



Press Release

Kushal Polysacks Private Limited

November 02, 2023

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facility	57.00	IVR BB/Stable (IVR Double B with Stable Outlook)	Revised from IVR BB+/Stable	Simple
2.	Short Term Bank Facility	15.00	IVR A4 (IVR A Four)	Revised from IVR A4+	Simple
	Total	72.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings revision to the bank facilities of the entity considers the decline in profits and profitability of the Company, discontinuation of high margin dredging business, deterioration in coverage indicators, and foray into new business of agro trading and logistics. Apart from these, the other weaknesses include high dependency on Indian Oil Corporation, presence in highly fragmented and competitive industry, regional concentration risk, and high exposure to group companies. The ratings derive comfort from the long track record of operations under experienced promoters, association with reputed organisations, and advantage of group support,

Key Rating Sensitivities

Upward Factors

- Significant growth in scale of operations with improvement in profitability on a sustained basis.
- Improvement in capital structure.

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile.



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- Further moderation in the capital structure with deterioration in overall gearing.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operation under experienced promoters

Mr Naresh Kumar Agarwala, Managing Director, has over three decades of experience in the PP/HDPE manufacturing industry. His son, Kushal Agarwala, a management graduate, also has about a decade of experience in the business operation. They are well assisted by an experienced team of professionals with considerable experience in similar industries.

Association with a reputed organization, IOCL

Since 2011, the company started operating as a Del-Credere Agent (DCA) of Indian Oil Corporation Limited (IOCL) for PP granules. KPPL is one of the largest DCA of IOCL and has been awarded as the Star DCA of IOCL in India.

Advantage of group support

KPPL is a part of the Kushal Bharat Group, promoted by Mr. Naresh Kumar Agarwal, which has diversified business interests comprising of cement, woven sacks, polymer distribution, iron & steel, real estate, hotel, and railway engineering products. As the promoters are resourceful and the Group has a diversified business profile, the Company can enjoy Group support in times of stress.

Key Rating Weaknesses

Decline in profits and profitability of the Company

The Total Operating Income of the Company declined by 17.83% YoY from Rs 11.33 crore in FY22 to Rs 9.31 crore in FY23. The EBITDA or operating profit declined by 42.06% YoY from Rs 5.52 crore in FY21 to Rs 3.20 crore in FY23. The primary reason for the decline in revenue and operating profit was the absence of high margin dredging business revenue in FY23. The effect of drop in EBITDA percolated to Net Profit or PAT of the Company, which



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declined by 39.09% YoY from Rs 1.15 crore in FY22 to Rs 0.70 crore in FY23. Any sharp drop in revenue and margin profile affects the debt coverage indicators of KPPL unfavourably.

Discontinuation of dredging business

Dredging was a high margin business for the Company and till such time it was there, a favourable impact was noted in PAT and Gross Cash Accruals of the respective years. However, the Company decided to discontinue the business because of payment related delays from West Bengal Government for which the Company carried out the dredging projects. Infomerics considers this as a negative development as the margin profile of the Company gets affected badly in the absence of dredging revenue.

Deterioration in coverage indicators

On account of the fall in operating profit in FY23, the coverage indicators took a hit. The interest service coverage ratio dropped from 1.37x in FY22 to 1.08x in FY23. The DSCR also dropped from 1.16x in FY22 to 0.77x in FY23. Debt repayments in FY23 was possible because of the infusion of unsecured loans in the nature of quasi equity to the tune of Rs 12.00 crore. The DSCR in FY24 is also expected to remain low.

Foray into new business of agro trading and logistics

The Company has forayed into the new business of agro trading and logistics in FY23. A revenue of Rs 4.67 crore was generated from this business in FY23 and this is expected to grow going forward. The increase in revenue of the Company from the new venture and its contribution to overall profits would be a key rating determinant going forward.

Fortune dependent on the principal (IOCL) and presence in highly fragmented & competitive industry

As KPPL works as DCA of IOCL, the business of the Company is largely dependent on the demand of IOCL polymer products. The industry is competitive with presence of many DCAs within and outside of IOCL.



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Regional concentration risk

KPPL is predominantly working in the state of West Bengal, hence it has a high degree of geographical concentration. However, long standing experience of the promoters in the segment of polymers trading and in the state of West Bengal imparts comfort.

High exposure to group companies

The Company has a moderate exposure in its group companies in the form of corporate guarantees extended to them. However, the group companies are profitable, which imparts comfort.

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology for Service Industry](#)

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

[Criteria on assigning rating Outlook](#)

Liquidity - Stretched

The current ratio of KPPL on March 31, 2023 was 1.44, which is comfortable. Further, this ratio is expected to remain comfortable during the projected period. The DSCR in FY23 was below 1x and repayment obligations were discharged with the help of fund infusion by the promoters. DSCR in FY24 is expected to be low. The average working capital borrowing utilisation of the company remained high at ~97% between September 2022 and August 2023. However, the company has a free cash balance of ~Rs. 6.82 crore, reflecting some liquidity cushion.

About the Company

Kushal Polysacks Private Limited (KPPL) is promoted by Mr. Naresh Kumar Agarwal based out of Kolkata. The Company commissioned its business in October 1996 and was in the manufacturing of Polypropylene (PP) and High-density polyethylene (HDPE) products. Later, since 2011, the Company started operating as a Del Credere Agent (DCA) of Indian Oil



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Corporation Limited (IOCL) for PP granules. KPPL has been awarded as the Star DCA of IOCL in India. In FY15, the Company had transferred the manufacturing activity to its group company Samarth Fablon Private Limited. The Company has recently discontinued its dredging business.

KPPL is a part of the Kushal Bharat Group promoted by Mr. Naresh Kumar Agarwal, which has diversified business interests, comprising of cement, woven sacks, polymer distribution, iron & steel, real estate, hotel and railway engineering products.

Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	11.33	9.31
EBITDA	5.52	3.20
PAT	1.15	0.70
Total Debt	77.68	75.93
Tangible Net-worth	21.22	33.92
Ratios		
EBITDA Margin (%)	48.72	34.37
PAT Margin (%)	9.91	6.88
Overall Gearing Ratio (x)	3.66	2.24

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Acuite has maintained the rating of the company as Issuer Not Cooperating on account of non-cooperation from the client in terms of submission of information vide its PR dated 11th April 2023.

CRISIL has maintained the rating of the company as Issuer Not Cooperating on account of non-cooperation from the client in terms of submission of information vide its PR dated 17th October 2022.

Brickwork has maintained the rating of the company as Issuer Not Cooperating on account of non-cooperation in terms of submission of information from the client vide its PR dated 12th July 2023.



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Any other information: None

Rating History for last three years:

Sl. N o.	Name of Instrument / Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years				
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (August 2022)	Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21	
						July 23, 2021	June 21, 2021	August 08, 2020	July 28, 2020
1.	Cash Credit	Long Term	57.00	IVR BB/ Stable	IVR BB+/ Stable	IVR BB+/ Stable	IVR BB-/ INC	IVR BB+/ Stable	IVR BB+/ Stable
2.	Bank Guarantee	Short Term	15.00	IVR A4	IVR A4+	IVR A4+	IVR A4 INC	IVR A4+	-

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About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



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

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	57.00	IVR BB/ Stable
Bank Guarantee	-	-	-	15.00	IVR A4

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Kushal-nov23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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