S.S.B. Enterprises
April 26, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	44.97	CARE BB+; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers
The ratings assigned to the bank facilities of S.S.B. Enterprises (SSB) is constraint by weak financial risk profile followed by project execution and stabilisation risk, competitive nature of industry and constitution of entity being proprietorship firm. The rating is further constraint by stretched liquidity position on account of high debt repayments going forward. However, the ratings draw strengths from experienced & resourceful promoters, diversified business model coupled with fixed revenue stream viz rental incomes.

Rating sensitivities: Factors likely to lead to rating actions.
Positive factors
- Scaling up of operations, with operating income growing to more than Rs. 75 crores coupled PBILDT margin around 12% on sustained basis.
- Improvement in capital structure as reflected by overall gearing below 1.50 times.

Negative factors
- Decline in PBILDT margin below 5% on a sustained basis.
- Deterioration in the capital structure as marked by overall gearing ratio of above 2.50x.

Analytical approach: Standalone

Outlook: Stable
The "Stable" outlook assigned to the bank facilities of SSB takes into account capabilities of the management due to its long track record of operations to mitigate the inherent risk related to low profitability margin and project execution without compromising much on operational aspects.

Detailed description of the key rating drivers:

Key weaknesses
Weak Financial Risk profile
SSB's scale of operation have remained small as marked by a total operating income and gross cash accruals of Rs. 28.90 crores and Rs. 1.91 crore respectively during FY22 (Audited, refers to the period April 01 to March 31) as compared to Rs. 15.95 crores and Rs. 1.48 crores respectively during FY21 (Audited, refers to the period April 01 to March 31). Although, post relaxation in COVID related restrictions firm has started showing improvement in scale of operations as reflected by revenue from operations of Rs. ~40 crores in FY23 (Provisional, refers to the period April 01 to March 31). The revenue from operations includes lease rentals against land leased out to Punjab Government to be used as warehouse for storage of crops which was Rs. 3.61 crores during FY22, moreover, firm also receives rental income from one of the hotels leased out by the name of "Regenta Central" generated rental of Rs. 0.60 crores during FY22. This hotel is leased out to group company "Gloring Hospitality Private Limited" which is paying annual rental, going forward entity is planning to cancel lease agreement and operate the hotel on their own which will eventually increase the revenue from operations of the proprietorship firm.
Although, major proportion of the revenue includes sale of agricultural commodities (mainly sugar) followed by transportation business, being trading nature of operations profitability remains very low in this segment. The profitability margins of the company continue to remain low and has further declined during FY22 as reflected by PBILDT margin and PAT margin of 7.66% (PY: 11.01%) and 2.84% (PY: 5.68%) respectively. Accordingly, despite of high margin warehousing operations and lease rental from hotel, firm has earned gross cash accruals of Rs. 1.91 crores only. The capital structure of the firm also remains levered with slight improvement during FY22 reflected by overall gearing ratio of 2.05x during FY22 as compared to 1.84x during FY21. Levered capital structure is mainly due to unsecured loans of Rs. 28.76 crores of which only Rs. 2.07 crores are subordinated to bank loan.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Project execution and stabilisation risk
Firm is executing two projects first being hotel in "Ranjit Vihar, Loharka Road, Amritsar" in partnership with "ITC Fortune" which is likely to be operational from June-July 2023 having project cost of Rs ~12 crores which was funded through term debt of Rs 6 crores, construction is in the verge of completion and firm has already signed the agreement with ITC. Besides, firm has already signed an MOU with "Club Mahindra" for 15 rooms with ARR of Rs 2200 per night showing revenue visibility going forward.
Firm is also constructing another premium hotel at "Ghee Mandi, Amritsar" near to Golden Temple in Amritsar having total area of 3000 square yards which will have 65-70 rooms. This hotel is at very initial stage and likely to be completed by FY25 with an expected project cost of Rs. 40 crores against which they have sanctioned term loan of Rs 28 crores. Till March 31,2023, they have only drawn Rs 0.50 crores, further firm has capitalised expenses of around Rs. 2.50 crores for land conversion for the project from their own fund. Timely completion and stabilisation of these projects will key monitorable leading to change in rating going forward.

