

Aparna Constructions and Estates Private Limited

Instrument	Amount	Rating Action
	In Rs. crore	November 2016
Term Loan	394.50 (earlier 489.25)	[ICRA]BBB (Stable);reaffirmed
Secured Overdraft	35.00	[ICRA]BBB (Stable);reaffirmed
Cash Credit	25.50	[ICRA]BBB (Stable) (reaffirmed)
Bank Guarantee	Nil (earlier 5.00)	
Unallocated Limits	99.75 (earlier nil)	[ICRA]BBB (Stable) (assigned)

ICRA has reaffirmed the long term rating at [ICRA]BBB (pronounced ICRA triple B) for Rs. 394.50 crore term loans (earlier Rs. 489.25 crore), Rs. 60.50 crore working capital limits and assigned for Rs. 99.75 crore (earlier nil) unallocated limits¹ of Aparna Constructions and Estates Private Limited (ACEPL)[†]. The outlook on the long term rating is Stable.

The rating reaffirmation factors in the improvement in ACEPL's sales velocity to 72 units / month in H1 FY2017 when compared to 40 units / month during the same period last year (adjusted for bookings of recently launched Aparna Serene Park, the sales velocity stood at 48 units/month in H1 FY2017 as against 40 units /month in H1 FY2016). The rating also takes into account the healthy collections to sale value ratio with most of the projects witnessing collections ahead of financial progress barring Aparna Elina as on September, 2016. Further, ICRA takes note of the successful liquidation of majority of the inventory in Aparna Elina by way of bulk sale, thus lowering the market risk for the project. The rating continues to factor in ACEPL's established position and brand image in the Hyderabad real estate market and the backward integrated nature of operations with the group company, Aparna Enterprises Limited (rated [ICRA]BBB (Stable) / [ICRA]A2), supplying part of the building materials requirement resulting in better control over cost and quality. Further, the company has track record of prepaying its debt through accelerated escrow mechanism out of the surpluses generated from its projects.

The rating is however constrained by the decline in operating profitability to 12.07% in FY2016 from 16.22% in FY2015, which along with the high gearing level at 1.90 times as on March 31, 2016 resulted in weak debt coverage metrics - NCA/TD of 6% and TD/OPBDITA of 8.60 times in FY2016. The rating is also constrained by high inventory of the projects - Aparna Serene Park, Aparna Cyberlife and Aparna Elixir, where 77% of the total units from these projects are yet to be sold as on September, 2016 and are exposed to market risk. This risk is more prominent in case of Aparna Elixir project, given the large ticket size, exposing the project to high funding risk; the project is expected to depend on surplus cash from other projects for debt servicing. Further, the rating is constrained by the exposure to execution risk for the recently launched projects (Aparna Serene Park and Aparna Cyberlife) which are in the early stages of construction.

ICRA also takes note of the recent decision by Government of India to ban the legal tender of high denominated currency notes of Rs. 500 and Rs. 1000 and replace the same with the new notes, which is likely to lead to a shift in the way business operations are conducted in the real estate sector. This move could lead to a deferment of purchase by the buyers in the near term on account of expectation of a price correction, thus, leading to a slowdown in sales velocity.

Going forward, ability of the company to tie-up sales in a timely manner, maintain high collection efficiency, timely execution of the ongoing projects with no time and cost over runs are the key rating sensitivities.

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.

Company Profile

Aparna Constructions and Estates Private Limited (ACEPL), was incorporated in 1996 by Mr. S. Subrahmanyam Reddy and Mr. C. Venkateswara Reddy to undertake real estate development. Till date, ACEPL has completed around 22 projects in and around Hyderabad city totalling 7.48 million sqft; of which residential accounts for 93% (6.98 million sqft) and commercial accounts for 7% (0.50 million sqft). Aparna group has executed around 29 projects in and around Hyderabad totalling 12.37 million sqft. ACEPL is currently developing 5.26 million sqft under 5 different projects. The company has ventured into the Bangalore market during FY14 and is developing ~0.20 million sqft in Yeshwantpur.

ACEPL is the holding company of the Aparna group, which holds land bank under various companies and is also vertically integrated into manufacturing of ready mix concrete, UPVC doors and windows and solid bricks; the group also undertakes property management services.

Recent Results

ACEPL reported an operating income of Rs. 535.61 crore and net profit of Rs. 25.14 crore in FY2016 as against operating income of Rs. 427.54 crore and net profit of Rs. 22.25 crore in FY2015.

November 2016

For further details, please contact:

Analyst Contacts:

Mr. Sabyasachi Majumdar (Tel. No. +91 124 4545304)
sabyasachi@icraindia.com

Ms Anupama Reddy (Tel. No. +91 40 4067 6516)
anupama.reddy@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

© Copyright, 2016, ICRA Limited. All Rights Reserved

Contents may be used freely with due acknowledgement to ICRA

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500