



Press Release

Kushal Polysacks Private Limited

July 23, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long term Bank Facilities	57.00	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Revised and removed from ISSUER NOT COOPERATING category*
Short term Bank Facilities	15.00	IVR A4+ (IVR A Four Plus)	Revised and removed from ISSUER NOT COOPERATING category*
Total	72.00 (Rs. Seventy Two crore Only)		

**Issuer did not cooperate; based on best available information*

Details of Facility are in Annexure 1

Detailed Rationale

The initial credit rating was assigned to the bank facilities of Kushal Polysacks Private Limited (KPPL, the client) vide Press release dated July 28, 2020. As per the terms of rating, KPPL did not submit the No Default Statements (NDS) for the month of March'21 to May'21 despite follow up through E-mails and phone calls. On the basis of certain media reports, now stated to be incorrect by the client and due to communication break up, the ratings were revised and placed under 'ISSUER NOT COOPERATING' category, vide press release dated June 21, 2021. The client has now approached us and submitted required 'No Default Statements' and FY20(A) financials. Further, the client has now stated that the media reports and the statement about one of the promoters of the company contained therein were based on untrue and unverified facts. Hence based on the information shared by the issuer now, the rating has been revised and removed from the 'ISSUER NOT COOPERATING' category.

Further, the rating continues to take cognisance of the long track record of its operation under experienced promoters, association with reputed organisations and advantage of group support. Further, the ratings also continue to note diversification initiative by the company with increase in focus to high margin dredging works and its satisfactory profitability. These rating strengths continues to remain partially offset by its below average financial risk profile marked by small scale of operation, leveraged capital structure with moderate debt coverage



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indicators, regional concentration risk, high exposure to group companies and high working Capital intensity. Further, the ratings also consider dependence of its fortune on its principal company.

Rating Sensitivities

Upward factors

- Significant growth in scale of operations on a sustained basis
- Improvement in the capital structure with overall gearing improves to below 2x
- Improvement in the operating cycle and consequent improvement in liquidity

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile
- Further moderation in the capital structure with deterioration in overall gearing to more than 5x
- Deterioration in the interest coverage ratio to below 1.5x

Detailed Description of Key Rating Drivers

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 Mr. Kushal Agarwala, a management graduate, also has about a decade of experience in the business operation. Both the promoters are well reputed in Eastern India and is currently involved in the operations of the company in a regular manner. They are well assisted by an experienced team of professionals with considerable experience in the similar industry. Further, being in polymer manufacturing business since 1996, KPPL, has a considerable experience and a proven track record.

- **Association with reputed organisations**

Since 2011, the company started operating as 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 the Star DCA of IOCL in India. This apart, KPPL undertakes canal and small river dredging projects under various Municipal authorities and West Bengal State Government. The association with reputed organisations leads to minimal risk of default and ensures regular orders.

- **Advantage of group support**



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KPPL is 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 diversified business profile, the company can enjoy group support at the time of stress.

- **Earnings to be driven by high margin dredging works**

The company is shifting its focus to high margin dredging related works going forward in view of high opportunities in this segment.

- **Satisfactory profitability**

The company has satisfactory profit margin, where EBITDA and PAT margin was at 69.63% and 19.84% respectively in FY20, improved from 48.10% and 11.33% respectively in FY19.

Key Rating Weaknesses

- **Below average financial risk profile marked by small scale of operation and leveraged capital structure with moderate debt coverage indicators**

KPPL is relatively a small player with a total operating income of Rs.7.31 crore in FY20. The small scale restricts the financial flexibility of the company in times of stress. Further, the company has estimated to achieve a total operating income of ~Rs.11 crore (provisional) during FY21. Going forward, Infomerics expects that the total operating income of the company will continue to increase. This apart, the capital structure of the company remained leveraged marked by its high overall gearing of 4.05x as on March 31, 2020, due to its high utilisation of bank borrowing. However, the interest coverage ratio was satisfactory at 1.65x in FY20.

