

Eastman:Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	5.10	SMERA BB/Stable (Reaffirmed)
Letter of Guarantee	1.00	SMERA A4+ (Reaffirmed)
Term Loan	3.04	SMERA BB/Stable (Withdrawn)
Proposed Fund Based Facilities	3.04	SMERA BB/Stable (Assigned)

SMERA has reaffirmed the ratings of **‘SMERA BB’ (read as SMERA double B)** and **‘SMERA A4+’ (read as SMERA A four plus)** on the Rs.6.10 crore bank facilities and assigned rating of **‘SMERA BB’ (read as SMERA double B)** on the Rs.3.04 crore proposed fund based facilities of Eastman. The outlook is **‘Stable’**. Further, SMERA has withdrawn rating of ‘SMERA BB’ (read as SMERA double B) on the Rs.3.04 crore bank facility as there are no dues outstanding in the term loan.

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 and declining operating margins. The ratings continue to factor in risks related to geographic concentration of the firm’s operations.

Update

For FY2015–16 (refers to financial year, April 01 to March 31), Eastman registered net profit of Rs.0.57 crore on operating income of Rs.34.07 crore, as compared with net profit of Rs.0.54 crore on operating income of Rs.27.58 crore in FY2014–15.

Eastman’s financial risk profile is moderate with gearing at 1.22 times as on March 31, 2016 as compared to 0.98 times as on March 31, 2015. The firm’s total debt of Rs.8.74 crore as on March 31, 2016 includes interest-free unsecured loans of Rs.0.89 crore. Eastman’s interest coverage ratio improved from 2.59 times in FY2014–15 to 2.80 times in FY2015–16. The firm’s comfortable liquidity position is evidenced by moderate average utilisation (84.97 per cent) of working capital limit as well as cash and bank balance of Rs.1.00 crore as on March 31, 2016.

Eastman operates in an intensely fragmented furniture industry with several players in the unorganised sector. The firm procures tenders through a highly competitive bidding process, which limits the pricing power. Eastman’s operating profit margin declined from 7.36 per cent in FY2014–15 to 5.55 per cent in FY2015–16. The firm’s operations remain concentrated in Kolkata.

Rating Sensitivity Factors

- Scaling up operations while maintaining margins
- Efficient working capital management

Criteria applied to arrive at the rating:

- Trading Entities

Outlook – Stable

SMERA believes Eastman will maintain a stable outlook over the medium term owing to 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 of failure in achieving the projected scalability amidst intensifying competition in its area of operation or deterioration in the firm's financial risk profile 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 of Eureka Forbes Limited.

For FY2015-16, Eastman reported profit after tax (PAT) of Rs.0.57 crore on operating income of Rs.34.07 crore, as compared to PAT of Rs.0.54 crore on operating income of Rs.27.58 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
27 October, 2015	Cash Credit	5.10	SMERA BB (Reaffirmed)	-	Stable
	Term Loan	3.04	SMERA BB (Reaffirmed)	-	Stable
	Letter of Guarantee	1.00	-	SMERA A4+ (Reaffirmed)	-
02 December, 2014	Cash Credit	5.10	SMERA BB (Reaffirmed)	-	Stable
	Term Loan	3.04	SMERA BB (Reaffirmed)	-	Stable
	Letter of Guarantee	1.00	-	SMERA A4+ (Reaffirmed)	-
17 September, 2013	Cash Credit	5.10	SMERA BB (Assigned)	-	Stable
	Term Loan	3.04	SMERA BB (Assigned)	-	Stable
	Letter of Guarantee	1.00	-	SMERA A4+ (Assigned)	-



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ABOUT SMERA

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