

Bengal Converting Services, Inc.



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1 year PD

60.78% to 95.00%

- They operate with negative equity, and EBITDA. Combined with severe liquidity constraints, makes them highly vulnerable to short-term financial distress and supplier payment delays.
- Governance concerns - past legal issues (Scott Korn, BK), limited financial transparency, technical insolvency, and an unlikely ability to raise more funding, yet YoY improving trend.

Strengths

- Diverse Product Capabilities:** They offer custom material converting for paper, plastic, film, and nonwoven materials, catering to a broad range of industries, including packaging, pharmaceuticals, and industrial materials.
- Strategic Location & Logistics Infrastructure:** Operating a 225k sqft facility near major ports (Philadelphia, Newark, Baltimore) allows efficient raw material inflow and product distribution, reducing transit time for customers.
- Improved Operating Losses:** Net loss decreased from (\$981k) in FY-23 to (\$446k) in FY-24, reflecting cost controls and reduced operating expenses (\$1.54mn vs. \$1.9mn), though still unprofitable.

Challenges

- Extreme Liquidity Shortfall & Default Risk:** Current and quick ratio (0.14) are critically low (vs peers 1.95 and 1.15, respectively), signaling severe difficulty in meeting short-term obligations.
- Technical Insolvency & High Financial Leverage:** Total liabilities (\$3.6mn) far exceed total assets (\$641k), leading to negative equity (-\$2.9mn), indicating a technical insolvency, heavily reliant on external financing (e.g. Scott Korn).
- Poor Cash Flow Management:** A/Ps (\$2.1mn) are > 8x A/Rs (\$255k) - a severe mismatch that increases their default risk.
- Governance:fortune**
 - In 2014, S Korn filed for Ch 11 BK. In 7/2020, Korn was sentenced to 1 year in prison, plus 3 years of supervised release, for making false statements and concealing assets in bankruptcy proceedings.

Scorecard Summary

Financial vs Business Risk Weighting Factors					
Ownership		Private (Non-PE)			
Company Stage		Stabilized			
Financials		Complete (Unaudited)			
	Weight	Score	Dimension	Weight	Score
Financial	65%	1.1	Liquidity	50%	1.0
			Leverage	25%	1.0
			Profitability	25%	0.7
Business	35%	5.0	Industry Risk	20%	5.5
			Competitive Position	50%	5.2
			Mgmt / Governance	30%	4.3
			Sponsor / Parent		
Modifiers	-0.5		Financial Flexibility		(0.5)
			Fixed Cost Coverage Risk		(1.00)
			Other Modifier		1.02

Company Overview

Headquarters	Royersford, PA
Type	Private (Non-PE)
Employees	<10
Year Founded	1994
Website	https://www.bengalgrp.com/
Business	Custom material converting and processing services.
Revenues	\$2.6M

- Company Overview:** Bengal Converting Services, Inc. is a contract material converter specializing in slitting, sheeting, and rewinding various substrates, operating from a 225k sqft. facility in Royersford, PA.
Product: They provide custom material converting services for paper, plastic, film, and nonwoven materials, utilizing advanced sheeters and rewinders to meet industry-specific requirements.
- Customers:** Bengal serves a diverse client base, including folding carton manufacturers, nonwoven material suppliers, and pharmaceutical-grade packaging companies. However, this information has been sourced from the website they share with Bengal Grp. Hence, this might be misleading given we don't have any further insights at this point in time about their customer base and customer concentration.
- Ownership:** It is independently owned, with Scott Korn serving as the Chairman and President, overseeing strategic direction and operations.
- Debt Structure:** They have no LT-debt. Current liabilities (\$3.6mn), are comprised of A/Ps (\$2.1mn), Accrued Expenses (\$1.16mn), a loan from Scott Korn (\$370k) and an intercompany loan from Bengal Grp (\$36k).
- Basis for Assessment:** Unaudited, company-prepared income statement and balance sheet per FY-23, and FY-24; no cashflow statements.

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks:	52	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	1.95	0.21	
	Quick Ratio	1.15	0.21	
Leverage	Net Debt / EBITDA	3.66	n/a	<div><div></div></div> 0%
	Debt to Assets	42.7%	64.4%	<div><div></div></div> 24%
Profitability	EBITDA Margin	9.0%	-33.4%	<div><div></div></div> 0%
	ROCE %	5.0%	47.0%	<div><div></div></div> 100%
	Revenue	\$115M	\$2M	

Industry Benchmarks - Primary: Commercial Printing | Secondary:



Financial Statement Highlights

\$ '000s	(C)	(B)	(A)	Change	
	Dec-22	Dec-23	Dec-24	(C) to (B)	(B) to (A)
	T12	T12	T12		
Income Statement					
Total Revenue	-	2,359	2,635		11.7%
Gross Profit	-	1,046	1,123		7.3%
Adjusted EBITDA	-	(789)	(421)		46.7%
Gross Profit Margin		44.3%	42.6%		(172) bps
Net Income	-	(982)	(446)		-54.5%
Balance Sheet					
Cash And Cash Equivalents	-	(70)	(1)		98.5%
Total Current Assets	-	658	482		-26.7%
Total Assets	-	815	641		-21.3%
Total Current Liabilities	-	3,209	3,574		11.4%
Total Debt	-	525	340		-35.1%
Total Equity	-	(2,414)	(2,932)		-21.5%
Key Ratios					
Current Ratio		0.21	0.14		-34.2%
Quick Ratio		0.21	0.14		-34.2%
Net Debt / EBITDA	-				
Debt to Assets		64.4%	53.1%		(1134) bps
EBITDA Margin		-33.4%	-16.0%		+1746 bps
ROCE %		47.0%	16.1%		(3092) bps

- Net loss reduced from (-\$981k) to (-\$446k) in FY-24, due to cost reductions and revenue growth (+11.7%), yet profitability remains far below the industry median.
- Debt-to-assets ratio improved from 64.4% to 53.1% in FY-24, reflecting some deleveraging, but still above peers (42.7%).
- Cash flow from operations improved to \$328k in FY-24, indicating some stabilization, though total cash reserves remain critically low (\$1k).

Business Risk Highlights

- Industry:** The paper and plastic packaging market is growing at a CAGR of 4.0% (paper) and 3.2% (plastic) through 2030, creating opportunities for specialized material converters like Bengal to expand within the sustainable packaging segment.
- Competitive Position:** Limited market share visibility, but geographic proximity to key industrial hubs supports demand. Lacks clear differentiation from larger, more financially stable competitors in the contract converting space.
- Management:** The President, Scott H. Korn, has a prior criminal conviction related to bankruptcy fraud, which could impact lender and investor confidence in governance integrity.
- PE Sponsor:** N/A