



Press Release

Spectra & Star Convergence Limited

Feb 12, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	87.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	IVR BBB/ Positive (IVR Triple B with Positive Outlook)	Reaffirmed; Outlook Revised	Simple
Short Term Bank Facilities	10.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	97.00	Rupees Ninety Seven Crore Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has reaffirmed long-term rating at IVR BBB with a revision in Outlook from Positive to Stable and reaffirmed short-term rating at IVR A3+ for the bank loan facilities of Spectra & Star Convergence Limited (SSCL).

The rating reaffirmation continues to factor in established track record of promoter and healthy relationship with principals, besides efficient working capital intensity and satisfactory debt protection metrics. However, these rating strengths are partially offset by its thin profitability an industry norm otherwise, with leverage structure and exposure to intense competition.

The Outlook has been revised from Positive to Stable on account of moderation in overall financial risk profile of the entity. IVR believes that the SSCL's business & financials risk profile is expected to be maintained over the medium term.

IVR has principally relied on the standalone audited financial results of SSCL's up to 31 March 2023 and projected financials till FY26, and publicly available information/ clarifications provided by the company's management.



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Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement of profitability margins thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the financial risk profile and debt metrics.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.
- Interest coverage reducing to less than 1.30 times.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Established track record of promoter and healthy relationship with principals:

The promoters Mr. Amit Sindwani has experience of more than two decades in the industry through group companies. The promoter is assisted by a qualified and experienced team of management which has helped the company to establish healthy relationships with clients (HP and Samsung). SSCL has a strong association with HP(Hewlett-Packard), Samsung which has resulted in stable and steady growth in revenue. SSCL is tier-1 distributor of mobile handsets of Samsung brand in the Delhi and Gurgaon region along with computers, laptops, desktop and AIOs of HP in the Delhi, Haryana and Jammu & Kashmir region. SSCL is also supplying HP products to Amazon and Flipkart. The healthy market position is supported by strong and well-established distribution network across Delhi and Haryana and now across India for its online business expansion plans.

Efficient working capital intensity

The operations of the company are efficiently managed as reflected in operating cycle of 46 days as driven by inventory period of 26 days and collection period of 24 days as on March 31, 2023. SSCL is currently a tier 1 distributor of HP and Samsung, therefore any adverse change in product prices is borne by the principal supplier, therefore eliminating the inventory risk.



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Satisfactory debt protection metrics

The debt protection parameters of the company moderated but remained satisfactory with interest coverage ratio at 1.80x in FY23 as against 2.85x in FY22 and debt service coverage ratio is at 1.70x in FY23 (PY: 2.60x)

Key Rating Weaknesses

Thin profitability

The company is primarily engaged in procuring the electronic goods from HP and Samsung and trading and selling to Tier II & III retailers in Delhi, Haryana and Jammu & Kashmir. Therefore, due to trading nature of operations the operating margins are low at 1.49% in FY23 (PY: 1.79%).

Leveraged structure

The company has moderate tangible net worth of Rs.38.92 crore in FY23. The company overall gearing is at 2.49x in FY23 as against 2.79x in FY22 whereas TOL/TNW stands at 2.71x in FY23 (PY: 3.15x).

Exposure to intense competition

The industry has been facing stiff competition due to fragmented nature with many small and organized & unorganised players. SSCL remains exposed to intense competition from these players.

Analytical Approach: Standalone Approach

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Criteria for assigning rating outlook

Liquidity – Adequate

The liquidity position of the company is adequate with steady cash flow from business operations. SSCL has earned a gross cash accrual of Rs 4.91 crore as on March 31, 2023 against its minimal repayment obligation of Rs 0.20 crore as on March 31, 2022. The company's fund-based working capital limits remained moderately utilised at ~52% during the past 12 months ended December 2023 indicating sufficient cushion available in case of adversities. The company has low debt repayment obligations and no major capital expenditure plans in the near term support the overall liquidity position of the company.



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About the Company and Group

Incorporated in April 2010, Spectra & Star Convergence Limited (SSCL) is engaged in buying technology convergence products like personal computer, laptop, notebooks and tablets from HP and Samsung brand and sell, distribute the products to downstream channel partners of a 3 to 4 Tier setup. SSCL is a Tier-1 National Distributor for Computers, Laptops, Desktop and AIOs for Hewlett Packard (HP) and Tier-1 Distributor for Samsung mobile phones in Delhi and Haryana regions. Recently, SSCL appointed as Tier-1 for Samsung Note-PC i.e. Laptops in Delhi-NCR and Haryana and also authorised by HP for their online sales at E-commerce Platforms.

Financials (Standalone):

	(Rs. Crore)	
For the year ended*	FY22	FY23
	Audited	Audited
Total Operating Income	757.00	762.81
EBITDA	13.56	11.40
PAT	6.77	4.25
Total Debt	96.45	96.98
Tangible Net worth	34.62	38.92
EBITDA Margin (%)	1.79	1.49
PAT Margin (%)	0.89	0.56
Overall Gearing Ratio (x)	2.79	2.49

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL Ratings in its press release dated 22 January 2024 has continued the rating of Spectra and Star Convergence Limited to "Issuer Not Cooperating" category due to unavailability of adequate information.

Any other information: None

Rating History for last three years:



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Sr. No.	Name of Instrument/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 (13 Dec,2022)	Date(s) & Rating(s) assigned in 2020-21 (15 Sep,2021)	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based	Long Term	87.00	IVR BBB/ Stable	IVR BBB/ Positive	IVR BBB/ Stable	-
4.	Short Term Non-Fund Based	Short Term	10.00	IVR A3+	IVR A3+	IVR A3+	-

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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.

For more information visit www.infomerics.com.

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based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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 Facilities – Channel Financing	-	-	-	40.00	IVR BBB/ Stable
Long Term Fund Based Facilities – Inventory Financing	-	-	-	27.00	IVR BBB/ Stable
Long Term Fund Based Facilities – Cash Credit	-	-	-	20.00	IVR BBB/ Stable
Short Term Fund Based Facilities – Bank Guarantee	-	-	-	10.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: None

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/lender-SpectraStar-feb24.pdf>

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



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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 [Complexity Level of Rated Instruments/Facilities](#).