Bengal Grp., LLC

CCC *1 year PD* **9.02% to 14.87%**

- Improved profitability and debt elimination strengthen financial stability, but weak liquidity and high cash distributions raise short-term financial flexibility concerns.
- Seemingly diverse customer base (TBC) supports demand stability, yet governance risks and unclear succession planning pose operational and reputational risks (Scott Korn - bk-fraud).

Strengths

- **Debt-Free & Improved Profitability:** They eliminated all debt in FY-24 (Debt-to-Assets 0.0% vs. 32.3% in FY-23), reducing financial risk. EBITDA surged from $353K to $1.6mn, with margins expanding from 11.6% to 37.1%, vs 7.2% industry median.
- **Demand Stability:** Bengal seems to serve a mix of Fortune 500 companies and niche manufacturers, including pharmaceutical-grade packaging and folding carton producers. These industries have consistent demand, reducing volatility (**TBC**)
- **Operational Efficiency:** They integrate SAP and EDI systems, allowing for real-time inventory tracking and automation. Operating 24/7/365 enhances flexibility and cost efficiency, while improving its FCCR from 0.93 to 2.56 year-over-year. In FY-24 Operating Ratio improved from 1.02 to 0.69 whilst revenue increased 42%.

Challenges

- **Weak Liquidity:** Despite improved financials, they had just $1.6k (FY-24) in Cash, vs $100K in FY-23. A **$701k shareholder distribution** in FY-24 (~50% of Net Profit) raises concerns about Scott Korn (convicted for concealing assets during prior BK).
- **Transparency / Sustainability Concerns:** While EBITDA margin hit 37.1% in FY-24, vastly exceeding peers (7.2%). Revenue jumped by 42%, yet CAPEX & OPEX (jointly) declined by -3.2%. Sounds almost too good to be true, and likely not sustainable.
- **Reputational Risks:** CEO Scott H. Korn was convicted of bankruptcy fraud in 2019 (concealing assets for a lavish lifestyle), raising concerns about corporate governance, financial transparency, and regulatory compliance. Potential to damage business relationships, disrupt financing opportunities, and erode supplier and customer confidence, possibly leading to operational distress.

Company Overview

Headquarters	Royersford, PA
Type	Private (Non-PE)
Employees	<100
Year Founded	2022
Website	https://www.bengalgrp.com/
Business	Custom material converting and sheeting services.
Revenues	$4.3M

- **Company Overview:** Bengal Grp., LLC is a custom contract converting company specializing in slitting, rewinding, and sheeting services for materials such as paperboard, plastic, and nonwovens. The company operates in Royersford, PA, catering to packaging, printing, and industrial material sectors.
- **Product:** Custom Slitting & Rewinding - handles widths up to 143 inches, processing paper, film, plastic, and specialty materials. Precision Sheeting - utilizes Marquip sheeters for 8 pt. to 52 pt. paperboard, offering customized sheet sizes for printing and packaging applications.
- **Customers:** Bengal Grp. presumably serves a diverse clientele, including - Major U.S. folding carton manufacturers, Fortune 500 nonwoven material suppliers, and pharmaceutical packaging companies (**TBC**).
- **Ownership:** Scott H. Korn is a key member and former owner, but legal issues have raised corporate governance concerns. The company operates as a privately held entity, without disclosed external investors or sponsors.
- **Debt Structure:** N/A - as of YE-2024 the entity appears to be debt-free.
- **Basis for Assessment:** Unaudited, entity-prepared, high level FY-23/24.
- **Single Event Risks:** Liquidity Shortfall Due to Poor Cash Flow Management - Despite strong profitability, cash reserves fell to just $1.6k in FY24 due to $701k in shareholder distributions and $294k in CAPEX spending. Loss of a Major Customer or Contract Termination - they serve a mix of clients, but no revenue concentration details have been disclosed. Legal or Governance-Related Disruptions - CEO Scott H. Korn's past BK-raud conviction raises governance and compliance concerns.

Financial Statement Highlights

$ '000s	(C) Dec-22 T12	(B) Dec-23 T12	(A) Dec-24 T12	Change (C) to (B)	Change (B) to (A)
Income Statement					
Total Revenue	-	3,059	4,335		41.7%
Gross Profit	-	3,028	4,102		35.5%
Adjusted EBITDA	-	354	1,606		354.3%
Gross Profit Margin	-	99.0%	94.6%		(436) bps
Net Income	-	(62)	1,420		2392.9%
Balance Sheet					
Cash And Cash Equivalents	-	101	2		-98.4%
Total Current Assets	-	594	1,354		127.8%
Total Assets	-	594	1,354		127.8%
Total Current Liabilities	-	683	916		34.1%
Total Debt	-	192	-		-100.0%
Total Equity	-	(281)	438		256.1%
Key Ratios					
Current Ratio		0.87	1.48		70.0%
Quick Ratio		0.87	1.48		70.0%
Net Debt / EBITDA	-	0.26	-		
Debt to Assets		32.3%	0.0%		(3227) bps
EBITDA Margin		11.6%	37.1%		+2550 bps
ROCE %		69.4%	348.9%		+27954 bps

- Revenue grew 41.7% YoY from $3.1mn to $4.3mn, while EBITDA surged from $353k to $1.6mn, marking a 354% increase in earnings.
- EBITDA Margin increased from 11.6% in FY-23 to 37.1% in FY-24, vastly outperforming the 7.2% industry median, though its long-term sustainability remains uncertain.
- The company eliminated all debt (Debt-to-Assets 0.0%), but cash reserves declined to $1,588, a potential liquidity concern despite the profitability gains.

Scorecard Summary

Financial vs Business Risk Weighting Factors

Ownership	Private (Non-PE)
Company Stage	Startup
Financials	Complete (Unaudited)

	Weight	Score	Dimension	Weight	Score
Financial	30%	6.5	Liquidity	50%	4.4
			Leverage	25%	2.1
			Profitability	25%	3.0
Business	70%	5.8	Industry Risk	20%	5.5
			Competitive Position	50%	6.3
			Mgmt / Governance	30%	5.0
			Sponsor / Parent		
Modifiers		-1.8	Revenue Segment		(1.5)
			Trend Analysis		0.50
			Financial Flexibility		0.25

Financial Benchmarking & Debt Maturity Profile

# of Benchmarks: 8		Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio	2.74	1.48	27%
	Quick Ratio	1.51	1.48	49%
Leverage	Net Debt / EBITDA	0.21	(0.00)	60%
	Debt to Assets	8.3%	0.0%	89%
Profitability	EBITDA Margin	7.2%	37.1%	100%
	ROCE %	8.3%	348.9%	100%
	Revenue	$58M	$4M	

Industry Benchmarks - Primary: Paper and Plastic Packaging Products and Materials

Debt Maturities

Business Risk Highlights

- **Industry:** The paper and plastic packaging market is projected to grow at a 3.98% CAGR through 2030, driven by demand for sustainable packaging and pharmaceutical applications. However, raw material cost volatility and regulatory pressures on plastic use present long-term risks.
- **Competitive Position:** The company competes with Contract Converting, Inc. and Custom Converters, LLC, leveraging its custom material processing capabilities and automation investments. However, pricing pressure and competition from larger converters remain a challenge.
- **Management:** CEO Scott H. Korn's prior legal issues create reputational and transparency risks. Establishing robust compliance mechanisms and financial reporting standards will be critical for securing external financing or credit lines.
- **PE Sponsor:** N/A - seems to be a privately owned company.
- **Other:** While the company serves diverse end markets, it lacks disclosed revenue concentration details. If one or two major clients represent a significant portion of sales, losing them could have severe financial consequences.