



Press Release

Eastman Exports Private Limited (EEPL)

October 04, 2024

Ratings

Instrument/Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Facilities	32.12	IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	-	Assigned	Simple
Short Term Facilities	14.71	IVR A3 (IVR A Three)	-	Assigned	Simple
Total	46.83 (Forty-Six Crore and Eighty-Three Lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The assignment of ratings to the bank facilities of EEPL considers extensive experience of promoters, comfortable capital structure with satisfactory debt protection metrics and moderate working capital operations. The rating is however constrained by thin EBITDA margin and competitive nature of business and susceptibility to regulatory risks.

The stable outlook reflects the fact that the entity will continue to benefit from its extensive experience of promoters, comfortable capital structure with satisfactory debt protection metrics

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the revenue & EBITDA margin while improving the debt protection metrics.

Downward Factors

- Significant decline in revenue and profitability leading to lower net cash accrual and deterioration in debt coverage indicators and/or any further stretch in operating cycle impacting the company's liquidity position.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoters**

Eastman Exports Private Limited was commenced business in 2014 and was incorporated in 1998. The promoters of the company Mrs. Saruchi Singal has 10 years of experience whereas Mr. Kapil Dev Soni has 25 years of experience. This long track record of the promoters has helped the company to maintain strong relationships with customers and suppliers as also sail through steel industry cycles.

- **Comfortable capital structure with satisfactory debt protection metrics**

The debt profile of the company comprises term loans, working capital borrowings and unsecured loan from related parties and others. After considering unsecured loan from related parties as quasi equity, overall gearing stands comfortable and improved from 0.86x as on March 31, 2024 (provisional) to 1.16x as on March 31, 2023. Debt protection metrics of the company remained satisfactory over the past three fiscals. The interest coverage remained comfortable 3.16x in FY24 [(Provisional) refers to period April 1st, 2023, to Mar 31, 2024]. The DSCR for the company stood at 1.77x in FY24 (FY23: 1.74x). Further, Total debt to GCA and Total debt to EBITDA also improved from 5.01 years and 3.62x respectively as on March 31, 2023, to 4.14 years and 3.04x respectively as on March 31, 2024.

- **Moderate working capital operations**

The working capital operations of the company marked by debtor days of the firm stood at 34 days as on 31st March 2024 as against 40 days as on 31st March 2023. Also, the creditor days improved from 33 days in FY23 to 40 days in FY24. The operating cycle stood at 52 days in FY23 and improved to 37 days in FY24. The same is expected to further decrease to 33 days by FY27 due to better management of inventory going ahead.



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Key Rating Weaknesses

- **Thin EBITDA Margin**

The EBITDA Margin of the company decreased from 4.09% in FY23 to 3.92% in FY24. The same is expected to remain around the same levels. The margins for the company remain thin due to high nature of competition in the business.

- **Competitive nature of business and susceptibility to regulatory risks**

The major raw material for scaffolding is steel and the steel business is highly competitive and sensitive to volatility in steel prices. Further, the steel sector is highly regulated due to government intervention in case of import duties and susceptible to dumping cheap steel from China. Along with this the hand tool market is a highly unorganized market with tough competition from local hand tool players thereby facing pricing pressures which in turn affect the profitability of the company.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

Eastman Exports Private Limited liquidity remains adequate as evidenced by the company's working capital utilization which stood at an average of ~ 84% against sanctioned limits for the last 12-month period ending in June 2024. For FY24 the Company's GCA post interest stood at Rs. 6.83 Crore while its current portion of long-term debt stood at Rs. 3.76 Crore. Cash & Bank Balances as on 31st March 2024 stood at Rs. 8.34 Crore. The current ratio of the company stood at 1.04x as on 31st March 2024.



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About the Company

Eastman Exports Private Limited (EEPL) was incorporated in the year 1998 and is based in Ludhiana (Punjab). It commenced operations in the year 2014. Mr Kapil Dev Soni and Mrs Saruchi Singal are its promoters. The company has its own established brand 'Eastman'. EEPL is into exports of Scaffoldings, Hand Tools, Garden Tools, M.S. Clamps, Stainless Steel Utensils and all types of Light Engg. Goods and Hardware. The company has 2 manufacturing units in Ludhiana with total capacity of 1400 tons per month.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	213.82	237.77
EBITDA	8.75	9.31
PAT	4.12	3.57
Total Debt	31.67	28.28
Tangible Net Worth	20.90	24.48
EBITDA Margin (%)	4.09	3.92
PAT Margin (%)	1.92	1.49
Overall Gearing Ratio (x)	1.82	1.50
Interest Coverage (x)	4.03	3.16

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Facilities – Term Loan, GECL & Corporate Loan	Long Term	11.62	IVR BBB-/ Stable	-	-	-
2.	Long Term Facilities – Cash Credit	Long Term	10.50	IVR BBB-/ Stable	-	-	-



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
3.	Proposed Long Term Facilities – Cash Credit	Long Term	10.00	IVR BBB-/ Stable	-	-	-
4.	Short Term Facilities – LC/BG	Short Term	4.00	IVR A3	-	-	-
5.	Short Term Facilities – Credit Exposure Limit	Short Term	0.71	IVR A3			
6.	Proposed Short Term Facilities – LC/BG	Short Term	10.00	IVR A3			

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.



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For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loan	-	-	-	September 2029	4.39	IVR BBB-/Stable
Long Term Fund Based Bank Facilities – GECL	-	-	-	February 2027	1.52	IVR BBB-/Stable
Long Term Fund Based Bank Facilities – Corporate Loan	-	-	-	February 2033	5.71	IVR BBB-/Stable
Long Term Fund Based Bank Facilities – Cash Credit	-	-	-	-	10.50	IVR BBB-/Stable
Proposed Long Term Fund Based Bank Facilities – Cash Credit	-	-	-	-	10.00	IVR BBB-/Stable
Short Term Non-Fund Based Working Capital Facilities – LC/BG	-	-	-	-	4.00	IVR A3
Short Term Non-Fund Based Working Capital Facilities – Credit Exposure Limit	-	-	-	-	0.71	IVR A3



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Proposed Short Term Non-Fund Based Working Capital Facilities – LC/BG	-	-	-	-	10.00	IVR A3
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Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Eastman-Exports-4oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.