

March 31, 2024

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
Long-term – Fund-based – Cash credit	15.00	25.00	[ICRA]A-(CE) (Stable); reaffirmed/assigned for enhanced amount
Short-term – Non-fund based	35.00	50.00	[ICRA]A2+(CE); reaffirmed/assigned for enhanced amount
Total	50.00	75.00	

Rating Without Explicit Credit Enhancement

[ICRA]BBB/[ICRA]A3+

*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 rating of [ICRA]A-(CE) (Stable) for the long-term fund-based working capital facility of Rs. 25.0 crore and the rating of [ICRA]A2+(CE) for the Rs. 50.0 crore non-fund based facility of Aparna-Craft Exteriors Private Limited (ACPL) factors in the increase in scale of operations with operating income expected to increase by 35-40% YoY in FY2024 from Rs. 101 crore in FY2023, along with expected operating margins of 7-7.5% in FY2024, which are further expected to improve in FY2025 with better absorption of fixed costs. In March 2023, Aparna Enterprises Ltd (AEL) bought the 26% of shares of ACPL owned by Craft Investments SE Asia Limited (Craft International, Hong Kong) and currently holds 100% of ACPL. In addition, the ratings are based on the strength of the corporate guarantee provided by 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. Taking cognisance of the above, ICRA has reaffirmed the ratings at [ICRA]A-(CE) (Stable)/[ICRA]A2+(CE) for the said facilities against the unsupported ratings of [ICRA]BBB/[ICRA]A3+ [and in relation to the guarantor's ratings of [ICRA]A- (Stable)/[ICRA]A2+]. In case the ratings of the guarantor or the unsupported ratings of ACPL change in future, the same would have a bearing on the ratings of the aforesaid facilities. 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.

Started as joint venture (JV) between AEL and Craft International, ACPL is now a wholly owned subsidiary of AEL. This entity enabled the Aparna Group's entry into facades and building exteriors in the Hyderabad real estate market, which was helped by the Group's strong presence and brand visibility. ACPL's performance is highly dependent on performance of commercial real estate sector, which exposes it to any slowdown in end-user segment.

Salient covenants of the rated facilities

- » ACPL shall not avail any further loan from any other bank/financial institution (FI) without the lender's approval.
- » Any unsecured loans to the company will be subservient to the bank loan.
- » In case ACPL defaults on 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 given by AEL – ACPL's rated bank facilities of Rs. 75.0 crore 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 Hyderabad. It serves as a backward-integrated entity for the Group, in terms of manufacturing key building materials.

Credit challenges

Moderate scale of operations – Notwithstanding the estimated increase in its OI by 35-40% in FY2024, ACPL's scale of operations remains moderate. The profitability is exposed to movements in key input costs.

High dependence on performance of real estate sector – Demand for facades and exteriors depends on the performance of the commercial real estate sector, while the demand for aluminum division relies upon the residential real estate sector. This exposes ACPL's performance to any slowdown in the end-user segment.

Liquidity position: Adequate

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. 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 FY2025, which will be funded through its internal accruals.

For the [ICRA]BBB/[ICRA]A3+ ratings: Adequate

ACPL's liquidity position is adequate. The average working capital utilisation stood at ~93% of its sanctioned limits for the 12 months ending in December 2023, which have been enhanced to Rs. 25 crore in July 2023 from Rs. 15 crore earlier. ACPL does not have any long-term debt repayment obligations and there are no major capex plans in the medium term.

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 ACPL’s earnings and debt coverage metrics on a sustained basis, or if there is any deterioration in the credit profile of guarantor, or any weakening of linkages with the guarantor AEL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent company: AEL; the assigned ratings draw comfort from the unconditional and irrevocable guarantee extended by the parent company
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of ACPL

Note (for analyst reference only):

About the company

Aparna-Craft Exteriors Private Limited (ACPL), was incorporated in 2019 as a JV between AEL (74%) and Craft International (26%), Hong Kong, a world leader in façade and exterior design and engineering. In March 2023, AEL bought back the shares owned by Craft International and ACPL became 100% subsidiary of AEL. This company has led AEL’s entry into facades. ACPL would be operating on an asset-light model at Bachupally, Hyderabad. Further, fabrication orders for aluminium doors and windows would be taken up in this company, which was previously carried out by the UPVC division of AEL.

Key financial indicators (audited)

ACPL	FY2022	FY2023
Operating income	36.6	101.0
PAT	1.4	3.5
OPBDIT/OI	6.6%	7.9%
PAT/OI	3.7%	3.4%
Total outside liabilities/Tangible net worth (times)	38.3	17.0
Total debt/OPBDIT (times)	1.5	1.8
Interest coverage (times)	4.2	4.1

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore

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	Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Current rating (FY2024)			Chronology of rating history for the past 3 years			
				Date & rating in FY2024			Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				Mar 31, 2024	Dec 05, 2023	Jul 07, 2023	Jan 25, 2023	Jun 10, 2022	-	Mar 31, 2021
Fund based 1 – Cash credit	Long term	25.00	-	[ICRA]A-(CE) (Stable)	[ICRA]A-(CE) (Stable)	[ICRA]BBB+(CE) (Negative)	[ICRA]BBB+(CE) (Negative)	[ICRA]BBB+(CE) (Stable)	-	[ICRA]BBB+(CE) (Stable)
Non-fund 2 based limits	Short term	50.00	-	[ICRA]A2+(CE)	[ICRA]A2+(CE)	[ICRA]A2(CE)	[ICRA]A2(CE)	[ICRA]A2(CE)	-	[ICRA]A2(CE)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based – Cash credit	Simple
Non-fund-based limits	Very 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	Fund-based – Cash credit	NA	NA	NA	25.00	[ICRA]A-(CE) (Stable)
NA	Non-fund based limits	NA	NA	NA	50.00	[ICRA]A2+(CE)

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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