February 17, 2025

Aparna Enterprises Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term Fund-based – Term loan	150.95	123.98	[ICRA]A- (Stable); reaffirmed
Long-term – Fund-based – Cash credit	220.00	220.00	[ICRA]A- (Stable); reaffirmed
Short-term – Non-fund based	56.00	56.00	[ICRA]A2+; reaffirmed
Long-term – Unallocated limits	20.00	87.02	[ICRA]A- (Stable); reaffirmed
Long-term/ Short-term – Unallocated limits	50.82	10.00	[ICRA]A- (Stable)/ [ICRA]A2+; reaffirmed
Total	**497.77**	**497.00**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation for Aparna Enterprises Ltd (AEL) factors in the expected revenue growth supported by healthy demand across divisions - ready mix concrete (RMC), unplasticized polyvinyl chloride (UPVC), tiles and aluminium Glazing works and the consequent improvement in operating margins in FY2026. AEL reported revenues of Rs. 802 crore in H1 FY2025, and ICRA expects Rs. 1650-1700 crore for FY2025 and witness 9-10% YoY in FY2026 backed by healthy demand across divisions, pick-up in construction activity and enhanced capacities. The operating margins of the company moderated to 8.5% in FY2024 (PY: 9%) and 8.0% in H1 FY2025 due to higher fixed costs as the company has enhanced its capacities across divisions; however, with expected improvement in revenues, the operating margins are projected to improve and remain in the range of 9-10% in FY2026. AEL has constructed new UPVC plant along with installation of higher capacity at Rudraram, Hyderabad with integration of three segments under UPVC division – UPVC profiles (Okotech), UPVC doors & windows (Venstar) and Aparna Rollform which would result in better absorption of overheads going forward. ICRA notes that the company in July 2024, acquired 26% stake in two tile companies from Morbi, Gujarat – Greenzone Granito Private Limited (GGPL) and Greenray Granito Private Limited (GRPL) for Rs. 40 crore funded by internal accruals and equity. This acquisition is in line with AEL's plan to expand its market share and penetrate its brand – Vitero in northern and western India leading to increase in revenues over the medium to long term.

The rating considers AEL's backward integrated operations with an in-house profile manufacturing unit for the UPVC division and the feldspar and clay processing units for the tiles division for Kakinada plant, which provide better control over cost and quality. Further, the rating notes the strong brand of the Aparna Group as a reputed real estate player in Hyderabad. AEL also enjoys strong financial flexibility on the back of its parentage and the Group's long-established relationships with reputed lenders.

The ratings are constrained by AEL's high working capital requirements owing to a relatively elevated receivable cycle, coupled with the inventory holding requirements in the UPVC and tiles segments. This along with debt funded capex has resulted in high debt levels for the company leading to moderate debt protection metrics and subdued return indicators. The leverage as measured by Total debt/EBITDA (annualised) stood moderate at 3.4 times as of September 2024 and is expected to remain in the range of 2.5-3.0 times as of March 2025 and March 2026. Consequently, the coverage indicators are likely to remain moderate with interest cover below 4 times and debt service coverage ratio (DSCR) to be around 1.5 times in FY2025 and FY2026. Further, timely enhancement in working capital limits is required to support the growth requirements as the average utilisation in working capital limits is around 90% for the last 12 months ending November 2024. ICRA takes comfort from the demonstrated track record of promoters for timely equity infusion over the years (Rs. 78 crore infused by promoters during FY2020-FY2024) to meet any shortfall in the working capital requirements and fund its capex. AEL's profitability remains exposed to movement in key raw material prices across divisions and intense competition from the organised as well as unorganised players. AEL's operations remain exposed to the performance of real estate sector which is inherently cyclical and exposes its operating income to any downturn in real estate demand.

The Stable outlook on [ICRA]A- rating reflects ICRA's opinion that AEL is expected to benefit from the healthy operational profile with presence across four divisions and strong brand visibility of the Aparna Group in the Hyderabad market which will support improvement in revenues and operating margins.

Key rating drivers and their description

Credit strengths

Diversified revenue profile across divisions – AEL's operational profile expected growth in revenues supported by healthy demand across divisions - RMC, UPVC, Tiles and Aluminium Glazing works and the consequent improvement in operating margins in FY2026. AEL reported revenues of Rs. 802 crore in H1 FY2025 and ICRA expects Rs. 1650-1700 crore for FY2025 and witness 9-10% YoY in FY2026 backed by healthy demand across divisions, pick-up in construction activity and enhanced capacities. The operating margins moderated to 8.5% in FY2024 (PY: 9%) and 8.0% in H1FY2025 due to higher fixed costs as the company has enhanced its capacities across divisions; However, with expected improvement in revenues, the operating margins are likley to improve and remain in the range of 9-10% in FY2026.

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 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. Further, AEL enjoys strong financial flexibility on the back of its parentage and the Group's long-established relationships with reputed lenders.

