

## Rating Rationale

### Alankar Apartments Pvt Ltd

25 March 2019

**Brickwork Ratings reaffirms rating for the Bank Loan Facilities amounting to Rs. 908.40 Crs for Alankar Apartments Pvt Ltd.**

#### Particulars:

Facilities Rated	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Tenure	Previous Rating *	Present Rating
Fund Based	1020	908.40	Long Term	BWR BBB+ (SO) [Pronounced BWR Triple B Plus (Structured Obligation)]  Outlook: Stable	BWR BBB+ (SO) [Pronounced BWR Triple B Plus) (Structured Obligation)] Outlook: Stable  <i>Reaffirmation</i>
<b>Total</b>	<b>1020</b>	<b>908.40</b>	<b>INR Nine Hundred Eight Crores and Forty Lakhs Only</b>		

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#### Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results of the company up to FY18, projected financial statements, publicly available information and information/clarifications provided by the company.

The rating continues to draw strength from Ambience Group's experience & operational track record in the real estate sector, availability of qualified & experienced management team, no project execution risk as the construction of the corporate tower is already complete & majority area has been leased out and maintenance of an escrow account along with a DSRA. The rating, however, continues to remain constrained on account of significant intragroup transactions by way of investments, client concentration risk and low Networth leading to weak capital structure.

Going forward the ability of the company to timely receive the rental/advertisement/CAM charges from the tenants and ensure regular servicing of debt shall remain key rating sensitivities.

### **Key Rating Drivers:**

*Established Track Record of Ambience Group:* Ambience Group was founded by Mr. Raj Singh Gehlot, a professional chartered accountant, in 1986 and the Group is a leading player in real estate segment primarily in NCR. The Group has completed more than 325 residential and commercial projects covering an area of 13.75 million sq. ft. and over 4 million sq. ft. of area is under construction. In addition the Group is developing an Integrated Township on 314 acres of land at Panipat in Phase-II. The Group owns about 1000 acres of developable land at Delhi, Gurgaon, Noida, Panipat, Sonapat, Vizag and Udaipur. The group has completed multiple residential and commercial projects including Ambience Island at Gurgaon, Ambience Malls at Gurgaon, Vasant Kunj & Rohini, Caitriona & Lagoon residential apartment complexes at Gurgaon, Corporate Office Towers at Gurgaon, Shalimar Bagh & Vasant Kunj and five star deluxe hotels viz. The Leela Ambience at Gurgaon & Surajmal Vihar.

*Maintenance of DSRA & Escrow Account:* The Company is maintaining an escrow account and the tenants are directly depositing the rent in the said account as per the undertaking given by them to the Banks. The withdrawals from the account are as per the pre-defined waterfall mechanism giving first priority to statutory dues followed by debt obligations and last to operational expenses. AAPL also has to maintain a DSRA equivalent to one quarter's principal and interest. The DSRA has been built up over a period of one year out of the accumulated lease rentals.

*No Project Related Risks:* The corporate office tower located at Ambience Island, Gurgaon has a total leasable area of 10.68 lakhs Sq. Ft. The construction of the tower got completed during FY16 and the company has already leased out majority of the area to reputed tenants. The tenants include some of the reputed multinationals such as Panasonic, Deloitte, Amazon, Sabic India and Sansbury etc.

*Significant Intragroup Transactions:* The Company has declared amount invested in the projects of group companies as current investment in the audited financial statements for FY18 amounting to Rs. 423.74 Crs. The same is likely to go up to Rs. 473.77 Crs by the end of current financial year.

**Analytical Approach:** The rated instrument is a Lease Rental Discounting facility sanctioned by a consortium of Banks. The 'Structured Obligation (SO)' rating has been assigned due to maintenance of DSRA & escrow account with a predefined waterfall mechanism. Please refer to the applicable criteria at the end.

### **Rating Outlook: Stable**

BWR believes that Alankar Apartment Pvt Ltd's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company is able to report significant improvement in its profitability and increase its capital base. The rating outlook may be revised to 'Negative' if the profitability deteriorates leading to consequent reduction in the already low Network.

### About the Company:

Incorporated in 1989 at New Delhi, Alankar Apartments Private Limited (AAPL) is a part of the Ambience group. The company has constructed and is operating a corporate office tower in Gurgaon. The office tower is a part of the Ambience group's township project, Ambience Island, which houses a five star hotel, mall and residential apartments. The office tower is also near to the commercial hub of Gurgaon. The construction of the tower started in 2010-11 and was completed during 2015-16.

The tower comprises ground plus eleven floors i.e. 12 levels with three level basements and stilt floor. The total leasable area in the tower is 10.68 lakhs sq. ft. and the same has been majorly leased out. The tower has been provided with all the modern amenities, facilities & services. There is also a car parking space of 1100 cars for the tenants in the three level basements, stilt and open car parking spaces.

### Company's Financial Performance:

For a significant area, the lease agreements have been signed recently which will result into considerable growth in the rental income during FY20. During FY18, the rental income increased by 52% and is further likely to increase by 40%-45% during FY19. Key financial indicators are given in the table below:

Key Financial Indicators			
Particulars	Unit	FY17 (A)	FY18 (A)
Operating Income	Rs. Crores	44.72	67.88
EBITDA	Rs. Crores	34.44	62.96
Net Profit/Loss	Rs. Crores	(0.62)	4.97
Tangible Networkth	Rs. Crores	10.34	15.31
Total Debt	Rs. Crores	787.05	919.42
Current Ratio	Times	4.93	5.60

### Rating History for the last three years:

Sl. No.	Facility	Current Rating (March 2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	2018	2017	2016
1.	LRD	Long Term	908.40	BWR BBB+ (SO) [Pronounced BWR Triple B Plus (Structured Obligation) Outlook: Stable	No Rating Change	BWR BBB+ (SO) [Pronounced BWR Triple B Plus (Structured Obligation) Outlook: Stable	NA
<b>Total</b>			<b>908.40</b>	<b>INR Nine Hundred Eight Crores and Forty Lakhs Only</b>			



**Hyperlink/Reference to Applicable Criteria:**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)
- [Structured Obligation \(SO\) Instruments](#)

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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