

Cover Story



Sandeep Agrawal
Chairman & MD



Kushal Group Emerging Global Trading House

From its first-gen avatar five decades ago as a private small wholesaler in paper products, Kushal Tradelink has by now emerged as not only one of the biggest players in the paper market but also a significant player in several commodities including metals, textiles, electronics, chemicals pharma, computer hardware and agri products among others and a global entity in various commodities. The group has made rapid strides on the financial front with a turnover of Rs. 1,590 crore and net profit of Rs. 99 crore (FY 2016). Huge growth potential is well reflected in its shares being quoted around Rs. 154, per share of the face value of Rs. 2, a 22-fold spurt over the offer price of Rs. 35 (FV Rs. 10) just three years ago when the company went public. In other words, investors who had invested just Rs. 1.40 lakh, buying the minimum lot of 4000 shares in 2013 is today the proud owner of 20,000 shares worth over Rs. 30 lakh. However, an ambitious and far-sighted Chairman & Managing Director Sandeep Agrawal feels, "this is just the beginning. We have miles to go ahead, of the journey by working restlessly to keep the momentum on."

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A new star has risen on the industrial horizon of Gujarat. Kushal Tradelink, a leading wholesale trader in various papers, has made unimaginable strides with trading activity spreading from India (Ahmedabad in western Gujarat) to Singapore and UAE, the product range expanding from paper to several commodities and all the financial charts of his trading activity skyrocketing within a very short period. During the last five years, the consolidated turnover of Kushal Tradelink, the flagship company of the Ahmedabad-based Rs. 2500-crore Kushal group, has zoomed from Rs. 113 crore in fiscal 2011 to Rs. 1,590 crore in the fiscal 2016 and the profit at net level - performing just as well during this period - shooting up from just Rs. 9 crore to hold your breath..... Rs. 99 crore. What's more, the company's shares, which were issued at a price of Rs. 35 (face value Rs. 10) just three years ago, are, with a face value of Rs. 2, now quoted around Rs. 154, over 22 times the original offer price!

REELS TO RICHES

This is a fascinating story of reels to riches. Let us go back to mid-sixties "Do or do not do. There is no question of trying." Perhaps guided by the maxim, Mr. Tulsiram Chiranjilal Agrawal plunged into the business of trading in different kinds of paper on a small scale, operating out of Khadia, Ahmedabad under the name Saraswati Trading Company. Determination, trading skill and hardwork helped Tulsiram to move ahead. Daily revenues led to growth, which, in turn, led to expansion and then to prosperity. With foundation laid, it was the time for the younger generation to step in. With the energy and ambition of youth and the practical knowledge gained from close interaction with their mentor-father, the trio of Manoj, Mahendra and Sandeep took upon themselves the mantle of erecting on edifice on the foundation and leading the company to greater heights.

Thus was born Kushal Tradelink Limited in 2000, popularly known as KTL — a closely held private limited company dealing in various types of paper, including kraft, duplex board, newsprint, waste paper and cromo art paper and coated paper. The company also



caters in variety of grades, thickness, widths and standards according to customer specifications.

KTL soon emerged as an important intermediary in the paper product supply chain, purchasing material such as kraft paper and duplex board from paper mills and supplying it to customers in the packaging products business. By now, it has emerged as one of the leading wholesalers in Ahmedabad, with a client base of over 700 customers.

Commenting on the family's 'Midas' touch, which has seen not only their own growth but that of their associates, Sandeep Agrawal, Chairman and Managing Director of Kushal Tradelink says humbly "We are guided by our father's philosophy of sharing wealth with our associates and this belief has put the group on the path of sustained rapid growth." He adds in a philosophical vein, "It is in giving that we are receiving tremendously."

