



## Press Release

**Symcom Exim Pvt Ltd**

**May 23, 2020**

### **Rating**

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Bank Facilities	75.00	IVR BB+ /Positive (IVR DoubleB Plus with Positive Outlook)
	<b>Total</b>	<b>75.00 (Rs. Seventy Five Crore Only)</b>	

**Details of Facilities are in Annexure 1**

### **Detailed Rationale**

The rating assigned to the bank facilities of Symcom Exim Pvt Ltd (SEPL) derives comfort from its long track record guided by an experienced promoter, advantage of operational synergy among associates concerns, sustained improvement in scale of operations though expected moderation in FY20. The rating strengths are partially offset by its intense competition, weak financial risk profile and working capital intensive nature of operation. The outlook remains positive on the back of healthy bidding pipeline for the company and its satisfactory conversion ratio from its past track record.

### **Rating Sensitivities**

#### **Upward factors**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals and debt protection metrics on a sustained basis
- Improvement in capital structure with overall gearing of less than 1.80x
- Improvement in working capital cycle leading to improvement in liquidity

#### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators on a sustained basis
- Withdrawal of subordinated unsecured loan (treated as quasi-equity) amounting to Rs.20 crore and/or moderation in the capital structure
- Deterioration in operating cycle impacting the liquidity



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### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

- **Experienced promoter and moderately long track record**

The promoters have over two decades of experience in the scrap trading and dismantling business. Mr. Gopal Goyal (director) is at the helm of affairs of the company with support from other director Mrs Manisha Goyal and a team of experienced professionals. Furthermore, the company has started operation from 2012, thus having about a decade of operational track record.

- **Advantage of operational synergy among associates concerns**

SEPL has two other associates concerns, namely-Symcom Communication and Symcom Impex Private Limited. All the companies are in similar line of business and under same promoter, thus having operational linkages which leads to advantage of operational synergy among associates concerns.

- **Sustained improvement in scale of operations though expected moderation in FY20**

The total operating income (TOI) of the company registered a CAGR of ~59% during FY17-FY19 with a y-o-y growth of ~65% in FY19. The growth was driven by gradual increase in successful bidding for dismantling and sell of scrap. The profit margins of the company remained moderate over the past three fiscals with EBITDA margin and the PAT margin ranging between ~5.5-8% and ~0.77-1.6% respectively. However, during FY20 (estimated), the company has earned a TOI of Rs. ~100.00 crore due to fall in ANSPR of ferrous metal scrap in market coupled with lesser success in bidding. However, Infomerics expects that the turnover will improve substantially during FY21 on the back of healthy bidding pipeline and satisfactory conversion ratio from past track record.

#### Key Rating Weaknesses

- **Intense competition**

The SEPL mainly operates scrap trading industry which is intensely competitive due to presence of a large number of unorganised players. Presences of large number of plays



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increases the competition among bidders and thereby increase the pressure on margin. Intense competition restricts the pricing flexibility of the companies.

- **Weak financial risk profile**

The financial risk profile of the company remained weak over the years marked by its leveraged capital structure and moderate debt coverage indicators. The Overall gearing ratio was 2.02x (improved from 2.09x as on March 31, 2018) as on March 31, 2019. The same was high due to high utilisation of bank borrowing owing to high working capital intensity in its business. However, total indebtedness as reflected by Total Outside Liabilities to Adjusted Tangible Net worth was remained moderate at 3.52 as on March 31, 2019. To arrive at the adjusted tangible net worth Infomerics has considered subordinated unsecured loan of Rs.20 crore as quasi-equity as the same is subordinated to the bank facilities. The debt protection metrics of the company also remained moderate with Interest coverage ratio at 1.39x and total debt to GCA at 16.14x during FY19. However, low exposure to long term debt imparts some comfort. Infomerics expects the financial risk profile of the company will continue to remain weak due to its leveraged capital structure and expected moderation in the operating performance in the near term.

- **Working capital intensive nature of operation**

The operation of the company is working capital intensive due to its high inventory holding requirements as the dismantling works takes time and scrap selling is dependent on demand from user industry. Owing to its high inventory holding period the operating cycle of the company remained elongated in the range of 114 to 185 days during last three financial year ending on FY19. To fund its working capital requirements the company is largely dependent on working capital bank borrowings. Consequently, the average utilisation of its fund based working capital limits stood high at ~98% during the trailing 12 months ended March, 2020.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)



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### **Liquidity: Adequate**

SEPL has earned a gross cash accruals of Rs.4.00crore in FY19 and estimates to earn a GCA of Rs.2.37 crore in FY20. Further, the company is expected to earn gross cash accruals in the range of ~Rs.4-9crore as against minimal debt repayment obligation during FY21-23. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, the average cash credit utilisation of the company remained high at ~98% during the past 12 months ended Mar, 2020 indicating a low liquidity cushion.

### **About the Company**

One Goyal family of Mumbai incorporated Symcom Exim Pvt Ltd (SEPL) in 2012 and is engaged in Dismantling and trading of scrap since inception. The company takes part in bidding or auction for dismantling of sick units purchased either from the official liquidator appointed by the High Court or Debt Recovery Tribunal, through held by the official liquidator. It also purchases Scrap generated by Government Corporations and the Indian Railways primarily from MSTC Ltd. SEPL has two other associates concerns, namely, Symcom Communication and Symcom Impex Private Limited. All the companies are in similar line of business and under same promoter. Currently, Mr.Gopal Goyal (Director) is at the helm of affairs of the company along with other director Mr Manisha Goyal and a team of experienced personnel.

### **Financials (Standalone): (Rs. crore)**

For the year ended* / As On	31-03-2018	31-03-2019
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	144.33	238.50
EBITDA	8.73	13.15
PAT	1.47	3.88
Total Debt	58.72	64.61
Tangible Net worth	8.10	11.98
EBITDA Margin (%)	6.05	5.51
PAT Margin (%)	1.02	1.61
Overall Gearing Ratio (x)	2.09	2.02

\*Classification as per Infomerics' standards.



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**Status of non-cooperation with previous CRA:** INC from ICRA as per press release dated April 30, 2019 due to non-cooperation for rating review.

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	75.00	IVR BB+ /Positive	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits - Cash Credit	-	-	-	75.00	IVR BB+ /Positive