

February 17, 2025

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	25.00	40.00	[ICRA]A- (CE) (Stable); reaffirmed and assigned for enhanced amount
Short-term – Non-fund based	50.00	85.00	[ICRA]A2+(CE); reaffirmed and assigned for enhanced amount
Long-term – Fund-based – Term loan	0.00	5.30	[ICRA]A- (CE) (Stable); assigned
Total	75.00	130.30	

*Instrument details are provided in Annexure I

Rating Without Explicit Credit Enhancement	[ICRA]BBB/[ICRA]A3+
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*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) / [ICRA]A2+(CE) for the bank facilities of Aparna-Craft Exteriors Private Limited (ACPL) factors in the strength of an unconditional and irrevocable corporate guarantee provided by Aparna Enterprises Limited (AEL) rated at [ICRA]A- (Stable)/[ICRA]A2+. 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 the performance of the residential, commercial real estate sector, which exposes it to any slowdown in end-user segment. ACPL's revenues increased by ~46% YoY to Rs. 147 crore in FY2024 and is expected to further improve by 9-10% in FY2025 and FY2026. The operating margins moderated in H1 FY2025 to 4.7% (PY: 7.6%) on account of lower absorption of fixed costs and are projected to remain in the range of 5-6% in the medium term.

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. 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. However, the payment mechanism is post-default in nature. Given these attributes, the guarantee provided by AEL results in an enhancement in the rating of the said facilities to [ICRA]A-(CE) (Stable)/[ICRA]A2+(CE) against the ratings of [ICRA]BBB/[ICRA]A3+ without explicit credit enhancement. 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.

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. 130.3 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 – The Aparna Group, through its flagship entity, Aparna Constructions and Estates Private Limited (ACEPL, rated [ICRA]A+ (Stable)), enjoys a strong brand as a quality real estate developer in the Hyderabad market with a demonstrated track record of delivering more than ~29 million square feet (msf) of area over three decades. AEL serves as a backward-integrated entity for the Group in terms of manufacturing key building materials with ~30% of AEL's sales contributed by the Aparna Group. The Group's established presence in the real estate market has helped the company to expand its product profile over the years.

Credit challenges

Moderate scale of operations – Notwithstanding the increase in its operating income 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 residential, commercial real estate sector, while the demand for aluminium 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. While the working capital utilization remains high with average utilization of ~90% for last 12 months ended November 2024, there is a demonstrated track record of promoters infusing fresh capital towards working capital requirements and margin for capex. The company has a capex plan of Rs. 30-35 crore in FY2025, which will be funded partly by debt and remaining by internal accruals. It has long-term debt repayment obligations of ~Rs. 50 crore for FY2025 and ~Rs. 40.5 crore in FY2026 which can be adequately serviced through estimated cashflow from operations.

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

ACPL's liquidity position is adequate. The average working capital utilisation stood high at ~90% of its sanctioned limits for the 12 months ending in November 2024. The company has enhanced its working capital limits to Rs. 40 crore in August 2024 from Rs. 25 crore earlier. It has availed a long-term loan of Rs. 5.3 crore which has repayment obligations of Rs. 1.8 crore in FY2025 and FY2026. There are no major capex plans in the medium term.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if there is any significant improvement in revenues and profitability of the company resulting in improvement in operating and financial risk profile along with the 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 ICRA expects the parent AEL; rated [ICRA] A-(Stable)/ [ICRA] A2+, to provide timely financial support to the company for funding any shortfall given their close financial linkages, the company’s strategic importance for the parent and the parent’s reputation sensitivity to default. Moreover, AEL has provided an irrevocable, unconditional corporate guarantee to the rated bank facilities of ACPL
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of ACPL

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.

