withdrawn Quantum (Rs.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 109.00 Cr. bank facilities of Musaddilal Holdings Private Limited (MHPL). The outlook remains 'Stable'.

Rationale for reaffirmation:

The rating reaffirmation continues to reflect steady revenue stream under lease arrangement from reputed clients, adequate liquidity position marked by adequate cash accruals against repayment obligations and the extensive experience of MHPL's management and establish track record of its operations.

The rating is, however, constrained by the susceptibility to the lessee's performance along with occupancy and renewal risk.

About the Company

Musaddilal Holdings Private Limited (MHPL) is a Hyderabad-based entity, incorporated in 2015 by Mr. Pramod Kumar Gupta and his son, Mr. Rohit Gupta. The company is part of the Scalar Group and is a subsidiary of Musaddilal Projects Private Limited. It is engaged in construction, leasing, and maintenance of warehouses. The company has leased and is maintaining a warehouse premises at Ashok Nagar, Madhya Pradesh, to ITC Limited.

Unsupported Rating

Not applicable

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management and establish track record of operations

MHPL is a part of the Scalar Group and is promoted by Mr. Pramod Kumar Gupta and his family. The

promoters of the group have been engaged in the warehouse construction and leasing business for over a decade through various entities, including Musaddilal Projects Private Limited, Egwood Industries Private Limited, and Bhagwat Chattels Private Limited, among others. The group owns contracted warehouse space of approximately 2.7 million sq. ft. across seven locations all over India and has entered into long-term lease agreements ranging from 9 to 20 years. The company has been associated with reputed clients, namely Hindustan Unilever Limited, ITC Limited, and UTI Worldwide (India) Private Limited, among others. Apart from the leasing business, the Scalar Group has also been engaged in the plywood manufacturing business since 1964 under Egwood Boards and Panels Private Limited. Acuité believes that the company will continue to benefit from the extensive experience of the management over the medium term.

- **Steady revenue stream under lease arrangement from reputed client**

MHPL derives its revenues by way of lease rental and warehouse maintenance from ITC Limited (ITC) through its warehouse facility based in Ashok Nagar, Madhya Pradesh. Established in 1910, ITC is one of the largest cigarette manufacturers in the country. ITC is a diversified conglomerate with its presence across various segments such as FMCG, Cigarettes, Hotels, Paper and Packaging, and Agri Business. The company has leased out its warehouse to ITC for a period of 10 years, ending in FY2028. As per the terms of the agreement, ITC will be storing 1,30,000 MT of goods and paying Rs. 56.87 per MT per month, with an escalation of 5 percent every year. The operating income stood at Rs. 10.56 Cr. in FY2024 as against Rs. 10.05 Cr. in FY2023. Further, the company has maintained a Debt Service Reserve Account (DSRA) for three months' repayment along with an ESCROW mechanism. The cash inflows are expected to be steady over the medium term, supported by a 5 percent rental hike every year under the specified terms and conditions of the lease agreement. Acuité believes that reputed clientele and regular receipt of rentals are expected to keep the revenues and cash flows stable over the medium term.

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., ITC. Acuité believes that any unprecedented delay in receiving lease rental from ITC is likely to impact MHPL's debt-servicing ability. However, the risk is partially mitigated by the long-term agreement of 10 years and the lock-in period for the entire duration, along with a clause of levying a penal interest of 18 percent on delayed rentals as per the lease agreement.

- **Susceptibility to lessee' performance along with occupancy and renewal risk**

MHPL primarily generates cash flows from lease rental and maintenance of its warehouse. The company's ability to meet its repayment obligations will depend on the continued and timely flow of rentals as per the agreed terms under the arrangement. The occurrence of events such as delays in receipt of rentals, or early exits/renegotiation by the lessee due to the latter's lower-than-expected business performance, may result in disruption of cash flow streams, thereby affecting MHPL's debt-servicing ability. Renewals or leasing at better terms, and any significant renegotiations by the lessees, can adversely impact the cash flows from the warehouse.

Assessment of Adequacy of Credit Enhancement under various scenarios including stress scenarios (applicable for ratings factoring specified support considerations with or without the "CE" suffix)

MPPL maintains a Debt Service Reserve Account (DSRA) for three-months repayment along with the ESCROW mechanism.

Stress case Scenario

Acuite believes that, given the presence of DSRA mechanism MPPL will be able to service its debt on time, even in a stress scenario.

Rating Sensitivities

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

Liquidity Position: Adequate

During FY2024, the company generated insufficient cash accruals against its debt repayment obligation. The shortfall in accruals is on account of an exceptional one-time discount of Rs. 2.28 Cr. in lease rental provided to its client for its long-standing business relationship with the company during FY2024. However, the servicing of debt obligations was in timely manner on account of support extended by the holding company, Musaddilal Projects Private Limited (MPPL). Going ahead, the company is expected to generate sufficient cash accruals against its maturing debt repayment obligations over the medium term. Additionally, MHPL benefits from monthly advance payments, while all revenue inflows are routed through an ESCROW account. The company also maintains a Debt Service Reserve Account (DSRA) equivalent to three months' EMI. Acuité believes that the liquidity of the company will remain adequate with expected steady cash inflows.

Outlook: Stable

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	10.56	10.05
PAT	Rs. Cr.	(4.52)	(0.65)
PAT Margin	(%)	(42.84)	(6.49)
Total Debt/Tangible Net Worth	Times	(40.32)	54.34
PBDIT/Interest	Times	0.89	1.19

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

Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities: <https://www.acuite.in/view-rating-criteria-63.htm>
- Lease Rental Discounting : <https://www.acuite.in/view-rating-criteria-106.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
17 Jan 2024	Lease Rental Discounting	Long Term	109.00	ACUITE BBB Stable (Reaffirmed)
28 Oct 2022	Lease Rental Discounting	Long Term	65.00	ACUITE BBB Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	44.00	ACUITE BBB Stable (Assigned)
03 Aug 2022	Lease Rental Discounting	Long Term	58.50	ACUITE BBB Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	6.50	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 Jul 2037	109.00	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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