



Press Release
MUSADDILAL PROPERTIES PRIVATE LIMITED
March 06, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	133.00	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Total Withdrawn Quantum (Rs.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 Bo**)n the Rs 133.00 Cr. bank facility of Musaddilal Properties Private Limited (MPPL). The outlook is ‘**Stable**’.

Rationale for reaffirmation:

The rating reaffirmation takes into account 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, however, 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.

Unsupported Rating

Not applicable

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, and 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 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, 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 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 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 and is one of the largest cigarette manufacturers in the country. ITC is a diversified conglomerate with a 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 20 years, ending in October 2036. As per the terms of the agreement, ITC will be paying monthly lease rental of about Rs.0.45 Cr. with an escalation of 15 percent every three years from November 2016 to October 2036. MPPL derives its revenues by way of leases and warehouse maintenance from the Transport Corporation of India (TCI) and Nahar Retail Trading Services Limited (logistics partner for Tata Trent) through its warehouse II facility based in Pune. MPPL receives revenue from lease rentals from the Transport Corporation of India (TCI) through a warehouse facility of 1.01 lakh sq. Ft is located in Pune. As per the terms of the agreement, TCI will be paying monthly lease rental of about Rs. 0.21 Cr. with a price escalation of 5 percent for every year from January 2022 to December 2032. The company also receives revenue from lease rentals from Nahar Retail Trading Services Limited (logistic partner for Tata Trent) through a warehouse facility of 1.46 lakh sq. Ft is located in Pune. As per the terms of the agreement, Nahar Retail Trading Services Limited will be paying a monthly lease rental of about Rs. 0.29 Cr. (for an 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. The operating income stood at Rs. 13.59 Cr. in FY2024 as against Rs.12.76 Cr. in FY2023. Further, the company maintains a Debt Service Reserve Account (DSRA) for one-month repayment along with the 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 warehouses. 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 the 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 on 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 one-month repayment obligation along with the ESCROW mechanism.

Stress case Scenario

Acuite believes that, given the presence of one month 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 the existing agreements
- Timely payment of lease rentals

Liquidity Position: Adequate

MPPL's liquidity is adequate, marked by adequate net cash accruals to its maturing debt obligation. The company has generated cash accruals of Rs.6.81 Cr. in FY2024, while its maturing debt obligations were Rs. 2.90 Cr. during the same period. Going forward, the company is expected to generate sufficient net cash accruals against its maturing debt obligation. The DSCR, calculated from rental cash flows, stood at 1.28 times for FY2024. MPPL receives advance payment every month. All the revenue inflows are routed through an ESCROW account and the company maintains a DSRA of one-month 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.	13.59	12.76
PAT	Rs. Cr.	0.49	(13.19)
PAT Margin	(%)	3.59	(103.38)
Total Debt/Tangible Net Worth	Times	(14.89)	(14.44)
PBDIT/Interest	Times	1.09	1.16

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>
- 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. Acuite'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
07 Dec 2023	Lease Rental Discounting	Long Term	133.00	ACUITE BBB Stable (Reaffirmed)
08 Sep 2022	Lease Rental Discounting	Long Term	89.91	ACUITE BBB Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	43.09	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Canara Bank	Not avl. / Not appl.	Lease Rental Discounting	31 Mar 2022	Not avl. / Not appl.	30 Apr 2037	133.00	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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