Integrated operations provide better quality and cost control – AEL has completed the construction of UPVC plant along with installation of higher capacity of UPVC plant at Rudraram, Hyderabad with integration of three different segments of UPVC division – UPVC profiles (Okotech), UPVC doors & windows (Venstar) and Aparna Rollform which would result in better absorption of overheads going forward. In addition, its operations are backward integrated with in-house profile manufacturing unit for the UPVC division and the feldspar and clay processing units for the tiles division for Kakinada plant. The backward integration provides better control over cost, quality, and timely availability of the material for production.

Credit challenges

Sizeable working capital requirements of the business; moderate debt protection metrics and return indicators – AEL's working capital requirements remain high owing to a relatively elevated receivable cycle, coupled with the inventory holding requirements in the UPVC and tiles segments. This along with the debt funded capex resulted in high debt levels for the company and moderate debt protection metrics and subdued return indicators. The leverage as measured by Total debt/EBITDA (annualized) stood moderate at 3.4 times as of H1 FY2025 and is expected to remain in the range of 2.5-3.0 times in FY2025 and FY2026. Consequently, coverage indicators remain moderate with interest cover below 4 times and DSCR is expected to be around 1.5 times over FY2025-2026. Further, the liquidity position of the company needs to be strengthened given the high average utilisation of 90% of working capital limits for the last 12 months ending November 2024. Timely enhancement in working capital limits will be required to support the growth prospects. ICRA takes comfort from the demonstrated track record of promoters for timely equity infusion over the years (Rs. 78 crore infused by promoters during FY2020-FY2024) to meet any shortfall in the working capital requirements and fund its capex.

Vulnerability of earnings to fluctuations in raw material prices and competition – AEL's profitability remains exposed to movement in key raw material prices across divisions and intense competition from organised as well as unorganised players. However, the strong brand visibility and the established association with key real estate players helped the company to establish itself as one of the major suppliers of RMC and UPVC in the region.

High dependence on performance of real estate sector – Demand for building materials especially RMC and UPVC depend on the performance of real estate sector which is inherently cyclical and exposes AEL's OI to any downturn in real estate demand. AEL's operations remain exposed to increased geographical and segmental concentration risks as its business prospects are linked to cyclicality associated with the real estate market in Hyderabad. However, expansion of the dealer network (for tiles and UPVC divisions) to various states across the country, recent acquisition in companies from Morbi region is likely to expand its market in Northern and Western India and reduce the geographical concentration risk in the medium to long term.

Liquidity position: 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.

Rating sensitivities

Positive factors – ICRA could upgrade AEL's rating if the company demonstrates a healthy increase in scale of operations and earnings resulting in improvement of debt protection metrics and strengthening of liquidity position. Specific credit metrics that could lead to an upgrade of AEL's rating include Total Debt/ OPBITDA below 2.0 times on a sustained basis.

Negative factors – Negative pressure on AEL's rating could arise if there is continuous pressure on profitability or if it undertakes any higher-than-anticipated debt-funded capex adversely impacting the leverage and coverage metrics. Specific credit metrics that would lead to a rating downgrade would signify a DSCR lower than 1.4 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements of the rated entity. Please refer to Annexure II for details of consolidated entities.

About the company

Aparna Enterprises Ltd. (AEL), incorporated in 1994 by Mr. S. Subrahmanyam Reddy and Mr. K. Sita Rama Raju. At present, it operates in four major segments – RMC, tiles, UPVC profiles as well as windows, doors and luxury sanitaryware (trading). AEL was started as a tiles distributor but ventured in RMC in 2006 with an installed capacity of 35.6 lakh cum per annum as of September 2024. In 2008, AEL set up UPVC doors and windows unit with an installed capacity of 6 lakh sqm as of September 2024. In 2015, Aparna Profiles Private Limited was set up to manufacture UPVC profiles as backward integration to AEL's UPVC division. However, it was amalgamated into AEL in March 2023. The installed capacity of UPVC profiles is 1,000 MT per annum. In FY2017-2018, AEL set up a tiles manufacturing unit in Kakinada with double charge (DC) tiles and expanded the product portfolio to glazed vitrified tiles (GVT) in FY2022. The installed capacity of DC and GVT stand at 54.75 lakh square meter per annum (sqmpa) and 47.45 lakh sqmpa as of September 2024.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	1,403.1	1,580.2
PAT	16.4	25.9
OPBDIT/OI	9.0%	8.5%
PAT/OI	1.2%	1.6%
Total outside liabilities/Tangible net worth (times)	2.1	2.1
Total debt/OPBDIT (times)	3.4	3.1
Interest coverage (times)	3.4	3.5

