

March 31, 2021

Aparna-Craft Exteriors Private Limited: [ICRA]BBB+ (CE) (Stable) / [ICRA]A2 (CE) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Cash Credit	2.00	[ICRA]BBB+ (CE) (Stable); Assigned
Non Fund Based	15.00	[ICRA]A2 (CE); Assigned
Total	17.00	
Rating Without Explicit Credit Enhancement		[ICRA]BBB-/ [ICRA]A3

*Instrument details are provided in Annexure-1

Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and its structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The last row in the table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

The assigned ratings of [ICRA]BBB+(CE) (Stable) for Rs. 2.0-crore working capital facility and [ICRA]A2(CE) for Rs. 15.0-crore non-fund based facilities of Aparna-Craft Exteriors Private Limited (ACPL) is based on credit enhancement on the strength of an unconditional and irrevocable corporate guarantee from Aparna Enterprises Limited (AEL; rated at [ICRA]A-(Stable)/[ICRA]A2+).

Adequacy of credit enhancement

For assigning the rating, ICRA has assessed the attributes of the corporate guarantee provided by AEL to the bank facilities of ACPL. While the guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated facilities, it does not have a well-defined invocation and payment mechanism. Taking cognizance of the above, ICRA has assigned a rating of [ICRA]BBB+ (CE)/[ICRA]A2 (CE) to the said facilities against the Unsupported Rating of [ICRA]BBB-/ [ICRA]A3 and in relation to the guarantor's rating of [ICRA]A-(Stable)/[ICRA]A2+). In case the rating of the guarantor or the Unsupported Rating of ACPL were to undergo a change in future, the same would have a bearing on the ratings of the aforesaid instrument as well. The rating of these facilities may also undergo a change in a scenario whereby, in ICRA's assessment, there is a change in the strength of the business linkages between the guarantor and the rated entity, or there is a change in the reputation sensitivity of the guarantor to a default by the rated entity or there is a change in the strategic importance of the rated entity for the guarantor.

Salient covenants of the rated facility

- » ACPL shall not avail any further loan from any other bank/FI without the lender's approval
- » Shareholding of AEL in ACPL to be maintained at minimum level of 74%
- » Any unsecured loans to the company will be subservient to bank loan

Key rating drivers and their description

Credit strengths

Corporate guarantee given by AEL – The rated bank facilities of Rs. 17.0 crore of ACPL are backed by an unconditional and irrevocable guarantee provided by AEL.

Established presence and strong brand visibility of Aparna group in Hyderabad real estate market – Aparna Enterprises Limited (AEL, rated [ICRA]A-(Stable)/A2+), is part of Aparna group, which enjoys a strong brand visibility as a quality real estate

developer in Hyderabad market. AEL serves as a backward integrated entity for the Group in terms of manufacturing key building materials. Further, the technical expertise of the JV partner, Craft Group (Craft Investments SE Asia Limited), is expected to support the company's operations.

Credit challenges

Nascent stage of operations – ACPL has a limited track record of operations with commercial operations commencing in FY2020. The company reported modest revenues of Rs. 8.50 crore in 11M FY2021 and is expected to witness ramp-up in operations in the medium term, which would be a key rating monitorable.

Liquidity position

For the CE rating: Adequate

In line with the support provider— AEL. AEL's liquidity is adequate. The company has long-term debt repayment obligations of Rs. 37.8 crore for FY2022. While the utilisation of the working capital facilities remains high, the company has a demonstrated track record in terms of its ability to bring in fresh capital in the form of promoter's equity as demonstrated by infusion of Rs. 121.3 crore in the period between FY2015-FY2020 towards funding requirements. Further, the promoters infused Rs. 46.0 crore equity in 9M FY2021 and are expected to infuse an additional Rs. 15 crore equity in FY2022 to meet its capex and working capital requirements. The company plans to incur a capex of Rs. 121.0 crore (for the expansion of tiles division and façade/exterior division) spread over the period between FY2021-FY2023 which is expected to be funded by Rs. 85.0 crore term debt (Rs. 60.0 crore tied-up as on date) and the remaining through promoter's equity (already infused except Rs. 15.0 crore to be infused in FY2022).

For the rating without credit enhancement: Stretched

ACPL's liquidity position is stretched as reflected in limited cushion in its undrawn working capital limits. However, ACPL does not have any debt repayment obligations in FY2022.

Rating sensitivities

Positive factors – The rating could be upgraded if there is any improvement in the credit profile of guarantor. The rating could also be upgraded if there is a significant ramp-up in the scale of operations of ACPL with improvement in profitability and liquidity position.