GOING PUBLIC

The growth path of KTL has been sure, steady and sustained. Its performance graph soared so much that the Agrawals realised it was time to go public. On January 15, 2013, the shareholders of KTL passed a special resolution to convert the company from private to public. This was followed by an IPO (initial public offering); and the shares of KTL were listed on BSE's SME platform on September 4 that year. With effect from November 9, 2015, the company migrated from BSE's SME platform to BSE's Mainboard platform.

"Though there were doubting thomases, who were skeptical of investing in a trading company, we had no doubts about our success as we had the vision, the right market information, knowledge about the industry and experience. Most importantly, we were committed to protecting the inter-

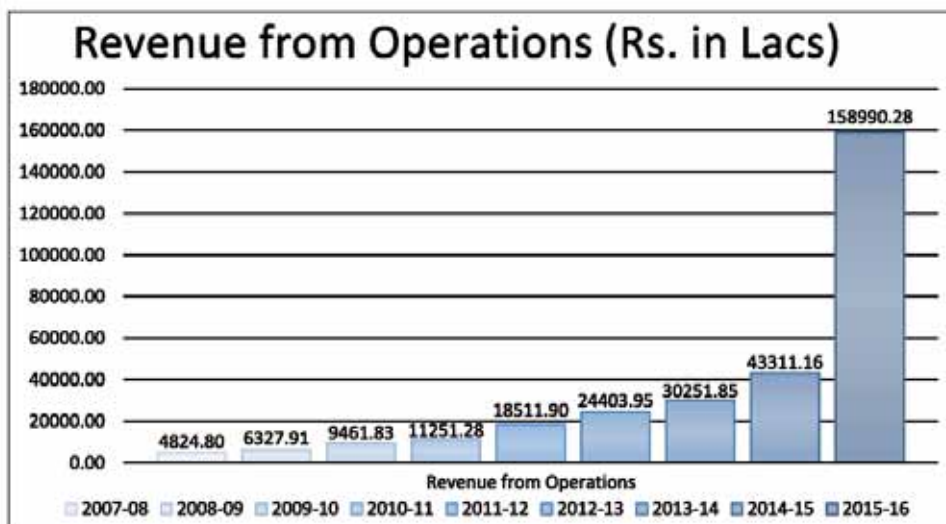
ests of the shareholders, which in turn inspired us to work in the best interests of the company," asserts 48-year-old Sandeep. In fact, the company has benefited immensely from his professional expertise and rich experience in overall handling of business affairs including human capital management, overseeing the financials and administration of the company and having an in-depth knowledge of the paper industry.

Having achieved a remarkable success in paper trade, the company started a search of new avenues of growth. Soon targeting new business ventures to increase its footprint in the market, as well as expansion and growth, became the buzzwords at Kushal Bhavan. Thus came into existence Kushal Infrastructure Pvt Ltd (KIPL), which is a group company focused on construction and real estate development. KIPL has plans to build commercial and residential buildings as well as focus on industrial and infrastructure projects at various locations in and around Ahmedabad.

Conscious of environmental and safety concerns, KTL's stocking and processing facilities are ISO 9001:2008-compliant. The company has three stocking facilities located in Ahmedabad, with processing facilities like sheet-cutting, rewinding, bailing, and reel to sheet-making.

GLOBAL AMBITION

"While studying the paper business in India and abroad, we realised that having a global footprint would help leverage our growth. Hence, we set foot in other geographies and that has seen the birth of KTL's two wholly-owned subsidiaries - Kushal Impex Pte Ltd. in Singapore, incorporated on January 16, 2014, and Kashish World Wide FZE in Ajman, UAE, incorporated on January 10, 2016," maintains Mr. Mahendra Agrawal, whole-time Director and Promoter of KTL, who, with over 25 years of professional experience, is adept at devising business



Transforming Kushal into



“With the speedy globalization, we now consider the entire world as our market place and hence besides diversifying our range of products, we are going for geographical diversification also”, maintains Mr. Sandeep Agrawal, the dynamic Chairman and Managing Director of Kushal Tradelink, in an interview to **Corporate India**.

