

October 27, 2015

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 above mentioned bank facilities of Eastman. The outlook is '**Stable**'. The ratings continue to draw comfort from the firm's long track record of operations, experienced management and established association with Godrej & Boyce Manufacturing Company Limited. However, the ratings remain constrained by the small-scale of operations in a highly competitive and fragmented segment of the furniture industry. The ratings continue to factor in risks related to geographic concentration of the firm's operations.

Update

For FY2014-15 (refers to financial year, April 01 to March 31), Eastman registered net profit of Rs.0.54 crore on operating income of Rs.27.58 crore, as compared with net profit of Rs.0.47 crore on operating income of Rs.26.23 crore in FY2013-14.

Eastman's financial risk profile improved with gearing at 0.98 times as on March 31, 2015 as compared to 1.80 times as on March 31, 2014. The firm's total debt of Rs.5.88 crore (as on March 31, 2015) includes interest-free unsecured loans of Rs.0.70 crore and long-term loan of Rs.0.80 crore. Eastman's interest coverage ratio improved from 2.20 times in FY2013-14 to 2.59 times in FY2014-15. The firm's comfortable liquidity position is evidenced by moderate average utilisation (84.97 per cent) of working capital limit during April 2015 to September 2015.

Eastman operates in an intensely fragmented industry with 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 8.06 per cent in FY2013-14 to 7.36 per cent in FY2014-15. 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 the firm's financial risk profile

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deteriorates on account of higher-than-expected increase in debt-funded working capital requirements.

About the Firm

The Kolkata-based Eastman was established as a proprietorship concern in 2000 and converted into a partnership firm in 2007. Set up by Mr. Sunil Kumar Banik (founder), Mr. Subarna Banik and Mr. Sudip Kumar Banik, the firm is an authorised wholesale dealer of Godrej & Boyce Manufacturing Company Limited for their range of office and home furniture. Eastman operates two franchisee showrooms in Kolkata, Paschim Banga and is also an authorised dealer of water purification systems from Eureka Forbes Limited.

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