

Press Release

MUSADDILAL PROPERTIES PRIVATE LIMITED

June 12, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 89.91 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable

* Refer Annexure for details

Erratum: In the original PR dated 28th February, 2020, the hyperlinks to the relevant rating criteria referred to an earlier version which have now been updated in this version

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs. 89.91 crore bank facilities of MUSADDILAL PROPERTIES PRIVATE LIMITED. The outlook is '**Stable**'.

Musaddilal Properties Private Limited (MPPL) is a Hyderabad based entity, incorporated in the year 2013 by Mr. Pramod Kumar Gupta and his son Mr. Rohit Gupta. The company is a part of Scalar group and is a subsidiary of Musaddilal Projects Private Limited. The company has leased a specially constructed warehouse premises at Shirur, Pune to ITC Limited for a period of 20 years. The total built up area for the warehouse is 250,858 sq. ft.

Analytical Approach

Acuité has considered standalone business and financial risk profiles of MPPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Extensive experience of the promoters**

MPPL 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, Bhagwat Chattels Private Limited among others. The group currently owns warehouse space of ~2.7 million sq. ft. across 7 locations all over India and entered long term lease agreements ranging from 9 years to 10 years. The group has been associated 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**

MPPL derives its revenues by way of lease rentals from ITC Limited (ITC) through warehouse facility based in Pune. ITC Established in 1910 is the largest cigarette manufacturer and seller in the country. ITC operates in five business segments at present - FMCG Cigarettes FMCG Others Hotels Paperboards Paper and Packaging and Agri Business. The warehouse built-up area of 2.51 lakh sq. ft. The facility is rented at a monthly lease rental of about Rs.0.45 crore with an escalation of 15 per cent every three years from Nov 2016 to Oct 2036. MPPL receives payment by 10th of every subsequent month. Apart from that all the revenue inflows are routed through escrow account and the company is maintaining a DSRA of one-month for repayments. 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

• **Project Execution risk:**

MPPL has signed Letter of Intent with Future Supply Chain Solution Limited (FSCSL) in Jul 2019 to lease out a warehouse facility at Pune. MPPL is currently constructing the warehouse with a total built up area of 2.5 lakh sq. ft. with the total project cost of Rs.61.21 crore. The total project is expected to be funded through equity and debt in the ratio of 25:75. The project was started in December 2019 and the promoters have already brought in equity to the tune of Rs.13 crore for the purchase of land and civil works. Further, the company has achieved the financial closure for the same. The project is expected to be completed by December 2020 and rentals are expected from January 2021. Any delays in execution of the project leading to cost overrun will remain a key rating sensitivity factor.

• **Customer concentration risk in revenue receipts**

To serve the LRD loan the company's revenues are entirely dependent on single customer i.e. ITC. Any unprecedented stretch in receiving lease rental from ITC is likely to impact MPPL's debt-servicing ability. However, the risk is partially mitigated by the initial lock in period of 5 years and subsequently 10 years.

Rating Sensitivities

- Early payment of its loan obligations while maintaining its cash accruals
- Stretch in its receivables

Material Covenants

None

Liquidity Position: Adequate

MPPL has adequate liquidity marked by comfortable net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.40 to 1.73 crore during the last three years through 2018-19, while its maturing debt obligations were in the range of Rs.0.11-0.42 crore over the same period. The cash accruals of the company are estimated to remain around Rs.1.00 - 2.80 crore during 2020-22 while its repayment obligation is estimated to be around Rs.0.35-Rs.1.62 Crore. MPPL receives payment by 10th of subsequent month. Apart from that, all the revenue inflows are routed through escrow account and the company is maintaining DSRA of one-month for repayments. The cash and bank balance stood at Rs.2.19 crore as on 31 March, 2019. Acuité believes that the liquidity of the company will remain adequate with steady cash inflows from the reputed customers.

Outlook: Stable

Acuité believes that MPPL will maintain a 'Stable' outlook over the medium term from its Directors' industry experience and long-term lease agreement with the ITC. 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 lead to deterioration of its financial flexibility and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	5.42	5.42
PAT	Rs. Cr.	-1.84	-2.62
PAT Margin	(%)	-34.03	-48.39
Total Debt/Tangible Net Worth	Times	7.73	6.15
PBDIT/Interest	Times	1.26	1.11

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Lease Rental Discounting	01-June-2017	Not Applicable	31-May-2032	89.91	ACUITE BBB / Stable

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About Acuité Ratings & Research:

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