

December 05, 2023

## Aparna Profiles Pvt. Ltd.: Ratings reaffirmed; outlook revised to Stable

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	20.00	20.00	[ICRA]A- (CE); reaffirmed; Outlook revised to Stable from Negative
Short-term – Non-fund based	5.00	5.00	[ICRA]A2+ (CE); reaffirmed
Long-term – Fund-based – Term loan	15.00	15.00	[ICRA]A- (CE); reaffirmed; Outlook revised to Stable from Negative
<b>Total</b>	<b>40.00</b>	<b>40.00</b>	

Rating Without Explicit Credit Enhancement

[ICRA] BBB+/[ICRA]A2

\*Instrument details are provided in Annexure I

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 long-term rating of [ICRA]A-(CE) (Stable) for the Rs. 20.00-crore fund-based working capital facility and the Rs. 15.00-crore term loan and the short-term rating of [ICRA]A2+(CE) for the Rs. 5.00-crore non-fund based facility of Aparna Profiles Pvt. Ltd. (APPL) are based on the strength of the corporate guarantee provided by the parent – Aparna Enterprises Ltd. (AEL, rated [ICRA]A- (Stable)/[ICRA]A2+). The Stable outlook on the rating reflects ICRA's outlook on the rating of the guarantor, AEL.

### Adequacy of credit enhancement

For assigning the ratings, ICRA has assessed the attributes of the guarantee issued by AEL in favour of the said facilities. While the guarantee is legally enforceable, irrevocable, unconditional, covers the entire amount and tenor of the rated facilities, and has the other relevant attributes specified in ICRA's methodology for considering a credit enhancement, the payment mechanism is post-default in nature. Hence, ICRA has reaffirmed the long rating of [ICRA]A-(CE) and reaffirmed the short-term rating of [ICRA]A2+(CE) for the said facilities against the unsupported ratings of [ICRA]BBB+/[ICRA]A2, and equivalent to the guarantor's ratings of [ICRA]A- (Stable)/[ICRA]A2+ in view of the strong linkages between the company and the guarantor. In case the ratings of the guarantor or the unsupported ratings of APPL change in future, the same would have a bearing on the CE ratings of the aforesaid facilities as well. The ratings of these facilities may also 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 in the reputation sensitivity of the guarantor to a default by the rated entity or in the strategic importance of the rated entity for the guarantor.

APPL serves as a backward-integrated entity with manufacturing facility of unplasticised polyvinyl chloride (UPVC) profiles for its guarantor AEL's UPVC division. The company's operating income (OI) is expected to increase by 12-15% YoY in FY2024 and will reach Rs. 130-140 crore. However, its scale of operations remains moderate. APPL's performance is highly dependent on the real estate sector, which is the end-user segment of UPVC doors and windows. However, the Aparna Group's established presence and strong brand visibility in the Hyderabad real estate market provide comfort.

## Salient covenants of the rated facilities

- » The guarantor shall not extend advances to the Group or subsidiaries without the prior approval of the lender.
- » In case APPL defaults on the payments scheduled to be made to the lender on the specified due date, the guarantee provided by the guarantor will be considered to have been invoked. In such a situation, the guarantor will be obligated to service the dues within seven (7) days from the date of such default.

## Key rating drivers and their description

### Credit strengths

**Corporate guarantee from AEL** – The rated bank facilities of APPL are backed by the strength of the 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 strong brand visibility as a quality real estate developer in the Hyderabad market. It serves as a backward-integrated entity for the Group, in terms of manufacturing key building materials. APPL is a backward-integrated entity for the UPVC door and windows division of AEL.

### Credit challenges

**Moderate scale of operations** – Notwithstanding the estimated 12-15% YoY increase in its OI to Rs. 130-140 crore in FY2024, APPL's scale of operations remains moderate. The enhanced capacity at its new plant in Rudraram, Hyderabad, is expected to support its growth over the medium term. Further, the company's profitability is exposed to movements in PVC resin prices.

**High dependence on performance of real estate sector** – Demand for UPVC windows and doors depends on the performance of the real estate sector, which exposes APPL to any slowdown in the end-user segment.

### Liquidity position

#### For the [ICRA]A-(CE) (Stable)/[ICRA]A2+(CE) ratings: Adequate

AEL's liquidity position is adequate. It has long-term debt repayment obligations of Rs. 52 crore for FY2024 and Rs. 46.1 crore in FY2025, which can be comfortably serviced through its estimated cash flow from operations. While the utilisation of the working capital facilities remains high, the company has enhanced its working capital limits regularly and there is a demonstrated track record of promoters infusing fresh capital towards working capital requirements and margin for capex. The company has capex plans of Rs. 15-25 crore in FY2024-FY2025, which will be funded through its internal accruals.

#### For the [ICRA]BBB+/[ICRA]A2 ratings: Adequate

APPL's average working capital utilisation stood at 69% of its sanctioned limits for the 12-month period ending in September 2023. The company has long-term debt repayment obligations of Rs. 6.0 crore in FY2024 and Rs. 6.1 crore in FY2025, which are expected to be met comfortably from its cash flow from operations. There is no major debt-funded capex over the next 12-15 months, as most of the capex for the new plant at Rudraram, Hyderabad has already been completed.

### Rating sensitivities

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

**Negative factors** – The ratings could be downgraded if there is any deterioration in APPL's earnings and debt coverage metrics on a sustained basis, or if there is any deterioration in the credit profile of the guarantor, or any weakening of linkages with the guarantor (AEL).