Excerpts from the interview:

Corporate India: You have emerged as a leading trading house in paper and paper products. What are the prospects for this sector?

Sandeep Agrawal: The paper industry is having an annual turnover of Rs. 25000 crore at present and is growing. As a part of its economic reforms process, the government has decided to allow 100 per cent Foreign Direct Investment (FDI) in newspapers and magazines. This will give a boost to demand for newsprint and coated papers. With rapid growth of the packaged products in the country, the demand for packaging paper and boards is bound to go up. I think there is vast potential for growth of the paper industry.

CI: But you are diversifying into other commodities....

SA: That is for multiplying our growth prospects. We have started with paper and ours is a reels to riches story. Having established our prominence in paper segment, we are adding, other commodities so that expertise we have gained from trading in paper can be used in marketing other commodities. Please note, at Kushal, growth is a way of life. Expertise and dominance in paper and paper products is our beginning. Now our trading space is not only Gujarat or even India, but the world at large is our market place. And the range products, we would like market, is very long.....

CI: You have gone to Singapore and UAE. Any further geographical diversification in sight?

SA: Certainly, we would like to grow at a fast pace. But let us first consolidate our position in these two countries first. You

marketing strategies, operations, business development, marketing and merchandising.

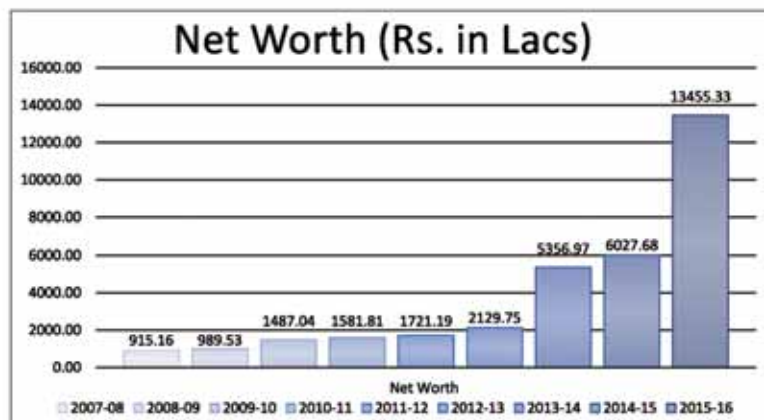
According to Mahendra, Kushal Impex Pte Ltd focuses on general wholesale trade (including general importers and exporters) related to paper and the paper industry, along with bitumen, lignite, petcock, agriculture products, metallised yard,

generic drugs, readymade garments, base oil, electronic items and accessories, home appliances, steel and steel-related items.

Pointing out that “KTL has produced tremendous returns for our shareholders,” Mr. Manoj Agrawal, Director and Promoter adds, “the KTL share price spurt by around 270%, which is a huge return in a very short span of time. In fact, we have announced a dividend twice in the last six months, totaling 100 per cent. It seems unreal but it’s true that investors made more than double the returns from this share – from the appreciation in the share price as well as from dividend.” “We have achieved higher and higher turnovers and profits year-on-year. And this has helped build sound goodwill and reputation for KTL,” he adds.

INVESTORS THRILLED

Testimony of KTL’s robust performance is evident from the fact that within 3 years after going public, the company came out with its maiden divi-



to multi-national trading house

must have noticed how the entry into these two countries has changed our balance sheet for the fiscal 2015-2016. We will also expand the list of commodities we would like to market. Our vision is to be the globally sought after leader in bridging the gaps in the supply chain of a diversified product range with one eye set on the conservation of our environment. Going ahead, we would like to emerge as a leading global trading house in the world.

CI: By declaring an interim dividend of 100 per cent for the fiscal 2016, you have given a fitting reply to your critics who were doubting whether the company can give any returns to investors....