Negative factors – The rating could be downgraded is there is any deterioration in the credit profile of guarantor or any weakening of linkages with the parent company AEL or if there is any delay in ramp-up of the operations of ACPL.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Approach for rating debt instruments backed by third-party explicit support
Parent/Group Support	Parent Company: Aparna Enterprises Limited The assigned rating is based on the unconditional, irrevocable corporate guarantee extended by ACPL's parent company, AEL
Consolidation/Standalone	The rating is based on ACPL's standalone financials

About the company

Aparna-Craft Exteriors Private Limited (ACPL), was incorporated in 2020 as a joint venture between AEL and (74%) Craft International (26%), Hong Kong, a world leader in façade and exterior design and engineering. ACPL is involved in executing projects related to facades and building exteriors with help of technical know-how of its JV partner. Furthermore, fabrication

orders for Aluminium windows would also be taken up in this company which was previously carried out by the UPVC division of AEL.

Key financial indicators – Not applicable¹

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Jan 31, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018
					Mar 31, 2021			
1	Cash Credit	Long-term	2.00	-	[ICRA]BBB+(CE) (Stable)	-	-	-
2	Non Fund based	Short-term	15.00	-	[ICRA]A2(CE)	-	-	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

¹ Key financial indicators are not applicable as ACEPL had limited operations in FY2020

Annexure-1: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	2.00	[ICRA]BBB+ (CE)(Stable)
NA	Non Fund based	NA	NA	NA	15.00	[ICRA]A2 (CE)

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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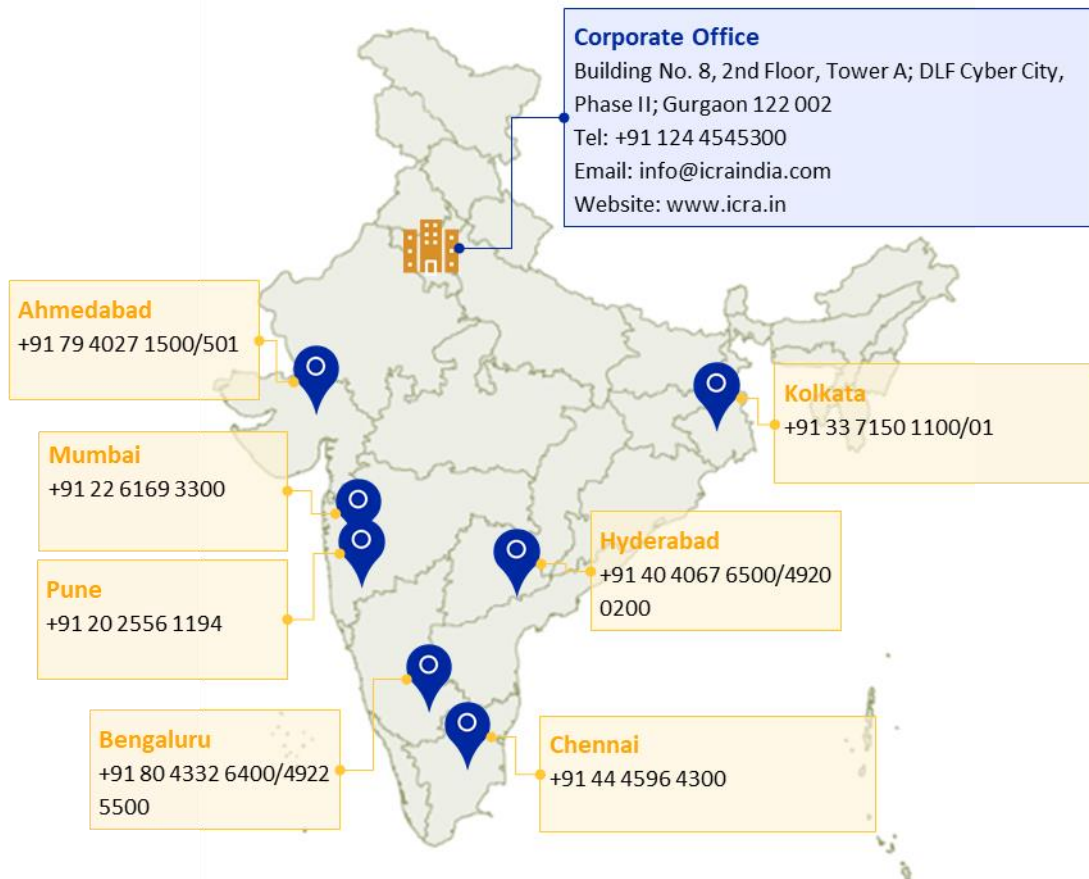
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