

## Burgeon Verticles Private Limited

March 08, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	16.18	CARE D; ISSUER NOT COOPERATING* (Single D ISSUER NOT COOPERATING*)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>16.18</b> <b>(Rs. Sixteen Crore and Eighteen Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from **BVPL** to monitor the rating(s) vide e-mail communications/letters dated November 13, 2021, March 01, 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, RPBPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on **BVPL** bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The revision of ratings to the bank facilities of Burgeon Verticals Private Limited (BVPL) is on account of confirmation from the banker regarding its ongoing delay in servicing of term loan instalments.

At the time of last rating on May 18, 2021, the following were the rating strengths and weaknesses-

#### Detailed description of the key rating drivers

##### Key Rating Weaknesses

##### Ongoing Delay in servicing of term loan instalments:

As a part of due diligence exercise, during our interaction with lender, the lender has confirmed that there are on going delays in servicing of term loan instalments.

**Modest and fluctuating scale of operations of the group:** The total operating income of the BRG remained volatile as reflected by total operating income of Rs.65.28 crore on combined basis in FY20 (P.Y Rs. 81.36 crore). The same was declined by 19.76% in tandem with fluctuation in demand from end users as well as loss of revenue during last two weeks of March 2020 due to closure of manufacturing activities. Further, as indicated by the management, the group has booked the total operating income of ~58 crore in FY21, which was hampered by the covid-19 specific disruptions in April-May 2020.

**Moderate profit margins with susceptibility to volatile raw material prices:** Profitability margins of the group have improved and remained moderate as reflected by PBILDT and PAT margins of 15.92% and 3.88% in FY20 as against 11.26% and 0.89% in FY19. Improvement in profitability margins was assisted by incremental contribution from manufacturing of lamination of particle boards as against the trading during the last three years ended FY20. The profitability margins are susceptible to prices and availability of bagasse, which is seasonal in nature.

**Presence in highly competitive & fragmented industry:** Owing to presence of large numbers of players operating in the industry and low degree of product differentiation, the industry remained highly competitive and fragmented in nature limiting bargaining power of the group. However, favorable demand supply gap in the domestic market as well as healthy growth in demand for particle boards in recent times provides the comfort.

##### Key rating Strengths

**Experienced promoter with extensive experience in the industry:** The overall operations of the group are spearheaded by Mr. Bhupendra Limbani (Managing Director), who has an average experience of more than a decade in the industry. The extensive experience of the promoters in the industry has enabled the companies to garner good relations with its key customers and suppliers.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Comfortable capital structure and moderate debt coverage indicators:** The capital structure of the group continues to remain comfortable with an overall gearing ratio of 0.52x as on March 31,2020 as against 0.69x as on March 31, 2019. The same was improved on account of reduced debt levels and accretions of the profits to the reserves. The adjusted gearing for investment in affiliates and subsidiaries stood at 1.00x as on March 31,2020. The debt coverage indicators stood moderate reflected by interest coverage and total debt to GCA of 2.78x and 4.50x during FY20(P.Y 2.58x and 5.46x) respectively. Slight improvement in debt coverage indicators was on account of improved profitability and reduced debt levels.

**Synergies derived from management, operational and financial linkages:** BVPL and RPBPL are promoted and managed by common top management, engaged in similar line of business, share operational synergies in terms of inter-dependent manufacturing setup and joint marketing channels. Further, BVPL has extended need based financial support to all the group companies including RPBPL through unsecured loans. BVPL makes the bulk purchases of the bagasse (key raw material for particle boards) and manufactures the particle boards (semi-finished goods), which are further processed by RPBPL and final goods are sold to external customers.

**Wide & varied end-use applications of particle boards:** Particle boards are inexpensive and versatile, thereby finding wide & varied end-use applications in various furnishings & floorings at residential & commercial spaces. The said boards are used in furniture, office cabinets, home accents & décors, flooring, roofing, insulation, etc. Moreover, the same are also available in various varieties & price categories.

**Analytical approach:** Combined

CARE has combined the financials of Burgeon Verticals Private Limited (BVPL) and Rangoli Particle Boards Private Limited (RBPL) together referred as Burgeon Group (BRG). The combined view was taken due to common management, similar line of business, operational and financial linkages between the companies.

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[CARE's Policy on Default Recognition](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's methodology - Manufacturing Companies](#)

[Rating Methodology: Consolidation](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

**About the company**

Incorporated in 2012 by Mr. Bhupendra Limbani with his brother Mr. Govind Patel and other family members, Burgeon Verticals Private Limited (Previously Patidar Boards Private Limited) is engaged in manufacturing of prelaminated bagasse based particle boards.

Brief Financials (Rs. crore)	Combined (BRG)			Standalone (BVPL)		
	31-03-2019 (UA)	31-03-2020 (UA)	9MFY21 (UA)	31-03-2019 (A)	31-03-2020 (A)	9MFY21
<b>Total operating income</b>	81.36	65.28	38.79	70.37	60.02	NA
<b>PBILDT</b>	9.16	10.39	9.12	7.26	8.08	NA
<b>PAT</b>	0.72	2.53	3.72	0.60	2.29	NA
<b>Overall gearing (times)</b>	0.68	0.52	NA	0.51	0.46	NA
<b>Interest coverage (times)</b>	2.58	2.78	4.36	2.94	3.44	NA

A: Audited; UA: Unaudited; adjusted for internal sales-purchase transactions available from annual report, NA-Not available

**Current year performance:**

During 9MFY22 (refers to the period April 1, 2020 to December 31, 2020), the firm recorded ToI of around Rs.38.79 crore.

**Status of non-cooperation with previous CRA: Nil**

**Any other information:** Not applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	-	3.74	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE D; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Demand loan		-	-	-	0.44	CARE D; ISSUER NOT COOPERATING*

#### Annexure-2: Rating History of last three years

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	3.74	CARE D; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (18-May-21)	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (18-Mar-20)	1)CARE BB+; Stable (26-Sep-18)
2	Fund-based - LT-Cash Credit	LT	12.00	CARE D; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (18-May-21)	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (18-Mar-20)	1)CARE BB+; Stable (26-Sep-18)
3	Fund-based - LT-Working Capital Demand loan	LT	0.44	CARE D; ISSUER NOT COOPERATING*	1)CARE BB-; Stable (18-May-21)	-	-	-

\* Long Term / Short Term

#### Annexure-3: Detailed explanation of covenants of the rated instrument / facilities - Not applicable

#### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Demand loan	Simple

#### Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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**About CARE Ratings Limited:**

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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