S.S. Industries-Fazilka

March 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	6.28	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	93.72	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable / CARE A3 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has revised the ratings assigned to the bank facilities of S.S. Industries- Fazilka (SSI) to CARE BB+; Stable; Issuer Not Cooperating and CARE A4+; Issuer Not Cooperating. CARE Ratings Ltd. has been seeking information from SSI to monitor the ratings vide e-mail communications/letters dated March 03, 2025, Feb 17, 2025, and January 30, 2025 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating)

The revision in ratings, factors in non-cooperation by SSI and CARE's efforts to undertake a review of the outstanding ratings. CARE considers the non-availability of the information as a key factor in its assessment of credit risk. The ratings assigned to the bank facilities of S.S. Industries- Fazilka (SSI) is constrained by its working capital-intensive nature of operations, moderately leveraged capital structure and debt coverage indicators, vulnerability of international trade to changes in government policies susceptibility of margins to fluctuation in raw materials prices & foreign exchange fluctuations and Competitive & fragmented nature of industry. The rating is, however, derives strength from the experienced and resourceful promoters, established business relationship with customers and suppliers, growing scale of operations with moderate profitability and favourable manufacturing location of the plant.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

(At the time of last rating on February 23, 2024, the following were the rating strengths and weaknesses)

Key weaknesses

Working capital-intensive nature of operations:

Working capital intensity is an inherent characteristic of the rice mills as reflected by low net investment in property, plant & equipment of Rs. 11.76 crores as compared to total capital employed of Rs. 215.38 crores as at March 31,2023. Majority of its long-term funds are invested in working capital requirements as firm has unsecured loans from related parties of Rs.21.29 crores as at March 31,2023, which is entirely invested in inventories and receivables. The average operating cycle of the firm improved however remained elongated at ~151 days as on March 31, 2023 as against ~227 days in FY22. The improvement was on account of reduction in inventory period. Owing to the seasonality of rice harvest, rice shellers have to maintain suitable raw material inventory to ensure uninterrupted production throughout the year. Basmati rice requires longer ageing of the semi-finished rice for better quality which subsequently led to higher inventory period of ~141 days, as on March 31, 2023. Firm receives orders throughout the year for rice and post harvesting season reliance of the firm on working capital limits also start to reduce. The firm generally receives payment within a period of ~1 month to 2 months. On the raw material procurement side, the firm gets a credit period ranging up-to 10 days for paddy procurement and upto 30 days for rice procurement.

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

Moderately leveraged capital structure and debt coverage indicators:
The capital structure of the firm remained at a moderate level as reflected by long-term debt-to-equity ratio stands at 0.07x and overall gearing ratio at 1.24x, as on March 31, 2023, as compared to 0.10x and 1.54x as on March 31, 2022, the improvement was on account of the accretion of profits in the networth along with increase in the promoter contribution as quasi equity. However, utilisation of working capital limits increased in as on March 2023 as firm has started new mills in April which enhanced the overall capacity from 8 ton per hour to 20 ton per hour and firm procured raw material as per the new capacity. The interest coverage ratio stood at 3.41x in FY23 from 5.99x in FY22, the deterioration was on account of increase in the interest expense as firm has increased the reliance on WC borrowings as firm has increased the capacity in April 2023 on account of the same firm has to procure more paddy which was available in the harvesting season in order to maintain suitable raw material inventory to ensure uninterrupted production throughout the year.

Vulnerability of international trade to changes in government policies:
The paddy prices are regulated by the government to safeguard the interest of farmers which limits the bargaining power of rice mills over the farmers. Given the fact that prices for finished products is market determined while the cost of raw material is fixed by Government of India (GoI) through the MSP mechanism, the profitability margins remain vulnerable, especially in times of high paddy cultivation. Therefore, the rice processing sector as a whole is vastly regulated by the GoI and any adverse changes in the regulatory framework could negatively impact rice processing units like SSI. Also, the firm remains susceptible to changes in import policies of various countries.

Susceptibility of margins to fluctuation in raw materials prices & foreign exchange fluctuations with prospects also dependent on climatic conditions:
Agro-based industry is characterized by its seasonality owing to its dependence on the availability of raw materials, which further varies with different harvesting periods. The price of rice moves in tandem with the prices of paddy. Availability and prices of agro commodities are highly dependent on the climatic conditions. The timing of monsoons has a huge bearing on crop availability which determines the prevailing paddy prices. The profitability margins are therefore susceptible to the risk of any adverse price movement in the raw material prices which have remained fluctuating in the past. Furthermore, SSI is engaged in the export of Basmati rice to the Middle East, Canada, Australia, Europe etc., where the primary currency of dealing for the firm remains US dollars. This exposes the profitability margins of the firm to any adverse movement in the foreign exchange rates. Though the firm hedges 100% of the exposure by booking forward contracts.

Competitive & fragmented nature of industry coupled with high level of government regulation:
The commodity nature of the product makes the rice processing industry highly fragmented, with numerous players operating in the unorganized sector with very less product differentiation. Furthermore, the concentration of rice millers around the paddy growing regions makes the business intensely competitive.

Key strengths

Experienced and resourceful partners:
The firm was established in 1978 and has a good track record of operation. The firm is looked after by Mr. Kapil Dev and Ms. Ritu Rani has experience of about 4 decades and 18 years in the rice industry. Partners of the firm are also supporting firm by infusing unsecured loans of Rs.21.29 crore as on March 31, 2023. Furthermore, the partners are assisted by a team of experienced professionals in managing the firm's daily business operations.

