



September 17, 2013

| Instrument | Amount (Rs. Crores) | Ratings |
|---------------------|---------------------|----------------------------|
| Cash Credit | 5.10 | SMERA BB/Stable (Assigned) |
| Term Loan | 3.04 | SMERA BB/Stable (Assigned) |
| Letter of Guarantee | 1.00 | SMERA A4+ (Assigned) |

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA Double B**) and '**SMERA A4+**' (read as **SMERA A Four Plus**) to Eastman's Rs.9.14 crores bank facilities. The outlook is '**Stable**'. The ratings are constrained by the firm's small scale of operations in a highly competitive and fragmented furniture industry. The ratings are also constrained by the firm's geographic concentration and moderate financial risk profile. However, the ratings factor in benefits derived from Eastman's long operational track record in the furniture business and authorized dealership of Godrej & Boyce Manufacturing Company Limited.

Eastman, established in 2000, is a Kolkata-based dealer and retailer of office and home furniture. The firm is an authorized wholesale dealer of Godrej & Boyce Manufacturing Company Limited and Eureka Forbes Limited. Eastman's revenues have grown at a healthy CAGR of 33 per cent over FY2007-08 (refers to financial year, April 01 to March 31) to FY2012-13 on account of two retail franchisee outlets set up during the aforementioned period. However, the firm has a small scale of operations with FY2012-13 revenues at Rs.20.13 crores. Furniture sales account for about 95 per cent of Eastman's total revenues and the firm mainly caters to private corporate and government entities. Eastman sells luxury furniture, which is priced at a premium to local brands. The firm's growth is thus highly dependent on the offtake and acceptance of modular furniture. Eastman is also exposed to geographic concentration risk as the firm's operations are mainly concentrated in Kolkata.

Eastman operates in a highly competitive and fragmented furniture industry, which limits the firm's pricing power. However, Eastman has registered healthy operating profit margins, which increased from 10.01 per cent in FY2011-12 to 14.59 per cent in FY2012-13 on account of benefits derived from cost cutting measures and setting up of a new retail outlet.

Eastman has a moderate financial profile with total debt-to-equity ratio at 2.09 times as on March 31, 2012 on account of debt-funded capital expansion undertaken for setting up franchisee showrooms. The firm's leverage improved to 1.56 times as per the provisional financials for FY2012-13 on account of prepayment of a loan in December 2012, infusion of additional capital and retention of profits. Eastman has a comfortable liquidity position with average cash credit utilization of ~70 per cent during January 2013 to July 2013.

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Outlook: Stable

Eastman has a Stable outlook. SMERA believes that Eastman will continue to benefit from its association with Godrej & Boyce Manufacturing Company Limited. The outlook maybe revised to 'Positive' if Eastman achieves a sustained improvement in profit margins while maintaining a healthy revenue growth and financial profile. Conversely, the outlook maybe revised to 'Negative' if there is a significant decline in the firm's revenues and profit margins or if the firm undertakes any major debt-funded capital expenditure, which may affect the financial profile. The firm's ability to scale up operations, diversify customer base, improve profitability and maintain a comfortable liquidity position remains the key rating sensitivity.

About the firm

Eastman was established as a proprietorship concern in 2000 by Mr. Sunil Kumar Banik. In 2007, Eastman was converted into a partnership firm with Mr. Subarna Banik and Mr. Sudip Kumar Banik joining as partners. Eastman is engaged in dealing and retailing of office and home furniture. The firm is an authorized wholesale dealer of Godrej & Boyce Manufacturing Company Limited and has two franchisee showrooms in Kolkata, Paschim Banga. Eastman is also an authorized dealer for water purification systems offered by Eureka Forbes Limited.

Eastman has an experienced management team headed by Mr. Sunil Kumar Banik, who has around four decades of experience in the furniture business.

In FY2011-12, Eastman reported PAT of Rs.0.41 crores on operating income of Rs.16.89 crores as compared with PAT of Rs.0.22 crores on operating income of Rs.10.30 crores in FY2010-11. The firm's net worth stands at Rs.3.61 crores as on March 31, 2012 as compared with Rs.2.36 crores a year earlier. As per the provisional financials of FY2012-13, Eastman reported net profit of Rs.0.83 crores on operating income of Rs.20.13 crores. The firm's net worth stands at Rs.6.91 crores (provisional) as on March 31, 2013.

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