

## Eastman Industries Limited (EIL)

March 11, 2014

Facilities	Amount (Rs. Crore)	Ratings
<b>EPC/PCFC/EBP</b>	<b>21.00</b>	<b>SMERA BBB-/Stable (Assigned)</b>
<b>Term Loan</b>	<b>1.47<sup>^</sup></b>	<b>SMERA BBB-/Stable (Assigned)</b>
<b>Standby Line of Credit</b>	<b>3.00</b>	<b>SMERA A3+ (Assigned)</b>
<b>Letter of Credit</b>	<b>15.00</b>	<b>SMERA A3+ (Assigned)</b>

<sup>^</sup>Outstanding balance as on December 19, 2013 was Rs.0.70 crore

SMERA has assigned ratings of '**SMERA BBB-**' (**read as SMERA triple B minus**) and '**SMERA A3+**' (**read as SMERA A three plus**) to the Rs.40.47 crore bank facilities of Eastman Industries Limited (EIL). The outlook is '**Stable**'. The ratings derive comfort from the company's long track record of operations, moderate net profit margin and strong debt protection metrics. The ratings are further supported by the company's experienced management and established customer relationships. However, the ratings are constrained by the company's exposure to intense competition.

EIL, incorporated in 1982, is a Ludhiana-based company primarily involved in export of bicycles. EIL also undertakes export of bicycle components and accessories, agricultural equipment components, tyres, scaffolding and consumer goods. The company's net profit margin is moderate at 2.60 per cent in FY2012-13 (refers to financial year, April 01 to March 31). EIL has strong debt protection metrics reflected in leverage of 0.37 times as on March 31, 2013 and interest coverage ratio of 3.96 times in FY2012-13. The company benefits from its experienced management. Mr. J. R. Singhal, managing director of EIL, has around three decades of experience in the bicycle industry. EIL also benefits from its long-standing relationships with customers based in Mexico, Saudi Arabia, Colombia, Philippines and Argentina.

EIL faces intense competition from several small-sized players in the bicycle industry.

### Outlook: Stable

SMERA believes that EIL will maintain a stable business risk profile over the medium term on the back of its long track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in its scale of operations and profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial profile.

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### About the company

EIL, incorporated in 1982, is a Ludhiana-based company promoted by Mr. J. R. Singhal. EIL is engaged in exports of bicycles, bicycle components and accessories, agricultural equipment components, tyres, scaffolding and consumer goods.

For FY2012-13, EIL reported PAT of Rs.3.86 crore on operating income of Rs.143.61 crore, as compared with PAT of Rs.4.39 crore on operating income of Rs.191.07 crore for FY2011-12. The company's net worth stood at Rs.57.41 crore as on March 31, 2013, as compared with Rs.53.49 crore a year earlier.

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