SA: We don't go by what others comment. I know when our issue came, in certain circles, 'expert advice' was given not to invest in this company, as they did not have any hope for returns on the investment. But our concentration has been on growth and taking care of all our stakeholders. The remarkable progress of the company has silenced all our critics. We would like to perform well and distribute the gains. Our shareholders who had invested Rs. 20,000 three years ago, can boast today of being crorepati owning Kushal shares worth Rs. 1.50 crore! And mind well, I have not taken dividends into account here.

CI: Mr. Agrawal, you are expanding your trading activities. Do you think trading is better than manufacturing?

SA: Both are important. There will be no trading, if there is no manufacturing. And if there are no manufactured goods, what will you trade in? Don't be under any impression that trading is less important. After all economic theory says that trading optimises efficient allocation of resources. What is more, trading is important in other scenarios. Like decreasing costs, changing taste and demand, technological advancement and information exchange. As far as trade between two countries is concerned, trade barriers have fallen and are likely to fall further. After all, international trade has become more important now as there are gains from trade for both the countries involved. What is more, we have gained remarkable expertise and rich experience in trading. Why not to consolidate our trading business and expand our horizons as well as gains, before thinking of manufacturing?

CI: Where will be the company reach say after three years or so?

SA: At present we expect a turnover of Rs. 2500 crore for the current year. Wait and watch for the future! But I will tell you. We foresee sizable growth in revenue in view of the various negotiations going on and the diversification plans. In line with the increase in revenue, the company foresees handsome growth in its bottom line also. We are determined to transform Kushal as a leading multinational trading house going ahead. ■

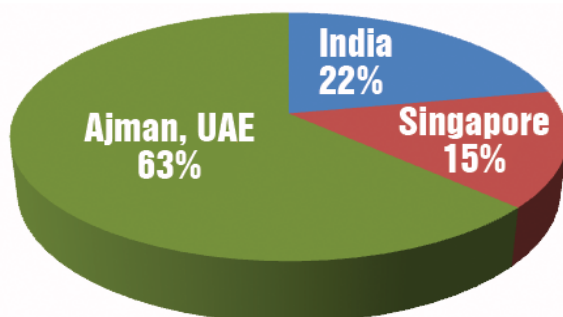
dend at a handsome rate of 100 per cent.

Insisting that "it was a New Year's gift to the shareholders," he adds on a serious note, "KTL stocks have come across as a hugely profitable investment opportunity, backed by strong business fundamentals, increased turnover and

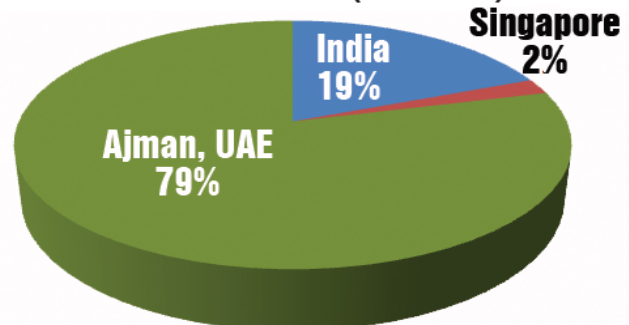
profits, impressive performance on the stock markets, increased participation of retail investors, several new orders and deals and rising number of clients. With ambitious expansion plans, the company is on the way to massive growth and the shareholders, who are part of our dedicated associ-

Region-wide performance (2015-16)

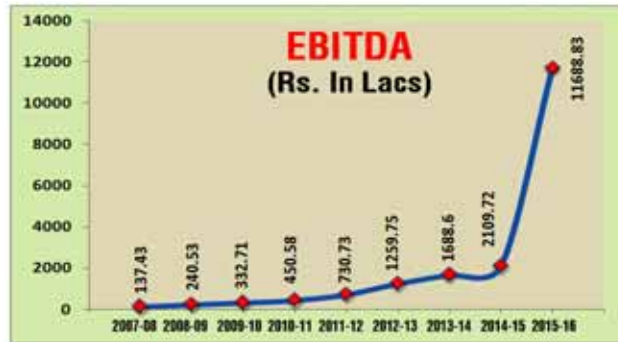
Revenue (•••in Lacs)



Profit after tax (•••in Lacs)



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ates, have reaped handsome rewards on their investments.”

