

January 23, 2025

Aparna Infrahousing Private Limited: [ICRA]A+ (Stable) assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Unallocated limits	50.00	[ICRA]A+ (Stable); assigned
Total	50.00	

*Instrument details are provided in Annexure-I

Rationale

The rating assigned to Aparna Infrahousing Private Limited (AIPL) factors in the established track record of the Aparna Group delivering more than ~29 million square feet (msf) of real estate development over three decades in the Hyderabad region, healthy saleability of AIPL's projects and its comfortable financial risk profile. In addition, AIPL enjoys strong financial flexibility as part of the Hyderabad based Aparna Group¹. Aparna Constructions and Estates Private Limited (ACEPL, rated [ICRA]A+ (Stable)) is expected to provide financial support to AIPL to protect its reputation from the consequences of a subsidiary's distress, given the common promoters and management, engaged in the same businesses which are strategically aligned and having strong operational and financial linkages.

AIPL is currently developing 10.98 msf (with developer share of 9.95 msf) of residential and ~2.9 msf (with developer's leasable share of 1.9 msf) of commercial space. AIPL's collections increased at a CAGR of 13-14% during FY2022-FY2024 and are expected to increase over the medium term, driven by the favourable location of its projects, healthy sales and adequate construction progress. Consequently, the cash flow from operations are estimated to improve. AIPL's leverage as measured by total debt to cash flow from operations (Debt/CFO) stood comfortable at ~1.0 times as on March 31, 2024, and is expected to remain below 2.0 times in the medium term. Its total debt/net working capital (TD/NWC) ratio stood comfortable at 32.5% as of March 2024. AIPL's adequacy of committed cash flows remained comfortable at 68%, against the pending construction cost and outstanding debt as on October 31, 2024, owing to healthy sales velocity from the ongoing projects. AIPL's retail development – Aparna Sarovar Mall at Nallagandla is completely leased with rentals commencing from FY2026. Its office project – Aparna IT Hub is under-construction and scheduled to be completed by H1 FY2026. There is no debt outstanding against AIPL's commercial projects and neither does it plan to not avail any debt for commercial portfolio.

The rating is, however, constrained by market risk for the ongoing and recently launched large-sized projects – Sarovar Towers and Sunstone and sizeable ready to move in inventory in its completed project – Aparna One (estimated at Rs. 350-400 crore). However, AIPL's established presence in the industry and its strong brand reputation in the Hyderabad market mitigates the risk to an extent. The company is also exposed to moderate execution risk for the newly launched projects. However, comfort can be driven by the strong execution capabilities and timely delivery of projects demonstrated by the Group over the past three decades. The rating is constrained by the geographical concentration risk, as the ongoing development is primarily limited to Hyderabad. AIPL also remains exposed to the inherent cyclicity in the real estate industry and vulnerability to external factors.

The Stable outlook on the rating reflects ICRA's expectation that the AIPL will continue to maintain healthy collections across its projects resulting in an improved CFO while maintaining comfortable debt protection metrics.

¹ Aparna Constructions and Estates Private Limited (ACEPL), the flagship company of Aparna group, is rated [ICRA]A+ (Stable). ACEPL holds 67.7% stake in AIPL.

Key rating drivers and their description

Credit strengths

Established track record and strong brand presence of Aparna Group in Hyderabad market – The Aparna Group has an established track record and demonstrated execution capabilities of developing more than ~29 msf of real estate development over last two decades in Hyderabad with good reputation for quality and timely completion. Currently the Group is developing 39.1 msf (developer's share of 34.4 msf) of residential and ~3.12 msf (developer's leasable share of – 2.13 msf) of commercial space in Hyderabad. Of this, AIPL is developing 10.98 msf (developer's share of 9.95 msf) of residential and ~2.9 msf (developer's leasable share of 1.9 msf) of commercial space.

Strong financial flexibility being a part of Aparna group – ACEPL rated [ICRA]A+(Stable)) holds 67.7% in AIPL. Given their common promoters and management, engaged in the same businesses which are strategically aligned with strong operational and financial linkages, ACEPL is expected to provide financial support to AIPL to protect its reputation from the consequences of a subsidiary's distress.