- **Fortune depended on principal and presence in highly fragmented & competitive nature**

As KPPL works as DCA of IOCL, the business of the company is largely depended on the demand of IOCL polymer products in the industry. This apart, as the dredging works as tender driven, business certainty is dependent on the ability to successfully bid for the tenders as entire business is tender based. Such sector is highly fragmented with presence of many players with varied statures & capabilities.



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- **Regional concentration risk**

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

- **High exposure to group companies**

The company has high exposure towards its other group companies in the form of corporate guarantee extended. However, the group companies are operational which imparts comfort.

- **High working Capital intensity**

KPPL, being a Del Cre-dere Agent, is exposed to the inherent counterparty credit risk as the receivables of IOCL is transferred to the company; thus, resulting in high working capital requirements.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial sector)

Liquidity: Adequate

The liquidity profile of KPPL is expected to remain adequate marked by its satisfactory cash accrual vis a- vis its low debt repayment obligations in FY22. Further, the company has no planned capex or availment of long-term debt which imparts comfort. However, the liquidity profile is restricted due to KPPL's working capital intensive nature of operations marked by elongated operating cycle.

About the Company

Kushal Polysacks Private Limited (KPPL), promoted by one Mr. Naresh Kumar Agarwal based out of Kolkata. The company commissioned its business from October 1996 and was in manufacturing of Polypropylene (PP) and High-density polyethylene (HDPE) products. Later, since 2011, the company started operating as Del Credere Agent (DCA) of Indian Oil Corporation Limited (IOCL) for PP granules. KPPL has been awarded the Star DCA of IOCL in India. In FY15, the company had transferred the manufacturing activity to its group company Samarth Fablon Private Limited. Furthermore, since FY17, apart from DCA activities, the company has started dredging works of canals in and around West Bengal.



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Financials (Standalone)

(Rs. Crore)

For the year ended* / As On	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	8.63	7.31
EBITDA	4.15	5.09
PAT	1.02	1.45
Total Debt	56.84	59.42
Tangible Net worth	13.23	14.68
EBITDA Margin (%)	48.10	69.63
PAT Margin (%)	11.33	19.84
Overall Gearing Ratio (x)	4.30	4.05

*Based on Infomerics classification

Status of non-cooperation with previous CRA: INC from Brickwork vide PR dated March 20, 2021 due to non-submission of information.

Any other information: Nil

Rating History for last three years:

S r. N o.	Name of Instrument/F acilities	Current Rating (Year 2021-22)			Rating History for the past 3 years				
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020- 21	Date(s) & Rating(s) assigned in 2020- 21	Date(s) & Rating(s) assigned in 2019- 20	Date(s) & Rating(s) assigned in 2018- 19
1	Cash Credit	Long Term	57.00	IVR BB+ / Stable	IVR BB-; ISSUER NOT COOPERATING* (June 21, 2021)	IVR BB+ / Stable (Aug 08, 2020)	IVR BB+ / Stable (July 28, 2020)	-	-



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020- 21	Date(s) & Rating(s) assigned in 2020- 21	Date(s) & Rating(s) assigned in 2019- 20	Date(s) & Rating(s) assigned in 2018- 19
2	Bank Guarantee	Short Term	15.00	IVR A4+	IVR A4; ISSUER NOT COOPERATING* (June 21, 2021)	IVR A4+ (Aug 08, 2020)	-	-	-

* Issuer did not cooperate; based on best available information

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facility

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities- Cash Credit	-	-	-	57.00	IVR BB+ / Stable
Short Term Non-Fund Based Facilities- Bank Guarantee	-	-	-	15.00	IVR A4+

Annexure 2: Facility wise lender details:

(<https://www.infomerics.com/admin/prfiles/lender-Kushal-Polysacks-Private-Limited-23-july21.pdf>)

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities:

Not Applicable

Annexure 4: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Bank Guarantee	Simple

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.