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Parent company: AEL; the assigned ratings draw comfort from the unconditional and irrevocable guarantee extended by the parent company
Consolidation/Standalone	Standalone

## About the company

APPL was incorporated in 2015 as a wholly owned subsidiary of AEL, to set up an UPVC profiles manufacturing unit to meet the raw material requirements of AEL's UPVC windows and doors division. The installed capacity of 1,600 MT per annum was set up at a total cost of Rs. 14.88 crore, funded by debt of Rs. 10.50 crore and equity of Rs. 4.38 crore. The unit commenced commercial operations in January 2016 in Bachupalley plant. In Q1 FY2024, APPL was moved to Rudraram plant, along with UPVC division of AEL and RTPL to streamline the operations with enhanced capacity of 13,800 MT per annum from September 2023.

## Key financial indicators (audited)

APPL	FY2022	FY2023
Operating income	99.9	119.9
PAT	3.4	4.7
OPBDIT/OI	9.1%	11.5%
PAT/OI	3.4%	3.9%
Total outside liabilities/Tangible net worth (times)	2.3	3.0
Total debt/OPBDIT (times)	2.6	3.1
Interest coverage (times)	5.1	4.6

Source: Company data; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

### Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2024)		Chronology of rating history for the past 3 years				
			Amount outstanding as on Sep 30, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Dec 05, 2023	Jul 07, 2023	Jan 25, 2023	May 27, 2022	-	Mar 31, 2021
1 Fund based – Cash credit	Long term	20.00	-	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Negative)	[ICRA]A-(CE) (Negative)	[ICRA]A-(CE) (Stable)	-	[ICRA]A-(CE) (Stable)
2 Non-fund based limits	Short term	5.00	-	[ICRA]A2+(CE)	[ICRA]A2+(CE)	-	-	-	-
3 Term loan I	Long term	15.0	11.18	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Negative)	-	-	-	-
4 Term loan II	Long term	-	-	-	-	-	-	-	[ICRA]A-(CE) (Stable)

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based – Cash credit	Simple
Non-fund-based limits	Very Simple
Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

#### Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	<b>Fund based – Cash credit</b>	NA	NA	NA	20.00	[ICRA]A-(CE) (Stable)
NA	<b>Non-fund-based limits</b>	NA	NA	NA	5.00	[ICRA]A2+(CE)
NA	<b>Term loan</b>	Sep 2022	NA	Apr 2027	15.00	[ICRA]A-(CE) (Stable)

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis – Not Applicable

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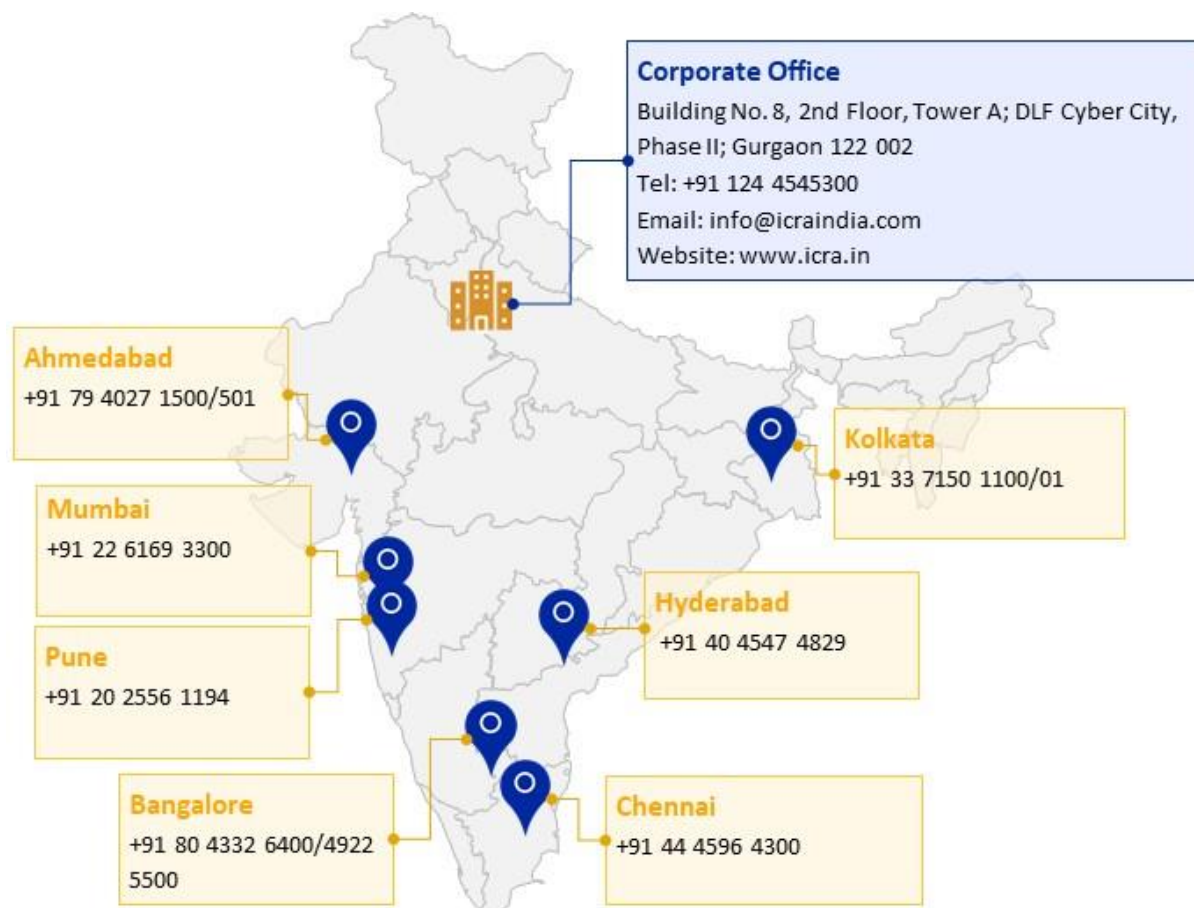


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