Favourable manufacturing location:
Firm's manufacturing unit is located in Jalalabad, Punjab. The area is one of the hubs for paddy cultivation, leading to its easy availability. Firm procures paddy primarily from nearby states of Haryana, Punjab and Uttar Pradesh etc. The presence of firm's manufacturing unit in vicinity to the paddy producing regions gives it an advantage over competitors in terms of easy availability of the raw material as well as favourable pricing terms. The unit is also at a close proximity to the grain market resulting in easy and ample procurement at competitive rates. Further, operating in an established rice belt, the firm has access to a large number of small-scale millers whose facilities can be used to meet any temporary demand and production mismatches. The favourable location puts the firm in a position to cut on the freight component of incoming raw materials. Further in April 2022, firm has started new plant and enhanced the capacity of rice mill.

Established business relationship with customers and suppliers:
Presence of firm in the rice industry for over two decade and favourable location of the plant in close proximity to paddy growers in Punjab has led to development of long-term relationships with the suppliers and therefore easy procurement of raw materials. On the customer side, this has enabled the firm to establish strong business relationships with its clientele (long standing relationship with some of the clients) in the market, which in turn leads to repeated orders. The top-5 customers accounted for ~49% of the total operating income of the firm in 9MFY24 and ~47.55% in FY23, leading the firm to the customer concentration risk. Furthermore, the firm has established relationships with these clients and receives regular orders from them. The association with reputed players provides visibility to firm's operations and enhances its image in both domestic and export market.

Growing scale of operations with moderate profitability:
The scale of operations of the firm improved significantly by 96% during FY23 (refers to the period April 01 to March 31) as reflected by revenue from operation of Rs. 466.42 crores as compared to revenue from operations of Rs. 237.8 crores during FY22 (refers to the period April 01 to March 31). The improvement was mainly on account of new rice mill established by the firm in FY23.
The performance of the firm has improved during the current financial year as firm has already achieved revenue from operations of Rs ~317.33 crores in current financial year till Dec 31, 2023. Due to seasonality in rice industry majority of the sales skewed to the H2 of the financial year.
The profitability of firm also remains moderate and during FY23 and FY22 as reflected by PBILDT and PAT margins of 4.92% (PY: 5.65%) and 3.1% (PY: 4.16%) respectively. The decline in the profitability margin was mainly on account of increase in the price of raw material i.e. paddy, however in absolute terms profitability improved from PBILDT of Rs.13.43 crore to Rs.22.96 crore. Further, firm has booked gross cash accruals (GCA) of Rs. 16.23 crores during FY23 as compared to Rs.11.19 crores during FY23. In 9MFY24, firm has achieved PBILDT margin of 4.87% and in full FY24, firm is expecting similar profitability.

Liquidity: Adequate
The firm has a satisfactory liquidity position with adequate cash accruals and no major long-term debt repayment obligations as repayment in FY24 will be ~Rs.1.28 crore as against gross accrual generated by firm stood at Rs.16.23 crore which is expected to improved going forward. The current ratio stood comfortable and above unity at 1.62x as on March 31, 2023, and since majority of its funds are blocked in inventories due to working capital intensive nature of operations quick ratio remains below unity at 0.52 as at March 31,2023. The average working capital utilization of the firm remains moderate and stood at 70% during the last 12 months ending December 2023.

Applicable criteria

Definition of Default
Policy in respect of non-cooperation by issuers
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Liquidity Analysis of Non-financial sector entities

About the firm and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

S.S. Industries- Fazilka (SSI) was incorporated in 1978, set up by Mr Jamna Das Gumber. Later Mr Jamna Das's sons also joined the firm. Mr Kapil Dev Gumber is the Managing director and Mr Ashish Gumber is executive director. The firm is engaged in the rice milling and exporting business. SSI has latest technology in rice processing, production, and storage facilities under S.S. INDUSTRIES (SSI) in 2002-03. Firm's manufacturing facility is in Jalalabad, Punjab, and has current milling and sorting capacity of 12 tonne per hour (tph) (enhanced from 8 tph) and 6 tph, respectively. SSI have strong distributer network PAN India with more than 100 Wholesale distributors. The main product of the SSI is Basmati rice only and sold under the brand name of Zohra, Lucky, Gumber.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	237.80	466.42	317.33
PBILDT	13.43	22.96	15.47
PAT	9.90	14.48	11.98
Overall gearing (times)	1.54	1.24	NA
Interest coverage (times)	5.99	3.41	6.88

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork has continued the ratings assigned to the bank facilities of S.S. Industries- Fazilka as "Issuer Not Co-operating" vide its press release dated February 28, 2025 on account of its inability to carryout review in the absence of requisite information from the company

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan		-	-	31-12-2026	6.28	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Working Capital Limits		-	-	-	93.72	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for 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-Term Loan	LT	6.28	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (23-Feb-24)	1)CARE BBB-; Stable (31-Mar-23)	-
2	Fund-based - LT/ ST-Working Capital Limits	LT/ST	93.72	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable / CARE A3 (23-Feb-24)	1)CARE BBB-; Stable / CARE A3 (31-Mar-23)	-

*Issuer did not cooperate; based on best available information.
LT: Long term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Working Capital Limits	Simple

Annexure-5: Lender details

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

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

Contact us

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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