

S.S. Enterprises

July 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	27.61 (Enhanced from 16.71)	CARE BB; Stable	Revised from CARE BB-; Stable
Long Term / Short Term Bank Facilities	31.39 (Enhanced from 1.29)	CARE BB; Stable / CARE A4	Revised from CARE BB-; Stable / CARE A4
Short Term Bank Facilities	22.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1

Rationale & key rating drivers

The revision in the ratings assigned to the bank facilities of S.S. Enterprises (SSE) factors in significant improvement in scale of operations and operating performance during FY24. The firm has entered into hospitality industry with acquisition of a hotel property at Bhiwadi, Rajasthan.

The rating, however, is tempered owing to low profitability margins affected by volatility in toll collection and traffic flow, tender based nature of business with intense competition, moderate capital structure and debt coverage indicators and proprietorship nature of constitution.

The rating, however, continues to derive strength from the extensive experience of the proprietor in the industry having established relation with government bodies and diversified revenue streams.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in revenues to more than Rs. 250 crore with improvement in operating margin (PBILDT) to above 5% on sustained basis.
- Improvement in overall gearing to below 0.50x on sustained basis.
- Stabilization of hotel operations and ability to run the same profitably.

Negative factors

- Decline in revenue to below Rs. 100 crore and PBILDT margin to be below 3% on sustained basis.
- Large debt funded capex or capital withdrawals resulting in weakening of financial risk profile.

Analytical approach: Standalone

Outlook: Stable

CARE expects the outlook to remain stable over the medium term, on account of long-term contracts for parking and toll booth segments along with diversification in hotel operations.

Detailed description of the key rating drivers

Key weaknesses

Low profitability margins affected by volatility in toll collection and traffic flow

Operating margins of the business continue to remain low (4-5%) as it is susceptible to the ability of the management to assess traffic flow and bid accordingly for the tender. Variability in traffic volume will impact the overall financial risk profile and debt servicing capability. Apart from these, the revenue risks persist as the contracts do not provide for any traffic guarantee. The risks associated with variability in traffic volumes will persist over the medium term; however, a strong in-house traffic assessment team and the extensive experience of the proprietor in forecasting traffic flow partially offsets the risk. The PBILDT margin improved in FY24 to 5.58% in FY24 from 5.41% in FY23 due to implementation of cost optimization measures adopted by the company. The established position in the tolls collection segment and healthy relationship with different stakeholders in the industry will support SSE's business risk profile over the medium term. Further, the PAT margin improved and remained at 3.10% in FY24 vis-à-vis 2.62% in FY23.

Tender based nature of business and intense competition

The industry is highly unorganized and due to the tender based nature of business, the company faces intense competition from both the organized as well as unorganized players which exerts pressure on the income generated post the payment of license fee. The company also has low bargaining power with the government bodies. Earlier SSE had to make fixed remittances independent of vehicular toll collection to the authorities. However, this risk has been offset by a change in the contract terms wherein it is now required to pay license fee based on occupancy rates. Also, if the tolls are affected due to unforeseen circumstances, contract termination clause will be in force in case toll operations are not feasible.

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

Moderate capital structure and debt coverage indicators

The capital structure has marginally improved and remained stable as reflected by overall gearing of 0.63x as on Mar 31, 2024 vis-à-vis 0.64x as on Mar 31, 2023 on account of fund infusion by proprietor during the year. The interest coverage ratio improved and stood at 2.40x in FY24 vis-à-vis 2.24x in FY23 on account of improvement in operating profit. Further, total debt to GCA also improved to 5.38x as on Mar 31, 2024 vis-à-vis 10.62x as on Mar 31, 2022 on account of improvement of 114% in GCA levels in FY24 over FY23.

Risk of withdrawal of capital given the proprietorship nature of constitution of the entity

SSE being a proprietorship entity, the risks associated with withdrawal of capital exists. The entity is exposed to inherent risk of capital being withdrawn at time of personal contingency as also it has limited ability to raise capital and poor succession planning may result in dissolution of entity. Due to the proprietorship constitution, it has restricted access to external borrowing where net worth as well as credit worthiness of partners is the key factors affecting credit decision of lenders.

Key strengths

Experienced proprietor having established business with government bodies

S. S. Enterprises (SSE), established in 1987, is promoted by Mr. Bholanath Shukla who has extensive experience in parking management and toll management business for over 25 years and has developed strong business relations with government authorities. The business has been successful in generating contractual arrangements for parking and toll management for Government of India as well as state governments across the country. Further, the proprietor is also supported by experienced staff in operations and management.

