September 10, 2013

CARE ASSIGNS ‘CARE BB’ AND ‘CARE A4’ RATINGS TO THE BANK FACILITIES OF EASTMAN INTERNATIONAL LIMITED

Ratings

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Rating¹</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Bank Facilities</td>
<td>10.04</td>
<td>CARE BB (Double B)</td>
<td>Assigned</td>
</tr>
<tr>
<td>Long-term / Short-term Bank Facilities</td>
<td>3.25</td>
<td>CARE BB (Double B) / CARE A4 (A Four)</td>
<td>Assigned</td>
</tr>
<tr>
<td>Short-term Bank Facilities</td>
<td>7.00</td>
<td>CARE A4 (A Four)</td>
<td>Assigned</td>
</tr>
<tr>
<td>Total Facilities</td>
<td>20.29</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rating Rationale

The ratings assigned to the bank facilities of Eastman International Limited (EIL) are constrained by its small scale of operations with low profitability margin, foreign exchange fluctuation risk and EIL’s susceptibility to debtor’s defaults due to unstable political and economic conditions of its exporting countries.

The ratings, however, take comfort from its experienced promoters and being part of Eastman International group, its moderate capital structure and average debt service coverage indicators. Further, the rating draws comfort from long-term revenue visibility from wind power generation business.

Going forward, the ability of the company to achieve the envisaged revenue and profitability while maintaining its capital structure and effectively manage its foreign exchange fluctuation shall be the key rating sensitivities.

Background

Ludhiana-based Eastman International Limited (EIL) was initially incorporated in March 1997 as a private limited company under the name of ‘Eastman Fab Private Limited’. Later on in June 2000, its constitution was changed to public limited and its name was changed to Eastman International Limited. EIL is promoted by Gupta family viz Mr Rakesh Gupta, his brother Mr Ramesh Gupta and other family members. The company was initially in the business of trading of various products which was discontinued in 2010. Further in FY11, EIL had restarted its business operations as merchandise exporter and trader of various products like cycle parts, food commodities, cycle tyres, synthetic rubber, PVC resin etc. The exports are mainly to African countries and the import procurement is from China, Belgium, Thailand etc. During FY11, the company had invested in the renewable energy sector by setting up wind power project in Ratlam (Madhya Pradesh) with total generation capacity of 3.6 MW.

EIL is a part of Eastman International Group which comprises of Eastman International, Ramesh Steels, Rita International (CARE BB/A4), Mukand Industries P Ltd., Maxwell Inc and Windsor Exports (CARE BB+).

¹Complete definitions of the ratings assigned are available at www.careratings.com and other CARE publications
During FY12 (refers to the period April 1 to March 31), EIL reported a PAT of Rs.0.35 crore on a total operating income of Rs.36.20 crore. During FY13, EIL reported total operating income of Rs.36.49 crore and net loss of Rs.1.77 crore (based on unaudited results).

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