

Spring INC.: Assigned

Name of the Instruments	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	0.40	SMERA BB-/Stable(Assigned)
Term Loan	0.39	SMERA BB-/Stable (Assigned)
Term Loan	0.31	SMERA BB-/Stable (Assigned)
Packing Credit/Packing Credit in Foreign Currency	2.60	SMERA A4+ (Assigned)
FDBN/FDBP/FDBD/PSCFC*	2.00	SMERA A4+ (Assigned)

**FDBN - Foreign Discounting Bills of Negotiation, FDBP - Foreign Discounting Bills of Purchase, FDBD - Foreign Documentary Bill Discounted, PSCFC - Pre-Shipment Credit in Foreign Currency*

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** and short term rating of '**SMERA A4+' (read as SMERA A four plus)** on the above mentioned bank facilities of Spring INC. The outlook is '**Stable**'.

The ratings draw comfort from the promoter's extensive experience, average financial risk profile, efficient working capital management and established relationships with reputed clientele. However, the ratings are constrained by the moderate scale of operations and susceptibility of margins to volatility in raw material prices.

Spring Inc benefits from its experienced management. The promoters possess around two decades of experience in the textile industry. The firm caters to reputed clients including BC international, The Fashion Lab, Sahinler to name a few. Spring Inc has an average financial risk profile marked by gearing level of 0.59 times as on March 31, 2015. The interest coverage ratio stands at 4.32 times for FY2014-15. The working capital utilisation is comfortable. The average utilisation for six months ended March 2016 stands at 56 percent.

However, Spring Inc operates on a modest scale with revenue of Rs.15.46 crore in FY2014-15 as against Rs.8.47 crore in FY2013-14. Further, the margins remain susceptible to raw material price volatility. The operating margin declined from 12.28 per cent in FY2013-14 to 8.06 per cent for FY2014-15.

Rating Sensitivity Factors

- Scaling up operations while maintaining profitability margins
- Improvement in capital structure

Outlook - Stable

SMERA believes that the outlook on Spring Inc. will remain 'Stable' over the medium term on account of the experienced management. The outlook may be revised to 'Positive' in case of further improvement in the firm's scale of operations, while maintaining profitability. Conversely, the outlook may be revised to 'Negative' if the financial profile deteriorates.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

Spring Inc. was established as a partnership firm in 2005 by A. Shanmugam. The firm manufactures and trades in garments and exports the same to UK, USA, France and Ireland.

For FY2014-15, Spring Inc. has reported (profit after tax) PAT of Rs.0.45 crore on operating income of Rs.14.89 crore as against PAT of Rs.0.23 crore on operating income of Rs.8.04 crore in the previous year.

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ABOUT SMERA

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