Key financial indicators (audited)

ACPL	FY2023	FY2024
Operating income	101.0	147.1
PAT	3.5	3.1
OPBDIT/OI	7.9%	6.3%
PAT/OI	3.4%	2.1%
Total outside liabilities/Tangible net worth (times)	17.0	13.3
Total debt/OPBDIT (times)	3.7	2.5
Interest coverage (times)	4.1	3.2

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)	Chronology of rating history for the past 3 years						
			Current (FY2025)		FY2024		FY2023		FY2022
			Feb 17, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash credit	Long term	40.00	[ICRA]A- (CE) (Stable)	07-Jul-2023	[ICRA]BBB+(CE) (Negative)	10-Jun-2022	[ICRA]BBB+(CE) (Stable)	-	-
				05-Dec-2023	[ICRA]A-(CE) (Stable)	25-Jan-2023	[ICRA]BBB+(CE) (Negative)	-	-
				31-Mar-2024	[ICRA]A-(CE) (Stable)	-	-	-	-
Non-fund based limits	Short term	85.00	[ICRA]A2+(CE)	07-Jul-2023	[ICRA]A2(CE)	10-Jun-2022	[ICRA]A2(CE)		
				05-Dec-2023	[ICRA]A2+(CE)	25-Jan-2023	[ICRA]A2(CE)	-	-
				31-Mar-2024	[ICRA]A2+(CE)	-	-	-	-
Fund based – Term Loan	Long term	5.30	[ICRA]A- (CE) (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund based – Cash credit	Simple
Non-fund-based limits	Very Simple
Fund based – 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	Fund-based – Cash credit	NA	NA	NA	40.00	[ICRA]A-(CE) (Stable)
NA	Non-fund based limits	NA	NA	NA	85.00	[ICRA]A2+(CE)
NA	Fund based – Term Loan	FY2025	NA	FY2030	5.30	[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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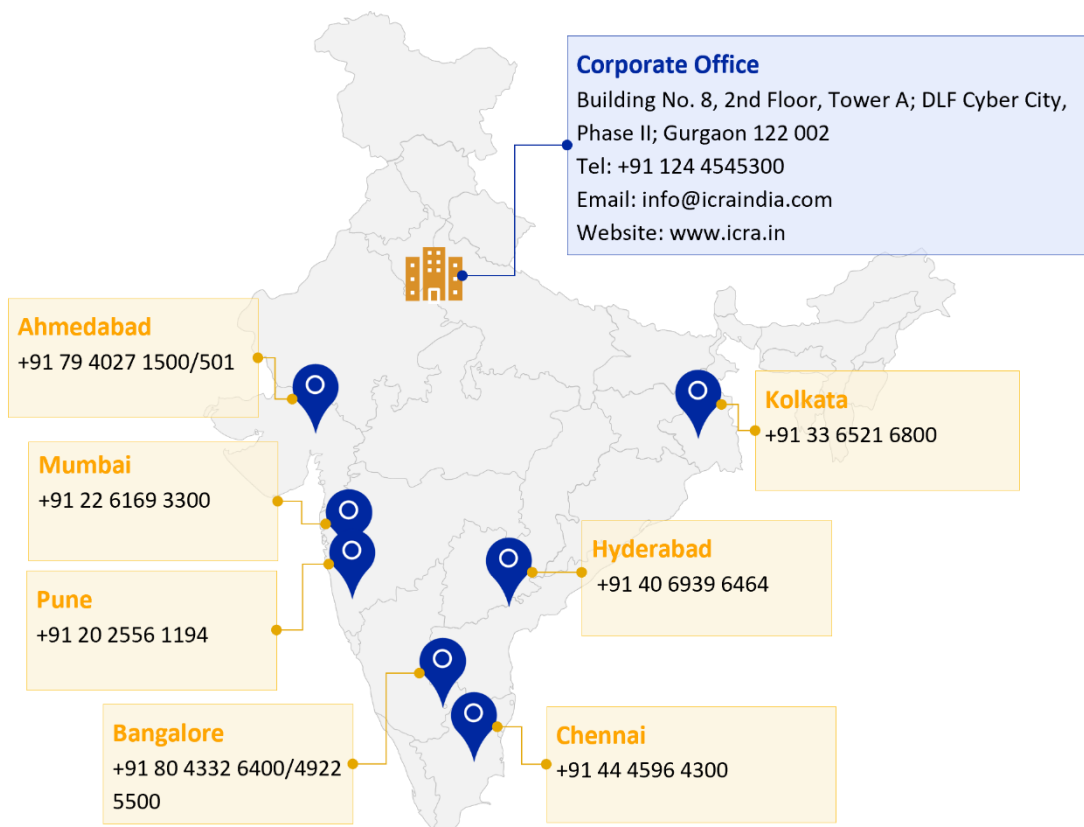


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