

March 11, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	23.00*	SMERA BBB-/Stable (Assigned)
Inland Letter of Credit/Foreign Letter of Credit	5.00	SMERA A3+ (Assigned)
Standby Limit	2.80	SMERA BBB- / Stable (Assigned)

*\*Includes cash credit as a sublimit to the extent of Rs.9.00 crore, export packing credit as a sublimit to the extent of Rs.8.25 crore, EBP (Non LC)/EBR/EBUC as a sublimit to the extent of Rs.5.65 crore and DDP cheques within CC (BD) of Rs.1.00 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.30.80 crore bank facilities of Eastman Cast and Forge Limited (ECFL). 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. The ratings are also constrained by the company's high dependence on the automobile sector, which is currently undergoing a slowdown.

ECFL, incorporated in 1986, is a Ludhiana-based company primarily engaged in manufacturing and export of hand tools, power tools and tractor linkage parts. ECFL is also involved in trading of hand tools and power tools. The company derives ~60 per cent of its total revenues from exports to customers based in Russia, Ukraine, South Africa, Europe and South Asia. ECFL's net profit margin is moderate at 3.77 per cent in FY2012-13 (refers to financial year, April 01 to March 31). The company has strong debt protection metrics reflected in leverage of 0.88 times as on March 31, 2013 and interest coverage ratio of 4.37 times in FY2012-13.

ECFL benefits from its experienced management. Mr. J. R. Singhal, managing director of ECFL, has around three decades of experience in the casting industry. ECFL also benefits from its long-standing relationships with various reputed customers, including Tata Motors Ltd., Ashok Leyland Ltd., Mahindra & Mahindra Ltd. and John Deere (India) Pvt. Ltd.

ECFL operates in highly competitive industry dominated by several small-sized players. The company mainly caters to auto component manufacturers and original equipment manufacturers (OEMs) in the automobile industry, which is currently undergoing a slowdown due to subdued economic growth, high interest rates and spiralling fuel prices.

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**Outlook: Stable**

SMERA believes ECFL will maintain a healthy business risk profile in 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 working capital management. Conversely, the outlook may be revised to 'Negative' in case of further stretch in the company's working capital cycle, or in case of deterioration in the company's capital structure.

**About the company**

ECFL, incorporated in 1986, is a Ludhiana-based company promoted by Mr. J. R. Singhal. ECFL is engaged in manufacturing of hand tools, power tools and tractor linkage parts. The company has manufacturing unit in Ludhiana (Punjab), with total installed capacity of 3,000 metric tonnes per annum (MTPA) for tools and 600 MTPA for tractor linkage parts.

For FY2012-13, ECFL reported PAT of Rs.3.38 crore on operating income of Rs.79.44 crore, as compared with PAT of Rs.4.53 crore on operating income of Rs.87.32 crore for FY2011-12. The company's net worth stood at Rs. 25.08 crore as on March 31, 2013, as compared with Rs.21.70 crore a year earlier.

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