Press Release

Symcom Exim Private Limited
February 29, 2024

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	55.00*	IVR BBB-/ Negative [IVR Triple B Minus with Negative Outlook]	Rating reaffirmed and outlook revised to negative	Simple
Long Term Bank Facilities	16.50	IVR BBB-/ Negative [IVR Triple B Minus with Negative Outlook]	Assigned	Simple
Total	**71.50* (Rupees Seventy-One Crores and Fifty Lakhs Only)**			

** Bank Guarantee of Rs.10.00 crore is a sub-limit of cash credit*

Details of Facilities are in Annexure 1

Detailed Rationale:

Infomerics has revised the outlook to negative from stable while reaffirming the rating to the bank facilities of Symcom Exim Private Limited (SEPL) due to deterioration in total outside liabilities / tangible net worth (TOL/TNW) during FY23. The rating continues to derive strength from sustained improvement in revenue, healthy order book and experienced promoters, regular equity infusion by promoters. The ratings are however constrained by moderate credit profile, elongated working capital cycle and intense competition in the industry.

Key Rating Sensitivities:

Upward Factors:

- Sustained improvement in revenue and profitability and stable working capital cycle and improvement in TOL/TNW falling below 2.5x on a sustained basis.

Downward Factors:

- Sustained decline in revenue and profitability and/or any deterioration in working capital cycle and/or TOL/TNW remaining above 3.5x on a sustained basis.

Key Rating Drivers with detailed description

Key Rating Strengths

Improved scale of operations and moderate profitability

SEPL's operating performance has improved with increase in revenue by ~34% to Rs.291.97 crores in FY23 (FY22: Rs.218.61 crore) mainly on account of large execution of orders. However, EBITDA margins have declined by 66bps on y-o-y basis to 5.80% in FY23 primarily due to volatility in the steel price. Furthermore, in 9MFY24 SEPL has achieved revenue of Rs.405.52 crore which is 2x of FY23 revenue with execution of large orders with EBITDA margins of 5.1%.

Healthy order book position

The company has a healthy order book position of Rs.338.04 crore (1.15x FY23 revenue) as of December 31, 2023. This order is expected to be completed within a year.

Experienced promoters with demonstrated funding support

As per management, the promoters will infuse Rs.2.5 crore of equity by end of FY24. Total unsecured loan at the end of 31st March 2023 stood at Rs. 32.22 out of which Rs.11.65 crore is subordinated to bank loans. Management has also indicated that promoters will infuse the funds in the company as and when needed by the company.

Key Rating Weaknesses:

Moderate credit profile

The overall gearing ratio has slightly improved in FY23 to 2.30x compared to 2.60x in FY22 due to increase in tangible net worth to Rs.27.14 crore (FY22: Rs.18.94crore). Further the TOL/TNW remained high at 5.34x in FY23 (FY22: 3.86x), on account of advanced received from customer amounting to Rs.111.75 crores. These advances are interest free in nature and as per the contract terms with the customer.

Elongated working capital cycle

SEPL operations heavily rely on working capital, 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 at 131 days at the end of FY23. 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 at ~89% during the trailing 12 months ended December 2023.

Intense competition in the industry

SEPL operates in scrap trading industry which is intensely competitive due to presence of many 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:

Rating methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of assigning Rating outlook

Criteria on Default recognition

Liquidity: Adequate

SEPL is expected to maintain a sufficient liquidity profile, as its projected cash accrual for FY24- FY26 is estimated to be around Rs. 11.44 - Rs. 17.04 crore, which should comfortably cover its debt repayments ranging from Rs. 2.75 -Rs. 4.12 crore. Over the past 12 months ending December 2023, SEPL has effectively utilized its working capital, with an average utilization of ~ 89%, providing a satisfactory liquidity buffer. Current ratio is at 1.34x as of March 31, 2023, and the company has a Cash and Cash equivalents at Rs. 0.33 as of December 31, 2023.

About the Company:

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.

Financials: Standalone

(INR Crore)

For the year ended/ As On	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	218.61	291.97
EBITDA	14.13	16.94
PAT	4.96	8.15
Total Debt	79.68	89.32
Tangible Net-worth*	30.59	38.79
Ratios		
EBITDA Margin (%)	6.46	5.80
PAT Margin (%)	2.26	2.78
Overall Gearing Ratio* (x)	2.60	2.30

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

(INR Crore)

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s) assigned in 22-23 (December 23, 2022)	Date(s) & Rating(s) assigned in 2021-22 (March 9, 2022)	Date(s) & Rating(s) assigned in 2021-22 (August 20, 2021)
1	Cash Credit	Long term	55.00	IVR BBB-/ Negative	IVR BBB-/ Stable	IVR BB+/ Stable	IVR BB+; ISSUER NOT COOPERATING*
2	GECL	Long term	16.50	IVR BBB-/ Negative	--	--	--
3	Proposed – Cash Credit	Long term	20.00	--	IVR BBB-/ Stable	IVR BB+/ Stable	IVR BB+; ISSUER NOT COOPERATING*

Name and Contact Details of the Rating Director:
Name: Amey Joshi
Tel.: (022) 6239 6023
Email: amey.joshi@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities:

(INR Crore)

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility	Rating Assigned/ Outlook
Long Term Bank Facilities – cash credit	--	--	--	55.00*	IVR BBB-/ Negative
Long Term Bank Facilities - GECL				16.50	IVR BBB-/ Negative

** Bank Guarantee of Rs.10.00 crore is a sub-limit of cash credit*

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

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-SymcomExim-feb24.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.