

June 10, 2022

Aparna-Craft Exteriors Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based – Cash Credit	2.00	5.00	[ICRA]BBB+(CE)(Stable); reaffirmed and assigned
Non Fund Based	15.00	25.00	[ICRA]A2(CE); reaffirmed and assigned
Total	17.00	30.00	

Rating Without Explicit Credit Enhancement	[ICRA]BBB-/ [ICRA]A3
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*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 ratings of [ICRA]BBB+(CE) (Stable) for the long-term fund-based working capital facility of Rs. 5.0 crore and [ICRA]A2(CE) for the Rs. 25.0-crore non-fund-based facility of Aparna-Craft Exteriors Private Limited (ACPL) is based on credit enhancement on the strength of an unconditional and irrevocable corporate guarantee provided by Aparna Enterprises Ltd. (AEL; rated at [ICRA]A- (Stable)/[ICRA]A2+). The Stable outlook on this rating reflects ICRA's outlook on the rating of the guarantor, AEL.

Adequacy of credit enhancement

The corporate guarantee is legally enforceable, irrevocable, unconditional and covers the entire amount and tenor of the rated instrument. Given these attributes, the guarantee provided by AEL results in an enhancement in the rating of the said instrument to [ICRA]BBB+ (CE)(Stable)/[ICRA]A2 (CE) against the unsupported rating of [ICRA]BBB-/ [ICRA]A3 without explicit credit enhancement. 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 rating of the aforesaid facility as well. The rating of this instrument 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 a 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. 30.0 crore of ACPL are backed by an unconditional and irrevocable corporate guarantee provided by AEL.

Established presence and strong brand visibility of Aparna Group in Hyderabad real estate market – AEL is a part of the Aparna Group, which has a strong brand visibility as a quality real estate developer in the 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

Modest scale of operations – ACPL commenced commercial operations in FY2020. The company reported modest gross revenues of Rs. 42.2 crore in FY2022 (FY2021: Rs. 6.4 crore) and is estimated to break even at the PBT level. ACPL is expected to ramp-up in its operations in the medium term which is likely to support an increase in profitability.

Liquidity position:

For the [ICRA]A- (CE) (Stable) rating: Adequate

AEL's liquidity is adequate. The company has long-term debt repayment obligations of Rs. 50.25 crore for FY2023. While the utilization of the working capital facilities remains high, the company has a demonstrated track record of bringing in fresh capital in the form of promoter equity. During FY2018-FY2022, the promotor had infused Rs. 69.9 crore for funding requirements apart from internal accruals generated. The company plans to incur a capex over Rs. 200.0 crore spread over the period between FY2023-FY2025.

For the Rating without Credit enhancement: Adequate

ACPL's average working capital utilization is around 84.3% of the sanctioned limits for the Feb 2021-Jan2022 period. Further, ACPL has secured an enhancement in its fund based working capital limits to Rs 5.0 crore from Rs 2.0 crore in March 2022. ACPL does not have any long-term debt repayment obligations and major capex plans in FY2023.

Rating sensitivities –

Positive factors: ICRA could upgrade the ratings if there is any improvement in the credit profile of guarantor.

Negative factors: The ratings could be downgraded if there is any deterioration in the credit profile of the guarantor or any weakening of the linkages with the parent company AEL or if there is any sustained pressure on the operating performance 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 Ltd. 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 the standalone financial profile of the company.
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About the company

Aparna-Craft Exteriors Private Limited (ACPL), was incorporated in 2020 as a joint venture between AEL (74%) and Craft International (26%), Hong Kong, a world leader in façade and exterior design and engineering. ACPL executes projects related to facades and building exteriors with help of technical know-how of its JV partner. Further, company will take up fabrication orders for aluminium windows which was previously carried out by the UPVC division of AEL.

Key financial indicators (audited)

ACPL	FY2020	FY2021
Operating Income (Rs. crore)	0.2	6.4
PAT (Rs. crore)	-0.2	-2.7
OPBDIT/OI (%)	-93.5%	-38.6%
PAT/OI (%)	-110.6%	-42.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.2	163.9
Total Debt/OPBDIT (times)	0.0	-0.7
Interest Coverage (times)	-5.5	-9.5

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2020
				June 10, 2022	-	Mar 31, 2021	-
1 Fund Based – Cash Credit	Long Term	5.00	-	[ICRA]BBB+(CE) (Stable)	-	[ICRA]BBB+(CE) (Stable)	-
2 Non-Fund Based	Short Term	25.00	-	[ICRA]A2(CE)	-	[ICRA]A2(CE)	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund Based – Cash Credit	Simple
Non-Fund Based	Very Simple

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

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	Fund Based – Cash Credit	NA	NA	NA	5.00	[ICRA]BBB+ (CE) (Stable)
NA	Non-Fund Based	NA	NA	NA	25.00	[ICRA]A2(CE)

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure-2: List of entities considered for consolidated analysis

Not Applicable.

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Branches



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