



December 02, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	5.10	SMERA BB/Stable (Reaffirmed)
Term Loan	3.04	SMERA BB/Stable (Reaffirmed)
Letter of Guarantee	1.00	SMERA A4+ (Reaffirmed)

SMERA has reaffirmed ratings of '**SMERA BB**' (**read as SMERA double B**) and '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs.9.14 crore bank facilities of Eastman. The outlook is '**Stable**'. The ratings remain constrained by the firm's small-scale operations in a highly competitive and fragmented segment of the furniture industry. The ratings factor in risks related to geographic concentration of the firm's operations. The ratings are also constrained by the firm's moderate financial profile. However, the ratings are supported by the firm's long track record of operations and established association with Godrej & Boyce Manufacturing Company Limited.

Update

For FY2013-14 (refers to financial year, April 01 to March 31), Eastman registered net profit of Rs.0.47 crore on operating income of Rs.26.23 crore, as compared with net profit of Rs.0.20 crore on operating income of Rs.20.24 crore in FY2012-13. Eastman's moderate financial risk profile is marked by gearing (debt-to-capital ratio) of 1.80 times as on March 31, 2014. The firm's total debt of Rs.8.86 crore (as on March 31, 2014) includes interest-free unsecured loans of Rs.1.49 crore and long-term loan of Rs.1.50 crore, which is prepaid to the extent of Rs.1.05 crore (as on September 30, 2014). Eastman's interest coverage ratio improved from 1.48 times in FY2012-13 to 1.81 times in FY2013-14. The firm's comfortable liquidity position is evidenced by low average utilisation (72.35 per cent) of working capital limit during March 2014 to September 2014.

Eastman operates in an intensely fragmented industry which has several players in the unorganized sector. The firm procures tenders through a highly competitive bidding process, which limits the pricing power. Eastman's operating profit margin declined from 11.87 per cent in FY2012-13 to 9.89 per cent in FY2013-14. The firm's operations remain concentrated in Kolkata.

Outlook: Stable

SMERA believes Eastman will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established association with Godrej & Boyce Manufacturing Company Limited. The outlook may be revised to 'Positive' in case the firm registers substantial growth in scale of operations while maintaining comfortable profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected scalability amidst intensifying competition in its area of operation, or in case of deterioration in the

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firm's financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

About the firm

Eastman was established as a proprietorship concern in 2000 and converted into a partnership firm in 2007. The firm is currently owned by Mr. Sunil Kumar Banik (founder), Mr. Subarna Banik and Mr. Sudip Kumar Banik. 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. Eastman and has two franchisee showrooms in Kolkata, Paschim Banga. The firm is also an authorized dealer of water purification systems offered by Eureka Forbes Limited.

Eastman's net worth stood at Rs.4.93 crore as on March 31, 2014, as compared with Rs.4.00 crore a year earlier.

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