



Press Release

Spectra & Star Convergence Limited

December 13, 2022

Ratings

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

Details of Facilities are in Annexure 1

Detailed Rationale

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

The rating reaffirmed to the above-mentioned bank facilities of Spectra & Star Convergence Limited (SSCL) continues to draw comfort from established track record of promoter and healthy relationship with principals. The rating also factors in moderate working capital intensity and satisfactory debt protection metrics. However, these rating strengths are partially offset by its thin profitability with average financial risk profile and exposure to intense competition.

IVR has principally relied on the standalone audited financial results of SSCL upto 31 March 2022, H1FY23 and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.



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The revision in outlook from Stable to Positive is on account of improvement in its financial performance in FY22 and H1FY23.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with sustenance 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 further 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 highly qualified and experienced team of management which has helped the company to establish healthy relationship with clients (H.P and Samsung). SSCL has a strong association with HP, 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 Hewlett Packard (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.



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Moderate working capital intensity

The operations of the company are efficiently managed as reflected in operating cycle of 40 days as driven by inventory period of 21 days and collection period of 23 days as on March 31, 2022. 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.

Satisfactory Debt Protection Metrics

The debt protection parameters of the company remained satisfactory with interest coverage ratio at 3.19x in FY22 as against 1.93x in FY21. Total debt to GCA stood at 13.34 years as on March 31, 2022 as against 14.84 years as on March 31, 2021.

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 and between 1.68% to 1.79% in FY21 & FY22.

Average financial risk profile

The company has moderate financial risk profile which is supported by satisfactory tangible net worth of Rs.34.62 crore in FY22 as against Rs.27.92 crore in FY21. The company remained leveraged marked by overall gearing of 2.57x in FY22 as against 2.02x in FY21. TOL/ATNW stands moderate at 2.92x in FY22 as against 2.28x in FY21.

Exposure to intense competition

Company such as Lenovo, OnePlus, Vivo and Xiaomi, have introduced feature-packed phones at lower prices, thereby hold a significant market share in the mid and premium phone



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segments, however the well established players of mobile/laptop industry is as Apple, Samsung and HP. SSCL is susceptible to intense competition due to presence of brand like One plus, Xiaomi and unorganized dealers offering heavy discount.

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 7.23 crore as on March 31, 2022 against its minimal repayment obligation of Rs 0.19 crore as on March 31, 2021. The company's fund-based working capital limits remained moderately utilised at ~44% during the past 11 months ended September 2022 indicating sufficient cushion available in case of adversities. However, the low debt repayment obligations and no major capital expenditure plans in the near term support the overall liquidity position of the company. Moreover, the company is expected to generate a healthy cash accrual of Rs.6.00-13.00 crore as against repayment of Rs. 0.20 – 0.23 crore in FY23-25 crore.

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.



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Financials (Standalone):

(Rs. Crore)

For the year ended*	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	659.65	757.00
EBITDA	11.06	13.56
PAT	4.01	6.77
Total Debt	66.48	96.45
Adjusted Tangible Net worth	31.21	36.70
EBITDA Margin (%)	1.68	1.79
PAT Margin (%)	0.61	0.89
Overall Gearing Ratio (x)	2.02	2.57

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: CRISIL Ratings in its press release dated November 23, 2022 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:

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 (Sep 15, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Channel Financing	Long Term	40.00	IVR BBB/ Positive	IVR BBB/ Stable	-	-
2.	Inventory Financing	Long Term	27.00	IVR BBB/ Positive	IVR BBB/ Stable	-	-
3.	Cash Credit	Long Term	20.00	IVR BBB/ Positive	IVR BBB/ Stable	-	-
4.	Bank Guarantee	Short Term	10.00	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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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/ Positive
Long Term Fund Based Facilities – Inventory Financing	-	-	-	27.00	IVR BBB/ Positive
Long Term Fund Based Facilities – Cash Credit	-	-	-	20.00	IVR BBB/ Positive
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/Len-Spectra-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 [Complexity Level of Rated Instruments/Facilities](#).