Significant growth in scale of operations driven by adoption of Smart technologies

SSE has been able to maintain a modest scale of operations from FY19 to FY24 by adopting an in-house traffic assessment model to enable its bid for right contracts. The firm has established strong relationship with Mumbai Metropolitan Region Development Authority (MMRDA) and National Highways Authority of India (NHAI), various government authorities and local stake holders, which ensures smooth operations at the tolls and parking lots. It derives 60% of the revenue from toll parking space management and the rest from toll management. The total operating income showed significant improvement of 97.25% in FY24 over FY23. The TOI stood at Rs. 217.66 crore in FY24 vis-à-vis Rs. 110.35 crore in FY23.

Diversified business across the country

SSE has been in the toll collections for over 25 years and operates in diversified geographical area. SSE has been operating road tolls in Uttar Pradesh, Bihar, West Bengal, Madhya Pradesh, Andhra Pradesh, Odisha and Gujarat.

The firm has undertaken diversification in the hotel industry with total project outlay of around Rs. 25.00 crore. The hotel is ready for commencing operations and is a four star and 108 key hotel located at Bhiwadi, Rajasthan, and SSE has tied up with Ramada as operating partner. The Hotel is expected to be inaugurated during August 2024.

Liquidity: Stretched

The GCA is expected to be in the range of Rs. 14.00 crore during FY25 and FY26 and against this term loan principle repayment obligation is around 4.00 crore. The firm has free cash and bank balance of around Rs. 1.40 crore as on Mar 31, 2024 vis-à-vis Rs. 2.07 crore as on March 31, 2023. Current ratio is comfortable at 2.62x as on Mar 31, 2024 vis-à-vis 2.99x as on Mar 31, 2022. Liquidity is also supported by unsecured loans by promoters and related parties.

Applicable criteria

[Policy on default recognition](#)

[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial ratios - Non-Financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Road Transport

S.S. Enterprises (SSE) is a family run business enterprise which was established in 1987 by Mr. Bholanath Shukla. It is a parking management and toll management firm which competes with several unorganized players for tenders floated online by the government for projects across the country. Once the bid is successfully won, it has to pay a security deposit to the government body. Before the pandemic they had to pay monthly fixed license fee to the Government entities; however, during the pandemic the license fee charged has been linked to monthly occupancy. The movement of traffic in some locations (Bandra Kurla Complex in Mumbai) is monitored through Smart Parking System that utilizes technology for information, payment, and enforcement with little to no manual intervention. The firm operates parking lots and traffic management systems at Airports,

Railway stations, commercial places under municipal corporations and toll plazas. The firm has also completed hotel project with total project cost of Rs. 25.00 crore and the same is expected to be fully operational by August 2024. The hotel is a four star and 108 key hotel located at Bhiwadi, Rajasthan, and SSE has tied up with Ramada as operating partner.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	79.25	110.35	217.66
PBILDT	3.20	5.97	12.14
PAT	1.52	2.89	6.75
Overall gearing (times)	0.85	0.64	0.63
Interest coverage (times)	2.52	2.24	2.40

A: Audited; Prov.: Provisional; Note: 'the above results are latest financial results available'.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not applicable

Disclosure of Interest of Managing Director & CEO: Not applicable

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

Covenants of the rated instruments/facilities: Not Applicable

Complexity level of the 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-Bank Overdraft	-	-	-	-	8.67	CARE BB; Stable
Fund-based - LT-Term Loan	-	-	-	31/03/2025	18.94	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	31.39	CARE BB; Stable / CARE A4
Non-fund-based - ST-Bank Guarantee	-	-	-	-	22.00	CARE A4

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 2024-2025	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
1	Fund-based - LT-Bank Overdraft	LT	8.67	CARE BB; Stable	-	1)CARE BB-; Stable (30-Oct-23)	1)CARE BB-; Stable (07-Oct-22)	1)CARE BB-; Stable (07-Dec-21)
2	Fund-based - LT-Term Loan	LT	18.94	CARE BB; Stable	-	1)CARE BB-; Stable (30-Oct-23)	1)CARE BB-; Stable (07-Oct-22)	1)CARE BB-; Stable (07-Dec-21)
3	Non-fund-based - ST-Bank Guarantee	ST	22.00	CARE A4	-	1)CARE A4 (30-Oct-23)	1)CARE A4 (07-Oct-22)	1)CARE A4 (07-Dec-21)

4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	31.39	CARE BB; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (30-Oct-23)	1)CARE BB-; Stable / CARE A4 (07-Oct-22)	1)CARE BB-; Stable (07-Dec-21)
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LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of the 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-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Bank Guarantee	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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About us:

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