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

Current (FY2025)				Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Feb 17, 2025	Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	123.98	[ICRA]A- (Stable)	Dec 05, 2023	[ICRA]A- (Stable)	Jan 25, 2023	[ICRA]A- (Negative)	-	-
				April 20, 2023	[ICRA]A- (Negative)	May 27, 2022	[ICRA]A- (Stable)	-	-
Cash credit	Long term	220.00	[ICRA]A- (Stable)	Dec 05, 2023	[ICRA]A- (Stable)	Jan 25, 2023	[ICRA]A- (Negative)		
				April 20, 2023	[ICRA]A- (Negative)	May 27, 2022	[ICRA]A- (Stable)	-	-
Non-fund based limits	Short term	56.00	[ICRA]A2+	Dec 05, 2023	[ICRA]A2+	Jan 25, 2023	[ICRA]A2+	-	-
				April 20, 2023	[ICRA]A2+	May 27, 2022	[ICRA]A2+	-	-
Unallocated Limits	Long term	87.02	[ICRA]A- (Stable)	Dec 05, 2023	[ICRA]A- (Stable)	Jan 25, 2023	[ICRA]A- (Negative)	-	-
				April 20, 2023	[ICRA]A- (Negative)	May 27, 2022	[ICRA]A- (Stable)	-	-
Unallocated limits	Long term/Short Term	10.00	[ICRA]A- (Stable)/ [ICRA]A2+	Dec 05, 2023	[ICRA]A- (Stable)/ [ICRA]A2+	Jan 25, 2023	[ICRA]A- (Negative)/ [ICRA]A2+		
				April 20, 2023	[ICRA]A- (Negative)/ [ICRA]A2+	May 27, 2022	[ICRA]A- (Stable)/ [ICRA]A2+		

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Cash credit	Simple

Short-term – Non-fund based	Very Simple
Unallocated	NA

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	Term loans	FY2021	NA	FY2029	123.98	[ICRA]A-(Stable)
NA	Cash credit	NA	NA	NA	220.00	[ICRA]A-(Stable)
NA	Non-fund based limits	NA	NA	NA	56.00	[ICRA]A2+
NA	Unallocated limits	NA	NA	NA	87.02	[ICRA]A-(Stable)
NA	Unallocated limits	NA	NA	NA	10.00	[ICRA]A-(Stable)/ [ICRA]A2+

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Aparna Industries Limited	100.00%	Full Consolidation
Aparna Mines & Minerals (P) Ltd	100.00%	Full Consolidation
Aparna Craft-Exteriors Private Limited	100.00%	Full Consolidation
Aparna Transport LLP	51.00%	Full Consolidation
Aparna Global Vietnam Company Limited	100.00%	Full Consolidation

Source: Company Data, ICRA Research

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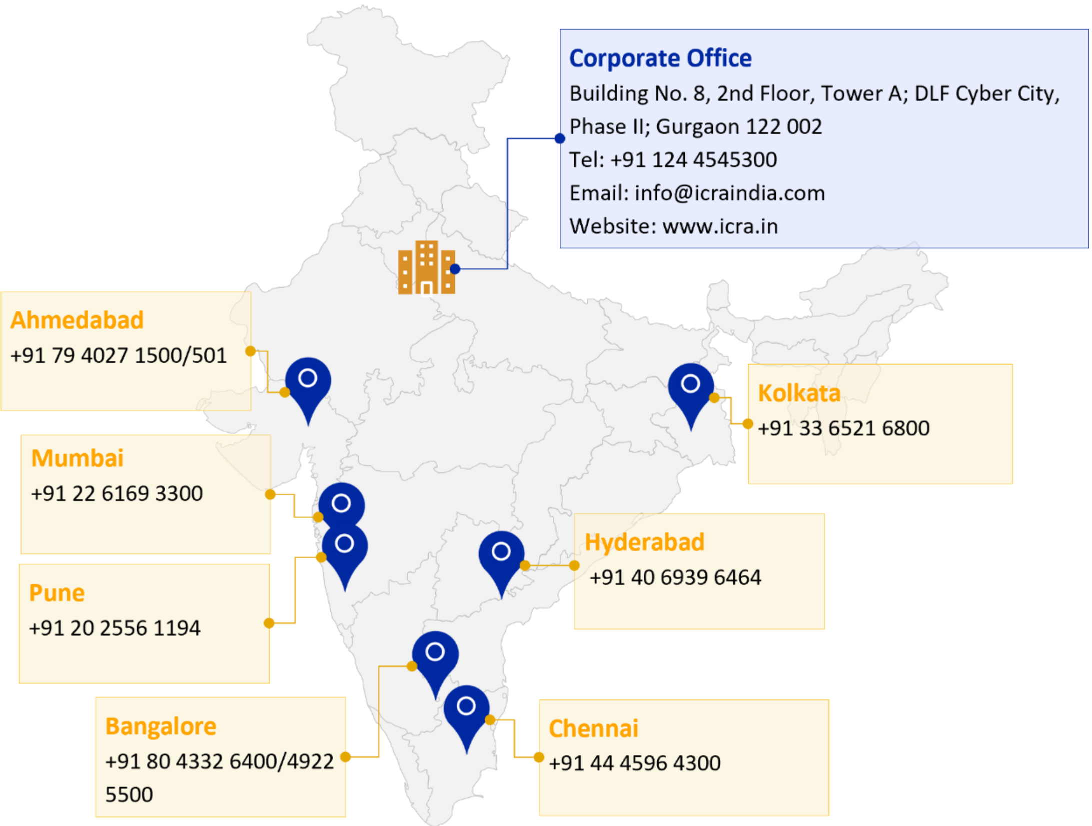

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