

Aparna Enterprises Limited

Instrument	Amount	Rating Action
	In Rs. crore	April 2016
Cash Credit	78.00	Reaffirmed; [ICRA]BBB (Stable)
Non Fund Based Limits*	10.00	Reaffirmed; [ICRA]A2
Term Loan	94.50 (earlier nil)	Reaffirmed; [ICRA]BBB (Stable)
Proposed Fund Based Limits	67.50 (earlier 162.00)	Reaffirmed; [ICRA]BBB (Stable)

*LC/BG/BC interchangeable

ICRA has reaffirmed the long term rating of [ICRA]BBB (pronounced ICRA triple B) to Rs. 78.00 crore¹ cash credit facilities, Rs. 94.50 crore (earlier nil) term loans and Rs. 67.50 crore (earlier Rs. 162.00 crore) proposed fund based limits of Aparna Enterprises Limited (AEL)[†]. ICRA has also reaffirmed the short term rating of [ICRA]A2 (pronounced ICRA A two) to Rs. 10.00 crore non fund based facilities of AEL. The outlook on the long term rating is Stable.

The rating reaffirmation continues to factor in the established brand presence of “Aparna” in the building material segment in the Hyderabad market, diversified revenue profile of AEL comprising various building materials viz. Ready Mix Concrete (RMC, accounting for 57% of FY15 revenues), tiles (16%) and Un-plasticized Poly Vinyl Chloride (UPVC) doors & windows (18%) and the favorable long term demand prospects for the RMC and UPVC doors & windows products. The rating is further supported by the consistent increase in the revenues of AEL over the last 5 years at a CAGR of 21% while maintaining the operating profitability in the range of 7%-8%; albeit at a moderate level. The rating also positively factors in the satisfactory financial profile of AEL as reflected by a gearing of 1.08 times as on 31st March, 2015 and satisfactory coverage indicators with interest coverage at 3.12 times, Total Debt /OPBDITA at 2.84 times and Net Cash Accrual/Total Debt at 20% in FY15.

The ratings are however constrained by the high geographical concentration risk coupled with high dependence on residential real estate market exposing the company’s growth prospects to the cyclicity of the real estate market. Large capex plans (0.85 times gross block as on Mar 31, 2015) to set up tiles manufacturing unit could adversely affect the leverage and coverage metrics in the near term. Further, AEL is exposed to project execution risk (time and cost overruns) with respect to the tiles manufacturing unit. ICRA notes that AEL has diversified RMC operations into Bangalore market during FY15, however RMC sales from Andhra Pradesh and Telangana markets continue to account for 71% of the total RMC sales during FY15. The low value additive nature of RMC business coupled with high competition from large integrated players and unorganized players and also the increasing competition in the UPVC segment could exert pressure on the profitability of the company. The rating is also constrained by the vulnerability of AEL’s profitability to price risk for tiles and sanitary ware products where significant inventory is maintained.

Going forward, the company's ability to scale up its operations while maintaining its profitability, to establish its position in new markets such as Bangalore and to complete the tiles manufacturing project within estimated cost and time will remain the key rating sensitivity factors.

Company Profile

Aparna Enterprises Limited (AEL), incorporated in 1994 by Mr. S. Subrahmanyam Reddy and Mr. K. Sita Rama Raju, commenced operations as a tiles distributor. In 2006, AEL ventured into manufacturing of building materials and commenced production of ready mix concrete (RMC) with a capacity of 52 cubic meter/hour and over the years has expanded to current capacity of 468 cubic meter/hour. Currently, the company operates RMC plants in Telangana (5 plants), Bangalore (3 plants) and Andhra Pradesh (1 plants). In 2008, the company commenced production of UPVC windows and doors. The company is also engaged in the manufacturing of concrete blocks, cement fly ash bricks and trading in luxury sanitary ware.

¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications.



The company is setting up a tiles manufacturing unit in Kakinada in Andhra Pradesh at an expected cost of Rs. 126 crore which is funded with 75% debt and 25% equity. The expected COD of the project is April, 2017.

Recent Results

According to the provisional numbers of 9M FY16, AEL reported an operating income of Rs. 387.69 crore and net profit of Rs. 7.04 crore. In FY15, AEL reported an operating income of Rs. 444.31 and net profit of Rs. 8.06 crore.

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