Comfortable financial risk profile for AIPL – AIPL's collections increased at a CAGR of 13-14% during FY2022-FY2024 and are expected to increase over the medium term, driven by the favourable location of its projects, healthy sales and adequate construction progress. Consequently, the cash flow from operations are estimated to improve. AIPL's leverage as measured by Debt/CFO, stood comfortable at ~1.0 times as on March 31, 2024, and is expected to remain below 2.0 times in the medium term. Its total debt/net working capital (TD/NWC) ratio stood comfortable at 32.5% as of March 2024. AIPL's adequacy of committed cash flows remained comfortable at 68%, against the pending construction cost and outstanding debt as on October 31, 2024, owing to healthy sales velocity from its ongoing projects.

Credit challenges

Exposed to market risk for recently launched projects and moderate execution risk – The company is exposed to market risk for its ongoing and recently launched, large-sized projects—Sarovar Towers and Sunstone—as well as its sizeable, ready-to-move-in inventory in its completed project—Aparna One—estimated at Rs. 350-400 crore. However, the established presence in the industry and its strong brand reputation in Hyderabad market mitigates the risk to an extent. It is exposed to moderate execution risk for the newly launched projects. However, comfort can be driven by the strong execution capabilities and timely delivery of projects demonstrated by the Group over the past three decades.

Cyclicality inherent in real estate sector – Being a cyclical industry, the real estate business is highly dependent on macroeconomic factors, which exposes its sales to any downturn in real estate demand. In addition, AIPL is mainly concentrated in the Hyderabad real estate market, which exposes it to geographical concentration risk.

Liquidity position: Adequate

The company's liquidity position is adequate. AIPL has debt repayment obligations of Rs. 200-220 crore each (includes accelerated payments) in FY2025 and FY2026, which can be comfortably met through its estimated cash flow from operations. AIPL also had undrawn debt of Rs. 500 crore, as on September 30, 2024.

Rating sensitivities

Positive factors – The rating may be revised if there is a significant increase in sales and collections, resulting in an improvement in cash flows from operations, while maintaining low leverage and healthy liquidity on a sustained basis. This along with improvement in credit profile of parent company Aparna Constructions and Estates Private Limited (ACEPL) could lead to a rating upgrade.

Negative factors – The rating may be downgraded in case of subdued sales or collections adversely impacting the cash flow from operations and debt protection metrics on a sustained basis. Also, rating might be downgraded in case of weakening of linkages with ACEPL, or if there is a deterioration in the credit profile of ACEPL.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail
Parent/Group support	The rating considers support from parent ACEPL, which holds 67.72% of AIPL's shareholding. Given the strong operational and financial linkages, ACEPL is expected to provide financial support to AIPL to protect its reputation from the consequences of a subsidiary's distress.
Consolidation/Standalone	Standalone

About the company

Aparna Infrahousing Private Limited is a subsidiary of Aparna Constructions and Estates Private Limited, who holds 66.72% shares in AIPL. The other 33.3% is owned by Mr. Uday Kumar Reddy and Ms. Tanuja Reddy, friends of the promoters of ACEPL. The company was incorporated in 2006 and is involved in developing residential and commercial properties in and around Hyderabad. At present, AIPL has four ongoing residential projects (with the company's share of 9.95 msf) and two commercial ones (with company's share of 1.9 msf).

Key financial indicators (audited)

AIPL Standalone	FY2023	FY2024
Operating income	1,566.1	1,663.4
PAT	430.0	414.4
OPBDIT/OI	39.6%	38.5%
PAT/OI	27.5%	24.9%
Total outside liabilities/Tangible net worth (times)	0.8	0.8
Total debt/OPBDIT (times)	0.9	1.0
Interest coverage (times)	11.1	10.2

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	Current rating (FY2025)		Chronology of rating history for the past 3 years		
		Amount rated	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
		(Rs. crore)	January 23, 2025	-	-	-
1 Unallocated limits	Long term	50.00	[ICRA] A+ (Stable)	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Unallocated limits	Not Applicable

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	Unallocated limits	NA	NA	NA	50.00	[ICRA]A+ (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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