Press Release
MUSADDILAL PROJECTS PRIVATE LIMITED
March 28, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.00	ACUITE BBB+ | Stable | Assigned	-
Bank Loan Ratings	154.00	ACUITE BBB+ | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	161.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Acuité has assigned its long-term rating to **'ACUITE BBB+' (read as ACUITE Triple B Plus**o)n the Rs. 7.00 Cr. bank facilities of Musaddilal Projects Private Limited (MPPL). The outlook remains '**Stable**'.

Rationale for reaffirmation:
The rating reaffirmation considers extensive experience of MPPL's management and establish track record of its 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 the susceptibility to the lessee' 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 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 specially constructed warehouse premises in Bangalore and Chennai to Hindustan Unilever Limited (HUL) and UTI Worldwide (India) Private Limited (UTI), respectively.

Unsupported Rating
Not applicable

Analytical Approach
Acuité 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 the Scalar Group, promoted by Mr. Pramod Kumar

Gupta and his family. It is the parent entity with multiple SPVs under the group. The promoters 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, and Bhagwat Chattels Private Limited, among others. The group currently owns warehouse space of approximately 2.7 million sq. ft. across 7 locations all over India and has entered into long-term lease agreements ranging from 9 to 20 years. The group has been associated with reputed clients such as

HUL, ITC Limited, and UTI under various SPVs. Apart from the leasing business, the Scalar Group has been in the 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. However, PCP has exited all the investments on account of losses in its core business. Propium was given an exit at Rs.150 Cr. along with waiver of the interest accumulated until the date of exit. The waive off was due to pre-exit. In FY2023 Rs.60 Cr. was repaid and in FY2024 Rs. 51 Cr. was repaid, balance amount will be repaid in near term. 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 through lease rentals from HUL and UTI via warehouse facilities 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 and lasted until 2019; it was further extended for 10 years up to 2029. MPPL receives payment either in advance or within 15 days from the date of the bill. MPPL's another client, UTI Worldwide, was founded in 1993. The company's line of business includes arranging the 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 clause of 15 percent every 3 years from April 2017 to June 2027. MPPL receives payment within 10 days from the date of the bill. The operating income stood at Rs. 22.41 Cr. in FY2024, compared to Rs. 18.43 Cr. in FY2023. Additionally, the company maintains a Debt Service Reserve Account (DSRA) for three-month repayment along with an ESCROW mechanism. The cash inflows are expected to be steady over the medium term, supported by rental hikes 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 rental lease 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's performance along with occupancy and renewal risk**

MPPL primarily generates cash flows from lease rentals and warehouse maintenance. The company's ability to meet its repayment obligations will depend on the continued and timely flow of rentals as per the agreed terms. Events such as delays in receipt of rentals, early exits, or renegotiations by lessees due to lower-than-expected business performance may disrupt cash flow streams, thereby affecting MPPL's debt-servicing ability. Additionally, renewals or leasing at better terms, and any significant renegotiations by lessees, can adversely impact 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 three months 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 DSCR calculated from the rental cash flows stood at 1.10 times for FY2024. MPPL receives advance payment every month. Apart from that, all the revenue inflows are routed through ESCROW account and the company maintains DSRA equivalent 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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	22.41	18.43
PAT	Rs. Cr.	0.32	0.28
PAT Margin	(%)	1.41	1.49
Total Debt/Tangible Net Worth	Times	10.04	10.80
PBDIT/Interest	Times	1.27	1.40

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. 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
17 Mar 2025	Lease Rental Discounting	Long Term	98.00	ACUITE BBB+ | Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	56.00	ACUITE BBB+ | Stable (Reaffirmed)
21 Dec 2023	Lease Rental Discounting	Long Term	98.00	ACUITE BBB+ | Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	56.00	ACUITE BBB+ | Stable (Reaffirmed)
30 Sep 2022	Lease Rental Discounting	Long Term	90.00	ACUITE BBB+ | Stable (Reaffirmed)
	Lease Rental Discounting	Long Term	56.00	ACUITE BBB+ | Stable (Assigned)
	Lease Rental Discounting	Long Term	8.00	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
Indian Bank	Not avl. / Not appl.	Lease Rental Discounting	31 Jul 2024	Not avl. / Not appl.	30 Apr 2040	98.00	Simple	ACUITE BBB+ | Stable | Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Lease Rental Discounting	30 Apr 2022	Not avl. / Not appl.	31 Mar 2034	56.00	Simple	ACUITE BBB+ | Stable | Reaffirmed
Indian Bank	Not avl. / Not appl.	Lease Rental Discounting	31 Jul 2024	Not avl. / Not appl.	30 Apr 2040	7.00	Simple	ACUITE BBB+ | Stable | Assigned

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About Acuité Ratings & Research
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