



Press Release

Symcom Exim Private Limited (SEPL)

December 23, 2022

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	55.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised from IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Simple
Proposed Long Term Bank Facilities	20.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Revised from IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Simple
Total	75.00 (Rupees Seventy Five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of Symcom Exim Private Limited (SEPL) takes into account the improvement in the operational and financial performance of the company in FY22 and H1FY23, as reflected in the increase in scale of operations and moderate financial risk profile. The ratings continue to derive strength from the experience of the promoters and long track record of operations of the company, and existence of operational synergy among associate concerns.

The ratings are, however, constrained by the working capital intensive nature of operations and intense competition in the industry.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in total operating income of around 20%.
- Improvement in EBITDA margin above 10% on a sustained basis.
- Improvement in capital structure with overall gearing of less than 1.50x.
- Improvement in working capital cycle leading to improvement in liquidity.

Downward Factors



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- 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.17.32 crore and/or moderation in the capital structure.
- Deterioration in operating cycle impacting the liquidity.
- Any un-envisaged incremental debt funded capital expenditure leading to a deterioration in its overall gearing ratio.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and long track record of operations of the company

SEPL is promoted by Mr. Gopal Goyal and Mrs. Manisha Goyal. 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. Further, the company has started operations from 2012, thus having about a decade of operational track record.

Existence of operational synergy among associate concerns

SEPL has two associate concerns, namely- Symcom Communication and Symcom Impex Private Limited. All the entities are under the same promoters and in similar line of business, thus having operational linkages which gives operational synergy to the associates concerns.

Substantial improvement in total operating income

The total operating income increased substantially in FY22, from Rs.73.21 crore in FY21 to Rs.219.16 crore mainly on account of high sales volumes as well as better realizations. During FY20, the company's revenue was impacted as there was a steep decline in the realisations, coupled with a decline in the volume of scrap sold. In FY21, the company's revenue was impacted due to covid-19 wherein its operations were almost shut for 6 months. The company's major raw material for cutting the Sick units and Factory is oxygen which is used for gas cutting. The supply was almost stopped till September 2020. Although SEPL's revenue had declined in FY21, its profitability had increased substantially as the steel industry was going through a boom (due to heavy demand in the steel industries due to hike in steel prices as there was more export and less import) with significantly high realisations. With stabilisation in the industry, the profitability margins have reverted to the normal levels of 6-7% in FY22



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and H1FY23. The absolute profit levels and the cash accruals increased significantly in FY22. In H1FY23, the company has reported an increase of 92.05% in the total operating income, from Rs.81.26 crore in H1FY22 to Rs.156.06 crore in H1FY23. The EBITDA margin was around 5.5% in H1FY23.

Moderate financial risk profile

The financial risk profile of the company remained moderate over the years marked by its moderately leveraged capital structure and moderate debt coverage indicators. The overall gearing ratio (based on networth including quasi equity) was 2.04x as on March 31, 2022 as against 1.82x as on March 31, 2021. The same was mainly high due to high utilisation of working capital limits owing to high working capital intensity in its business. The promoters/ related parties had also extended unsecured loans amounting to Rs.19.69 crore during FY22. As the same is not subordinated to the bank debt, it has been treated as long-term debt of the company. However, this unsecured loan does not have any fixed repayment schedule and is repayable only when the company does not need the funds. Further, the total indebtedness as reflected by Total Outside Liabilities to Networth (including quasi equity) remained moderate at 3.10x as on March 31, 2022 as against 2.01x as on March 31, 2021.

The debt protection metrics of the company also remained moderate with interest coverage ratio at 1.88x and total debt to GCA at 14.33x in FY22 (improved from 1.17x and 61.30x respectively in FY21).

In H1FY23, the interest coverage ratio was 2.69x.

Key Rating Weaknesses

Working capital intense nature of operations

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 70-400 days. during last four financial years ending FY22.

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 ~90.43% during the trailing 12 months ended October 2022.

Intense competition in the industry



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SEPL mainly operates in scrap trading industry which is intensely competitive due to presence of a large number of unorganised players. Presences of large number of players increases the competition among bidders and thereby increases the pressure on margin. Intense competition restricts the pricing flexibility of the companies.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of assigning Rating Outlook

Rating methodology for Trading companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

SEPL's liquidity position remained adequate marked by current ratio of 1.26x as on March 31, 2022 as compared to 1.52x as on March 31, 2021. The GCA has also improved from Rs.0.94 crore in FY21 to Rs.5.16 crore in FY22. The company's cash accruals are sufficient to meet its repayments in FY23-25. The average utilisation of its working capital facilities is 90.43% in the 12 months ended October 2022. The company is not planning to undertake any capex in FY23-25.

About the company

The Goyal family of Mumbai incorporated SEPL in 2012. SEPL is engaged in dismantling of sick units purchased either from the official liquidator appointed by High Court or Debt Recovery Tribunal, through bidding process at auctions held by the official liquidator. It also purchases scrap generated by Government Corporations and the Indian Railways primarily from MSTC Ltd. and in turn sells it.

SEPL has two other associates concerns, namely, Symcom Communication and Symcom Impex Private Limited. All the entities 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 Mrs. Manisha Goyal and a team of experienced personnel.

Financials (Standalone):



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(Rs. crore)

For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	73.21	219.16
EBITDA	9.40	14.67
PAT	0.74	4.96
Total Debt	57.53	74.01
Adjusted Tangible Networth (including quasi equity)	31.68	36.26
Ratios		
EBITDA Margin (%)	12.85	6.69
PAT Margin (%)	1.01	2.26
Adjusted Overall Gearing Ratio (including quasi equity) (x)	1.82	2.04

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (March 9, 2022)	Date(s) & Rating(s) assigned in 2021-22 (August 20, 2021)	Date(s) & Rating(s) assigned in 2020-21 (May 23, 2020)
1.	Cash Credit	Long Term	55.00	IVR BBB-/ Stable	IVR BB+/ Stable	IVR BB+; ISSUER NOT COOPERATING*	IVR BB+/ Positive
2.	Proposed – Cash Credit	Long Term	20.00	IVR BBB-/ Stable	IVR BB+/ Stable	IVR BB+; ISSUER NOT COOPERATING*	IVR BB+/ Positive

* Issuer did not cooperate; based on best available information



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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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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
Cash Credit	-	-	-	55.00	IVR BBB-/ Stable
Proposed – Cash Credit	-	-	-	20.00	IVR BBB-/ Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Symcom-dec22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.