Not surprisingly, retail investors’ interest in KTLs stocks has risen considerably in recent times. As compared to the quarter ended December 2015, when retail investors were 7,954, the number has shot up to cross 20,000- mark for the quarter ended March 2016. This suggests an increase of more than 150% in just three months, underlining the fact that an increase in demand for the company’s stocks, combined with supply scarcity, is boosting the company’s stock prices.

What is astounding is that the stock price of KTL zoomed nearly 300 percent over a period of around two quarters. Interestingly, the price rise has occurred in a continuous motion, without any instance of prices going down, clearly indicating that genuine investors have been the buyers. The volume of shares traded has also risen consistently, while average daily volumes are around 10 lakh. Sales turnover has more than doubled in just 5 years while net profit has more than quadrupled during the same period. Earnings per share (EPS) has also shot up manifold having spured from Rs. 0.08 (for the year ending March 2011) to Rs. 8.34 (for the year ending March 2015).

KTLs major revenue is generated through its paper manufacturing from recycled paper plants, which had a turnover of Rs. 89.47 crore, up 33.38% from the last quarter sales of Rs. 67.08 crore and up 21.44% from last year’s same quarter sales of Rs. 73.68 crore.

Aiming to reach the milestone of a Rs. 2,500 crore turnover in 2017, KTL — a debt- free company -- with its associate Kushal Wealth Creator Pvt Ltd is expected to commence in August 2016 commercial production of 80 tonnes of paper per day at its Kathwada plant in Ahmedabad.

What is remarkable is that the KTL management has been able to record higher business volumes notwithstanding the cut-throat competition. “It is a simple strategy of managing time, resources and operations,” says Sandeep Agrawal a businessman with remarkable business acumen. Amused at the fact that the competition has not been able to understand this down-to- earth approach, he adds, “Since we have good market contacts, excellent goodwill and a

wide network, we source the best products from leading manufacturers and offer these products to buyers at rates that are below market prices. Naturally, the buyers make a beeline to KTL while the manufacturers are more than happy to sell the products in bulk, ensuring economies of scale.”

Another reason why buyers are loyal customers of KTL is the end-to-end solutions it provides right from the placing of orders to the final delivery. “The clients are able to track, monitor and keep tabs on the movement of their products in transit from the tracking system operated through Ashapura Logistics,” notes the Chairman and Managing Director.

Needless to say that in recognition of its contribution to the industry and its remarkable growth in such a short period, KTL was honoured with the Rajiv Gandhi Award at the



Rashtriya Ekta Samman (All-India National Unity Conference) in New Delhi on August 20, 2014, with the award being presented to the company’s Director, Mahendra Agrawal.

SOCIAL CONCERNS

If enhanced turnover, soaring sales and profits are its focus areas, KTL has not forgotten its social responsibilities. The company acts as a respectable member of the business ecosystem, and regularly contributes to society via its Corporate Social Responsibility initiatives. As part of its Corporate Social Responsibility, KTL recently organised an event — ‘Meet the Special’ — at the Chinmay Residential Institute for the Mentally Challenged, an institute run by the Bharat Lokhit Seva Samiti Trust that aims to rehabilitate mentally challenged children by providing a conducive environment for overall development.

On an insightful note Mr. Sandeep Agrawal shares the secrets of the company’s success, saying, “I need not have a huge staff force. What is essential is the vision, operational efficiency, market connectivity, right, appropriate and quality sourcing of products, a dedicated and loyal customer base and above all the determination to grow and prosper. This is what is spurring us to new heights.” ■