

February 13, 2025

Spruce Enterprises Pvt. Ltd.: Ratings reaffirmed and removed from Issuer Non-Cooperating category

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based/term loan	0.45	0.0	-
Long-term – Fund based/cash credit	2.60	3.05	ICRA] B (Stable); reaffirmed and removed from ISSUER NOT COOPERATING category
Total	3.05	3.05	

*Instrument details are provided in Annexure-1

Rationale

The long-term rating assigned to Spruce Enterprises Pvt. Ltd. (SEPL) has been removed from the Issuer Not Cooperating category and has been reaffirmed at [ICRA]B, with a Stable outlook.

The reaffirmation of the rating factors in SEPL's small scale of operations with total operating income of Rs.22.0 crore in FY2024 and its thin operating profit margin (OPM) of 4.4% due to the trading nature of business. Further, the financial risk profile remained weak with leveraged capital structure and weak debt coverage indicators owing to limited profitability and a modest net worth base. The entity's interest coverage and total debt vis-à-vis operating profit stood at 1.3 times and 7.4 times, respectively, as on March 31, 2024. Besides, the company's liquidity is stretched as it has fully utilised its working capital limits. SEPL's rating is further constrained owing to intense competition prevalent in the highly fragmented textiles industry.

Nevertheless, the rating also factors in the experience of the promoters in the textiles industry and the company's long-term relationships with an established customer base.

The Stable outlook on the long-term rating reflects ICRA's expectations that SEPL's debt coverage indicators will remain commensurate with the rating category, given its stable revenue growth and thin OPMs.

Key rating drivers and their description

Credit strengths

Experienced promoters in textile industry – SEPL was incorporated in 2010 and the promoters, Swapnil Prakash Awade and Vaishali Swapnil Awade, have more than a decade of experience in the textile industry.

Established customer and supplier relationships - The company has established relationships with its customers and suppliers. SEPL procures yarn/fabric and based on customer specifications, gets garment manufactured from a third party, which is then supplied to the customers. It majorly supplies to two established brands, Reliance (through Reliance Retail Limited) and Pantaloons through Mogli Lab India Pvt Ltd.

Credit challenges

Small scale of operations with thin profit margin driven by trading nature of business – SEPL is a small-sized player involved in trading of garments/yarn with an operating income of Rs. 22.0 crore in FY2024. It had recorded revenues of Rs. 16 crore till January 31, 2025 and had an order book position of Rs .8.0 crore as on February 04, 2025, which is to be supplied in the current fiscal year. ICRA expects the entity's revenue to remain range-bound in the near term. Due to the trading nature of business, the margins remain thin with operating and net margin of 4.4% and 0.8%, respectively, in FY2024.

Weak coverage indicators and leveraged capital structure – The debt coverage indicators remained weak led by high debt levels and low operating margins characterised by total debt vis-a-vis operating profit and interest coverage stood at 7.4 times and 1.3 times, respectively, in FY2024. Owing to a small net worth level of Rs. 1.0 crore as on March 31, 2024, and significant debt on its books, the gearing stood high at 7.4 times as on March 31, 2024.

Intense competition in a fragmented industry – SEPL faces stiff competition from established organised players as well as dominant unorganised players in the industry, exerting pressure on its revenues and margins.

Liquidity position: Stretched

The company's liquidity position remained stretched on account of thin cash flows and modest cash and bank balance, which stood at Rs. 0.17 crore as on March 31, 2024. Moreover, the working capital limits of the company remain fully utilised during the last 12 months ended during September 2024. The company does not have any major capex planned in the near to medium term. The company has fully repaid the loan availed from Indusind bank in January 2025 and, thus, at present the company does not have any long-term debt obligation. In January 2025, the company had received sanction for working capital limits of Rs. 4.90 crore against existing limits of Rs. 3.20 crore.

Rating sensitivities

Positive factors – ICRA could upgrade the entity's rating, if there is a healthy growth in revenues and profitability, leading to an improvement in debt coverage metrics and liquidity position on sustained basis.

Negative factors – Pressure on the entity's rating could arise, if there is a decline in revenue and operating margin, resulting in lower cash flows on a sustained basis. Any major debt-funded capex or a deterioration in the working capital cycle that further stretches the liquidity position could also be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology -Textiles (Apparels)
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the issuer.

