

Press Release

Symcom Exim Private Limited

July 05, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs.65.00 Cr.
Long Term Rating	ACUITE BB+/Stable (Upgraded from ACUITE BB /Stable)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded a long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE BB**' (**read as ACUITE double B**) on the Rs. 65.00 Crore bank facilities of Symcom Exim Private Limited. The outlook is '**Stable**'.

The upgrade of the rating factors in improving business risk profile marked by better-than expected improvement in its revenues and profitability. However, the rating is partly constrained by working capital intensive operations.

Symcom Exim Private Limited (SEPL), incorporated in 2012 by Mr. Gopal Goyal is engaged in the business of scrap (steel and iron bars, cables, iron & steel sheets, ferrous and non-ferrous scrap etc.). SEPL is part of the Symcom Group engaged in a similar business.

Symcom Communication (SC), a proprietorship concern established in 1995 by Mr. Gopal Goyal is engaged in the business of trading of scrap (steel and iron bars, cables, iron & steel sheets, ferrous and non-ferrous scrap etc). SC is part of the Symcom Group engaged in a similar line of business.

Both the entities are engaged in business of disposing off the scrap obtained in the form of steel and iron bars, cables, iron sheets, ferrous and nonferrous scraps, tools and machinery from dismantling and demolition of textile mills, power plants, steel plants and ship demolition among others.

Analytical Approach

Acuité has taken a consolidated view of the business and financial risk profiles of Symcom Communication, Symcom Exim Private Limited and Symcom Impex Private Limited together referred to as the 'Symcom Group' (SG) to arrive at the rating. The consolidation is in view of the similarities in the lines of business, operational and financial synergies and common management.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

The group is engaged in disposing of scrap procured from sick industrial units since 2005. The company is promoted by Mr. Gopal Goyal and Mr. Suresh Jasiwal who possess experience of more than a decade.

• Moderate financial risk profile

The financial risk profile is marked by moderate capital structure and Moderate debt protection metrics. The net worth is moderate at Rs.45.10 crore in FY2019 (Prov) as against Rs.40.31 crore in FY2018; the increase is owing to accretion to reserves. Its gearing is volatile though range bound of about 3 times over the past three years. Its TOL/TNW is high at 3.12 times as of March 31, 2019 (Prov) as against 2.88 times as on March, 2018. The firm's debt protection metrics of interest coverage and net cash accruals to total debt (NCA/TD) are at 1.66 and 0.05 times in FY2019 (Provisional) as against 1.31 and 0.03 times in FY2018. The company's cash accruals are expected in the range of Rs.7.5-10.00 crores against nil repayment obligations over the medium term which gives adequate cushion for the incremental working capital requirements and the liquidity.

Weaknesses

• Working capital intensive operations

Symcom Group's operations are working capital intensive as evident from Gross Current Assets (GCA) of 277 days as on March 31, 2019 (Prov) as against 234 days as on March 31, 2018; it's working capital cycle is long (FY19: 174 days; FY18: 133 days); this is primarily due to high inventory days (FY19 (Prov): 153; FY18: 115) because of long operation cycle of dismantling and disposing. Its payments to the clients are milestone basis, and it also receives advances from its clientele. The group offers credit of about one to two months to its clientele; resulted in receivable days of about 39 as on March 31, 2019 (19 days in FY2017). Working capital intensive operations lead to high utilisation of its working capital limits at about 98 percent over the past six months ended March 2019. Acuite believes that nature of the operations and inventory levels are expected to be at similar levels and operations continue to be working capital intensive over the medium term.

• Competitive and fragmented industry

The group operates in a highly competitive and fragmented industry characterized by large number of unorganized players affecting margins.

Liquidity Position: Moderate

Symcom Group has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The Symcom Group generated cash accruals of Rs.4.63 Cr in FY2019 (Prov) while its maturing debt obligations are nil. The cash accruals of the Symcom Group are estimated to remain around Rs.7.50 to 10.00 crore during 2020-22, while its repayment obligations are estimated to be nil over the medium term. The Symcom Group's operations are working capital intensive as marked by high GCA of 277 days in FY 2019 (Prov) leading to high utilisation of its working capital limits at 98 percent during the last 6-month period ended March 2019. The current ratio of the Symcom Group stood at 1.46 times as on March 31, 2019 (Prov) improved from 1.65 times in FY2018. Acuité believes that the liquidity of the Symcom Group is likely to remain moderate constrained by working capital intensive operations, despite comfortable cash accruals.

Outlook: Stable

Acuité believes that Symcom Group will maintain a 'Stable' outlook over the medium term on the back of its experienced promoters. The outlook may be revised to 'Positive' in case of sustained growth in its revenues and profitability while improving its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to deterioration in the financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	231.74	224.78	199.37
EBITDA	Rs. Cr.	16.11	13.95	11.90
PAT	Rs. Cr.	4.45	2.46	1.39
EBITDA Margin	(%)	6.95	6.21	5.97
PAT Margin	(%)	1.92	1.09	0.70
ROCE	(%)	12.02	11.35	11.87
Total Debt/Tangible Net Worth	Times	1.92	2.46	2.31
PBDIT/Interest	Times	1.66	1.31	1.17
Total Debt/PBDIT	Times	5.25	6.50	6.17
Gross Current Assets (Days)	Days	277	234	269

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Apr-2018	Proposed Cash Credit	Long Term	10.00	ACUITE BB / Stable (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	55.00	ACUITE A4+ (Withdrawn)
24-Apr-2018	Proposed Cash Credit	Long Term	10.00	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	55.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	55.00	ACUITE BB+/Stable (Upgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+/Stable (Upgraded)

Contacts

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities,

debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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