

Six Sigma Readymix Concrete Private Limited

March 04, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.21	CARE D; ISSUER NOT COOPERATING*	Rating 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

Six Sigma Readymix Concrete Private Limited (SSRC) has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Ratings Ltd.'s rating on SSRC's bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING***.

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

The ratings assigned to the bank facilities of SSRC factors in delays in servicing debt obligations due to stressed liquidity position. The rating continues to be constrained by short track record and small scale of operations, leveraged capital structure and weak debt coverage indicators, highly fragmented and competitive industry and vulnerability of profits to volatility in input costs.

Analytical approach: Standalone

Detailed description of the key rating drivers:

At the time of last rating on September 08, 2023 the following were the rating strengths and weaknesses.

Key weaknesses

On-going delays in debt servicing

The company is unable to generate sufficient cash flows with elongated collection leading to stretched liquidity position resulting in on-going delays in meeting its term loan debt obligations.

Short track record and small scale of operations

The company was incorporated on March 14, 2016, and started operations in April 2016. The scale of operations of the company remained small marked by a total operating income (TOI) of Rs.13.37 crore in FY23 (PY: Rs.33.26 crore).

Leveraged capital structure and weak debt coverage indicators

Capital structure of SSRC continues to be leveraged. The overall gearing stood moderate at 4.34x as on March 31, 2023 (PY: 3.90x) due to high working capital utilizations coupled with low net worth base of Rs.4.12 crore as on March 31, 2023. The debt protection metrics marked by Total debt/GCA continued to be weak at 15.16x as on March 31, 2023.

Highly fragmented and competitive business segment due to presence of numerous players and association of profits to the real estate industry

The company is engaged into a fragmented business segment and competitive industry. The market consists of several small to medium-sized firms that compete along with several large enterprises. There are several small sized companies in and around Chennai, Coimbatore and areas in Karnataka, which compete with SSRC. The end product of SSRC finds its application in the construction industry. And hence the business risk profile of SSRC is directly linked to that of the construction and real estate sector.

Vulnerability of profits to volatility in input costs

The major cost drivers for SSRC are power costs and fuel costs for freight and raw materials viz cement, blue metals which accounted for nearly 61% of the total cost of sales during FY23 (77% in FY21 & 76% in FY20). Fuel costs also remain highly volatile due to impact of international crude oil prices. The PBILDT margin of the company has been volatile in the range of 13.0% to 19.0% over the past three years ended FY23.

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

Liquidity: Poor

Liquidity is poor marked by ongoing delays and lower accruals to tune of Rs. 1.18 crore in FY23 to repay its term debt obligation of Rs. 1.48 crore in FY23 with modest cash balance of Rs. 0.42 crore as of March 31, 2023.

Assumptions/Covenants: Not applicable

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

Applicable criteria

[Definition of Default](#)

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

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

About the company and industry**Industry classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Six Sigma Readymix Concrete (SSRC) was incorporated on March 14, 2016 as a Private Limited company and promoted by Mr.C. Sekhara Srinivasan, Mr. P. Nagendran Rajkumar along with other promoters. The Company is engaged into manufacturing of Ready-Mix Concrete (RMC) and trading of cement. The company has five plants located in Coimbatore, Chennai, Trichy, Kaaramadai and Gobichettipalayam.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (UA)
Total operating income	33.26	13.37
PBILDT	3.73	2.54
PAT	0.48	-0.23
Overall gearing (times)	3.90	4.34
Interest coverage (times)	2.18	1.85

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Brickwork Ratings has reviewed the rating of SSRC and classified it into 'issuer not cooperating' category based on the best available information vide PR dated October 27, 2023.

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-Bank Overdraft		-	-	-	10.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	January 2027	1.73	CARE D; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantee		-	-	-	0.48	CARE D; ISSUER NOT COOPERATING*

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

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*	1.73	CARE D; ISSUER NOT COOPERATING*	1)CARE D (08-Sep-23)	1)CARE B+; Stable (02-Sep-22)	1)CARE B+; Stable (02-Sep-21)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (05-Feb-21)
2	Fund-based - LT-Bank Overdraft	LT	10.00	CARE D; ISSUER NOT COOPERATING*	1)CARE D (08-Sep-23)	1)CARE B+; Stable (02-Sep-22)	1)CARE B+; Stable (02-Sep-21)	1)CARE B-; Stable; ISSUER NOT COOPERATING* (05-Feb-21)
3	Non-fund-based - LT-Bank Guarantee	LT	0.48	CARE D; ISSUER NOT COOPERATING*	1)CARE D (08-Sep-23)	1)CARE B+; Stable (02-Sep-22)	1)CARE B+; Stable (02-Sep-21)	-

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

*Long 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-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated: Not applicable.

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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