About the company

SEPL was incorporated in 2010. The company is predominantly a textiles trading company, with no manufacturing facilities. The entire process in the value chain from procurement of yarn/fabric, dyeing to readymade garment is manufactured by a third party, which is then supplied to the customers. Moreover, it also contracts with customers, wherein it procures raw material from the client and as per specifications of the customer, the garments are manufactured by third-party vendors and sent back to the customers.

Key financial indicators (audited)

SEPL	FY2023	FY2024
Operating Income (Rs. crore)	15.8	22.0
PAT (Rs. crore)	0.1	0.2
OPBDIT/OI (%)	6.8%	4.4%
PAT/OI (%)	0.8%	0.8%
Total Outside Liabilities/Tangible Net Worth (times)	13.2	12.1
Total Debt/OPBDIT (times)	6.1	7.4
Interest Coverage (times)	1.2	1.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore ;PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)						Chronology of rating history for the past 3 years					
			FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Feb 13, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based - Cash Credit	Long Term	3.05	[ICRA]B (Stable)	20-Jun-2024	[ICRA]B (Stable); ISSUER NOT COOPERATING	05-Apr-2023	[ICRA]B (Stable)	-	-	-	-
Term Loan	Long Term	-	-	20-Jun-2024	[ICRA]B (Stable); ISSUER NOT COOPERATING	05-Apr-2023	[ICRA]B (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund based - Cash Credit	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs Crore)	Current Rating and Outlook
NA	Cash Credit	NA	-	NA	3.05	[ICRA]B (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis- Not Applicable

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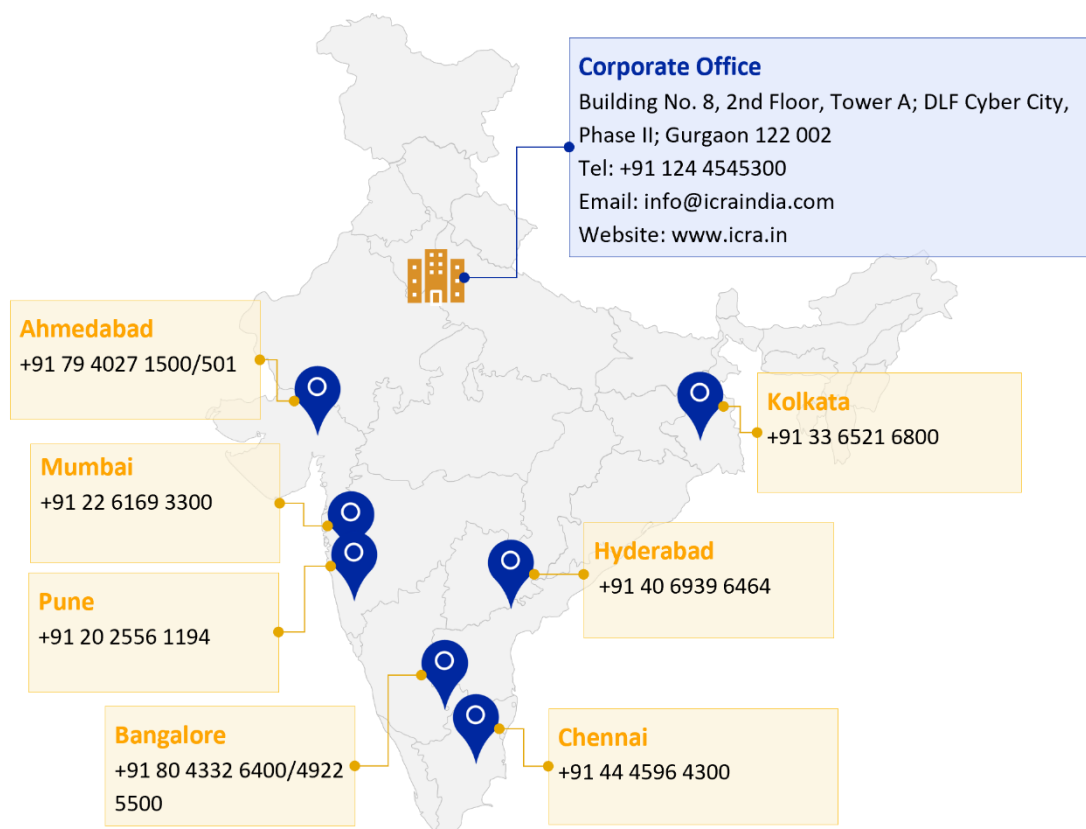


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