



**Press Release**  
**Musaddilal Projects Private Limited**  
**December 21, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	154.00	ACUITE BBB+   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	154.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB+**' (read as **ACUITE Triple B Plus**) on the Rs. 154.00 Cr bank facilities of Musaddilal Projects Private Limited (MPPL). The outlook remains '**Stable**'.

**Rationale for the rating**

The rating factors in MPPL's experienced management, establish track record of operations and steady revenue stream under lease arrangement from reputed clients. These rating strengths are constrained by customer concentration risk in revenue receipts and susceptibility to lessee's performance along with occupancy and renewal risk.

**About the Company**

Musaddilal Projects Private Limited (MPPL), is the flagship and ultimate holding company of the Scalar Group, incorporated in the year 2006, by Mr. Pramod Kumar Gupta and his son Mr. Rohit Gupta. MPPL is the parent entity with multiple SPVs under the group. The company has leased a specially constructed warehouse premises at Bangalore and Chennai to Hindustan Unilever Limited (HUL) and UTI Worldwide (India) Private Limited (UTI), respectively.

**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 established track record of operations**

MPPL is the flagship and ultimate holding company of Scalar group promoted by Mr. Pramod Kumar Gupta and family. It is the parent entity with multiple SPVs under the group. The promoters of the group have been engaged in the warehouse construction and leasing business for more than a decade through various entities namely Musaddilal Properties Private Limited, Musaddilal Holdings 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 20 years. The group has been associated

with reputed clients namely HUL, ITC Limited and UTI 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'. The promoters had diluted the shares by 15 percent by allowing private equity investor PCP to invest around Rs.176.50 Cr in FY2021 by way of equity and debentures. The company has used the proceeds from the investments into its existing as well as newly formed SPVs for purchasing of land across Pune, Chennai Bengaluru, Hyderabad, Rajasthan and Kolhapur. The investment was converted into equity to the extent of Rs. 26.50 Cr in FY2022 and the balance Rs.150 has been repaid in FY2023. The repayment was funded partly by way of top -up/ enhancement in existing debt of SPV's and balance by net cash accruals generated from operational assets. 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 the reputed client**

MPPL derives its revenues by way of lease rentals from HUL and UTI through warehouse facility based in Bangalore and Chennai, respectively. 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 warehouse has a built-up area of 4.20 lakh sq. ft. The facility is rented at a monthly lease rental. The agreement with HUL was signed in 2009 till 2019; further extended for 10 years up to 2029. MPPL receives payment either in advance or within 15 days from the date of bill. MPPL's another client, UTI worldwide, was founded in 1993. The Company's line of business includes the arranging of transportation of freight and cargo. The warehouse has a built-up area of 2.18 lakh sq. ft. The facility is rented at a monthly lease rental with an escalation of 15 per cent clause every 3 years from Apr 2017 to Jun 2027. MPPL receives payment within 10 days from the date of bill. The operating income stood at Rs. 18.43 Cr in FY2023 as against Rs.18.31 in FY2022. Further, the company maintains a Debt Service Reserve Account (DSRA) for three-month repayment along with ESCROW mechanism. The cash inflows are expected to be steady over the medium term supported by way of rental hike 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 2 customers i.e. HUL and UTI Worldwide. Acuité believes that any unprecedented stretch in receiving lease rental is likely to impact MPPL's debt-servicing ability. However, the risk is partially mitigated by the long-term agreement of 10 years and lock-in period for entire years 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**

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/negotiation 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.

## **All Covenants**

None

**Liquidity Position: Adequate**

MPPL has adequate liquidity marked by comfortable net cash accruals to its maturing debt obligations. The DSCR calculated from the rental cash flows stood at is 1.10 times for FY2023. MPPL receives advance payment every month. Apart from that, all the revenue inflows are routed through ESCROW account and the company is maintain 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**

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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	18.43	18.31
PAT	Rs. Cr.	0.28	2.35
PAT Margin	(%)	1.49	12.85
Total Debt/Tangible Net Worth	Times	10.80	6.45
PBDIT/Interest	Times	1.40	1.95

### 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, Acuite 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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Sep 2022	Lease Rental Discounting	Long Term	56.00	ACUITE BBB+   Stable (Assigned)
	Lease Rental Discounting	Long Term	90.00	ACUITE BBB+   Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	8.00	ACUITE BBB+   Stable (Assigned)
24 Aug 2021	Term Loan	Long Term	90.00	ACUITE BBB+   Stable (Reaffirmed)
16 Apr 2020	Term Loan	Long Term	90.00	ACUITE BBB+   Stable (Reaffirmed)
30 Mar 2020	Term Loan	Long Term	25.00	ACUITE BBB+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Lease Rental Discounting	27 Jun 2022	7.65	27 Apr 2036	Simple	98.00	ACUITE BBB+   Stable   Reaffirmed
Indusind Bank Ltd	Not Applicable	Lease Rental Discounting	30 Mar 2022	7.30	30 Mar 2024	Simple	56.00	ACUITE BBB+   Stable   Reaffirmed

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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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