Competitive nature of industry
Firm is engaged in multiple business which includes trading of agricultural products, transportation business, operating a hotel and lease rentals generated from land leased out to Punjab Government to be used as warehousing of crops. Agricultural industry in India is highly regulated and faces intense competition from both organized and unorganized players in the market. The presence of organized players restricts the pricing policy of company resulting in low profitability of medium sized and unorganized players in the industry. Further, agricultural commodity is also regulated in Punjab through presence of Minimum Support Price (MSP) which thereby impact raw material price of Sugar and Wheat. In Hotel segment, SSB faces competition from other luxury segment hotels in nearby location. Furthermore, even though the demand for hotel rooms in the Amritsar is expected to steadily grow in the medium term on account of anticipated increased commercial and tourism activity and growth of the economy, there are several other upcoming luxury hotels from various hospitality chains, which can lead to increased supply in the competitive pool in the next five years. With the expected improvement in investment cycle, the occupancy rates are expected to rise in medium term. Going forward, SSB's prospects would depend on improvement in the economic environment and its ability to achieve envisaged average room rate and occupancy levels while distinguishing itself among the hotels operating in the vicinity.

Constitution of the entity
SSB's constitution being a proprietorship firm has the inherent risk of possibility of withdrawal of the proprietor's capital at the time of personal contingency and firm being dissolved upon the death/retirement of proprietor. Moreover, proprietorship firms have restricted access to external borrowing as credit worthiness of proprietor would be key factors affecting credit decision for lenders.

Key strengths

Experienced and resourceful promoter
SSB is a proprietorship form of Mr. Rajan Bedi, rich experience of Mr. Rajan Bedi gained during last 2 decades provides a competitive edge to the firm. Promoter is further supported by well versed management team which looks after the day-to-day operations of the firm comprising of qualified and experienced individual from the industry. Besides, promoter along with his family members is resourceful and has shown ability to infuse funds in the business as and when required in the form of unsecured loans having outstanding of Rs. 28.76 crores as at March 31,2022, from multiple lenders of which Rs. 2.07 crores are subordinated to bank loan.

Diversified business model
Firm is engaged in diversified business which includes trading of agricultural products majorly in sugar with some proportion of wheat which comprises revenue of Rs. 23.28 crores during FY22. Besides, firm is also operating a hotel "Regenta Inn" which has generated revenue from operations of Rs. 2.04 crores during FY22 which is improved during FY23. Moreover, firm has generated rental income of Rs. 4.21 crores during FY22 which includes rental from one of the Hotel leased out by the name of "Regenta Central" to group company of Rs. 0.60 crores and warehouses leased out to Punjab Government for Agricultural products generating annual lease revenue of Rs. 3.61 crores.

Fixed revenue stream viz rental income on large land bank.
Firm has large land bank spread out through Punjab which is leased out to Punjab Government and being used as Warehouse for storage of agricultural and allied products. The firm is generating annual lease rentals of Rs. 3.61 crores during FY22. Besides, the firm also has a fully operational hotel by the name of "Regenta Central" which has generated rental income of Rs 0.60 crores during FY22 showing fixed revenue stream of the firm. Moreover, rental incomes were renegotiated during COVID which is likely to be rationalized going forward showing adequate revenue visibility going forward.

Liquidity: Stretched

The firm has a total debt repayment obligation of Rs. ~2.88 crores for FY24, which will be met through the operational cash flow. Company has low Gross Cash accruals (GCA) of Rs. 1.91 crores during FY22 which has improved from Rs. 1.48 crores during FY21 and projected to remain around Rs ~3.25-3.50 crores for FY24. Further, going forward repayment obligations will increase on account of repayment for debt availed for hotel projects. However, working capital utilisation also remains comparatively low over the last 12 months ending February 2023 at 60%.

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Hotel
Wholesale Trading
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Incorporated in 1999 S.S.B Enterprises is a proprietorship firm of Mr. Rajan Bedi. Firm is engaged in diversified business which includes, trading of Agricultural commodities mainly sugar followed by transportation of Agricultural products having fleet of 14-15 trucks, operation of a hotel "Regenta Inn" and has leased out hotel "Regenta Central" generating annual rental income. Besides, firm also generate rental income from land leased out to Punjab Government which is ultimately used as warehouse for agriculture products by government. Firm maintain and operate these warehouses wherein they get fixed rental income from government followed by expenses for maintenance.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31,2023 (UA)
Total operating income	15.95	28.90	40.00
PBILDT	1.76	2.21	NA
PAT	0.91	0.82	NA
Overall gearing (times)	1.84	2.05	NA
Interest coverage (times)	1.71	2.34	NA

A: Audited UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	6.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	March 2037	38.97	CARE BB+; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Term Loan	LT	38.97	CARE BB+; Stable				
2	Fund-based - LT-Cash Credit	LT	6.00	CARE BB+; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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