Press Release

Symcom Exim Private Limited (SEPL)

March 09, 2022

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action	Complexity Indicator
Long Term Fund based Bank Facilities – Cash Credit	75.00	IVR BB+/ Stable Outlook (IVR Double B Plus with Stable Outlook)	Reaffirmed; Stable Outlook Assigned; Removed from ISSUER NOT COOPERATING* category	Simple
Total	**75.00**			

* Issuer did not cooperate; based on best available information

Details of Facilities are in Annexure 1

Detailed Rationale:

The reaffirmation of the ratings assigned and removal of ISSUER NOT COOPEARTING to the bank facilities of Symcom Exim Private Limited continues to derive strength from its experienced promoters and established track record, advantage of operational synergy among associate concerns and stable outlook for industry. However, the rating strengths are partially offset by intense competition, relatively weak financial profile and working capital intense nature of operations.

Key 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 1.50x
- 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.
- Withdrawl 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.

Key Rating Drivers with detailed description

Key Rating Strengths:

Experienced Promoters with Established 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 associate 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.

Stable Outlook for Industry:

The medium-term outlook for domestic scrap industry is expected to be stable backed by increase in demand of steel primarily on account of drop-off in steel exports from China and the rise in infrastructure investment in India.

Key Rating Weaknesses:

Intense Competition:

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

Weak financial 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 adjusted overall gearing ratio was 1.82x (improved from 2.00x as on March 31, 2020) as on March 31, 2021. 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 remained moderate at 2.01x as on March 31, 2021(FY20: 2.19x). The debt protection metrics of the company also remained moderate with Interest coverage ratio at 1.17x (FY20: 1.26x) and total debt to GCA at 42.98x (FY20: 39.81x) during FY21. However, low exposure to long term debt imparts some comfort. Infomerics expects the financial risk profile of the company will continue to remain relatively weak due to its leveraged capital structure and expected moderation in the operating performance in the near term.

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 114 to 389 days during last three financial year ending on FY21.

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 ~97.59% during the trailing 12 months ended January, 2022.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

Guidelines on what constitutes Non-Cooperation by clients.

Liquidity: Adequate

The liquidity position of the company remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the company had gross cash accruals of INR 1.34 Crore in FY21. The overall average utilization of the fund-based remains comfortable at 97.59% during the last 12 months ended January 2022. The current ratio stood at 1.43 times as on 31st March 2021. Cash and Cash equivalent amounted to INR 0.17 Crore as on 31st March 2021.

About the Company:

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.

Financials:

(INR Crore)

For the year ended/ As On	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	82.17	73.21
EBITDA	9.82	9.40
PAT	1.41	1.12
Total Debt	61.37	57.53
Adjusted Tangible Net-worth	30.71	31.68
Ratios		
EBITDA Margin (%)	11.95	12.85
PAT Margin (%)	1.72	1.53
Overall Gearing Ratio (x)	2.00	1.82

Status of non-cooperation with previous CRA: Nil

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (20Aug/21)	Date(s) & Rating(s) assigned in 2020-21 (23/May/20)	Date(s) & Rating(s) assigned in 2019-20 ()
1	Long Term Fund based Bank Facilities – Cash Credit (including proposed limit)	Long Term	75.00	IVR BB+/ Stable	IVR BB+; ISSUER NOT COOPERATING	IVR BB+/ Positive	--

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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.

Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund based Bank Facilities – Cash Credit (including proposed limit)	--	--	--	75.00	IVR BB+/ Stable

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

Annexure 3: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/Symcom-Exim-len-march22.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 https://www.infomerics.com/.