

Press Release

Musaddilal Properties Private Limited

September 08, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.09	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	89.91	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	133.00	-	-
Total Withdrawn Quantum (Rs.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 89.91 Cr bank facilities of Musaddilal Properties Private Limited (MPPL). The long term rating of '**ACUITE BBB**' (read as **ACUITE Triple B**) has been assigned on additional Rs.43.09 Cr of bank facilities of MPPL. The outlook is '**Stable**'.

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

About the Company

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-I premises at Shirur, Pune to ITC Limited for a period of 20 years. The total built up area for the warehouse is 2,50,858 sq. ft. MPPL has also leased a specially constructed warehouse-II premises at Pune to Transport Corporation of India Limited (TCI) for a period of 10 years. The total built up area for the warehouse is 1,01,056 sq. ft. and to Nahar Retail Trading Services Limited (logistics partner for Tata Trent) for a period of 15 years. The total built up area for the warehouse is 1,46,834 sq. ft.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and establish track record of operations**

MPPL is a part of Scalar Group and is promoted by Mr. Pramod Kumar Gupta and 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, Bhagwat Chattels Private Limited among others. The group owns contracted warehouse space of ~2.4 Million sq. ft. across 6 locations all over India and entered long term lease agreements ranging from 9 to 20 years. The company has been associated with reputed clients namely Hindustan Unilever Limited, ITC Limited, Nahar Retail Trading Services Limited (logistic partner for Tata Trent), Transport Corporation of India (TCI) and UTI Worldwide (India) Private Limited among others. Apart from the leasing business, the Scalar group is also engaged 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 rental and warehouse maintenance from ITC Limited (ITC) through its warehouse I facility based in Shirur, Pune. ITC was established in 1910 is one of the largest cigarette manufacturers in the country. ITC is a diversified conglomerate with its presence across various segment such as –FMCG, Cigarettes, Hotels, Paper and Packaging and Agri Business. The company has leased out its warehouse to ITC for a period of 20 years ending in October 2036. As per the terms of agreement, ITC will be paying monthly lease rental of about Rs.0.45 Cr with an escalation at 15 per cent every three years from November 2016 to October 2036. MPPL derives its revenues by way of lease and warehouse maintenance from Transport Corporation of India (TCI) and Nahar Retail Trading Services Limited (logistic partner for Tata Trent) through its warehouse II facility based in Pune. MPPL receives revenue from lease rentals of Transport Corporation of India (TCI) through a warehouse facility of 1.01 lakh sq.ft located in Pune. As per the terms of agreement, TCI will be paying monthly lease rental of about Rs. 0.21Cr with a price escalation of 5 percent for every year from January 2022 to December 2032. The company also receives revenue from lease rentals of Nahar Retail Trading Services Limited (logistic partner for Tata Trent) through a warehouse facility of 1.46 lakh sq.ft located in Pune. As per the terms of agreement, Nahar Retail Trading Services Limited will be paying monthly lease rental of about Rs. 0.29Cr (for initial period of 24 months inclusion of maintenance charges), 0.34 (from 3rd year) with a price escalation of 4.5 percent from the 4th year from rent commencement on the last paid lease rental every year along with 10 percent for every three years for maintenance charges for every year from December 2021 to November 2036. Further, the company maintains a Debt Service Reserve Account (DSRA) for one-month repayment along with ESCROW mechanism. 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

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

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

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 Position: Adequate

MPPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.46 Cr in FY2022 on provisional basis against its maturing debt obligations of Rs.0.96 Cr. The cash accruals of the company are estimated to remain around Rs.4 - 6 Cr during 2022-24 while its repayment obligation is estimated to be around Rs.1.50-Rs.3.00 Cr (including NCAs from Warehouse II&III). MPPL receives payment on 10th of every subsequent month. Apart from that, all the revenue inflows are routed through Escrow account and the company maintains DSRA of one month EMI. The current ratio of the company stands low at 0.41 times as on March 31, 2022 (Prov.). 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 promoters' industry experience and long-term lease agreement with its reputed clients. 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, renewal of lease agreements, leading to deterioration of its financial flexibility and liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	7.90	5.19
PAT	Rs. Cr.	(2.90)	(1.88)
PAT Margin	(%)	(36.73)	(36.28)
Total Debt/Tangible Net Worth	Times	(59.85)	69.56
PBDIT/Interest	Times	1.39	1.25

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

MPPL's rating was downgraded and migrated to 'ISSUER NON COOPERATING' status with CRISIL through its rating rationale dated June 08, 2022. The reason provided by CRISIL is nonfurnishing of information by MPPL.

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Jun 2021	Term Loan	Long Term	89.91	ACUITE BBB Stable (Reaffirmed)
12 Jun 2020	Term Loan	Long Term	89.91	ACUITE BBB Stable (Assigned)
28 Feb 2020	Term Loan	Long Term	89.91	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
Canara Bank	Not Applicable	Lease Rental Discounting	31-03-2022	7.50	01-04-2027	89.91	ACUITE BBB Stable Reaffirmed
Canara Bank	Not Applicable	Lease Rental Discounting	31-03-2022	7.50	01-04-2027	43.09	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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