

Rating Rationale

Brickwork Ratings assigns ‘BWR B-’ & ‘BWR A4’ for the Bank Credit Facilities aggregating ₹ 1222.87 Cr of Ambience Developers & Infrastructure Pvt. Ltd, New Delhi

Brickwork Ratings assigns the following **Ratings¹** for Bank Credit facilities of Ambience Developers & Infrastructure Pvt Ltd. (*ADIPL or ‘the Company’*). Details of rated credit facilities are as under.

| Facility | Amount (₹ Cr) | Tenure | Rating |
|---|------------------|--|---|
| Term Loan against Future Lease Rental Receivables- (<i>outstanding amount</i>) | 1159.41 | Long Term <u>Fund Based</u> | BWR B- (BWR B Minus) (Outlook – Stable) |
| Specific Bank Guarantee Limit | 54.75 | Short Term <u>Non-Fund Based</u> | BWR A4 (BWR A Four) |
| General Bank Guarantee Limit | 8.71 | | |
| Total | 1222.87 | INR One Thousand Two Hundred Twenty Two Crores & Eighty Seven Lakhs only) | |

The rating has, inter alia, factored the long experience of the promoters in the Industry, location advantage of Ambience Mall in Gurgaon, availability of occupation & completion certificate for the mall, and status of occupancy of leasable area. The rating also factors that app.2.48 lakh sq.ft area is yet to be leased and the same provides a potential revenue opportunity. The rating is however essentially constrained by delays in receivables from the lessees causing liquidity concerns, and large intragroup business transactions.

BWR has relied upon the audited financial results of ADIPL up to FY 2013, key provisional figures up to December 2013 and other information and clarifications provided by the Company.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Background

ADIPL was incorporated on 1991 and is a part of the Ambience group founded and promoted by Mr Raj Singh Gehlot, a qualified Chartered Accountant. Mr Raj Singh Gehlot has been into construction and real estate development business for over two decades. Mr. Raj Singh Gehlot and Mr. Aman Gehlot, who is also a Chartered Accountant, are the two directors of ADIPL. ADIPL is 100% subsidiary of Ambience Pvt Ltd, a reputed real estate player based in New Delhi. ADIPL was initially incorporated as HLF Enterprises Private Limited and was later renamed as Ambience Infrastructure Private Limited and then Ambience Developers & Infrastructure Pvt Ltd in 2006.

Business Operation

ADIPL owns and operates 'Ambience Mall' located at Ambience Island on NH 8 Delhi-Haryana border in Gurgaon. The mall is a part of the Ambience group's township project, Ambience Island, which houses a five star hotel, office tower and residential apartments. The mall is also near the commercial hub of Gurgaon. The construction and development of the mall commenced in Feb, 2004 and completed in March, 2007. Approx. 85% of the total leasable area is currently occupied / leased. The Company informs that Lease agreements with some of the major lessees are on a long term basis and provide for a minimum guaranteed rent or on percentage turnover achieved by the lessee, whichever is higher, which provides an opportunity for generating higher rental revenue as and when the economic climate improves.

Credit Facilities

ADIPL has availed fund based and non-fund based credit facilities from Punjab National Bank. The Bank has provided a Term Loan of ₹ 1280.00 Cr with a door to door tenure of 10 years which currently shows an outstanding amount of ₹ 1159.41 Cr, a specific Guarantee of ₹ 54.75 Cr provided on behalf of the Company by the Bank in favor of Dakshin Haryana Bijli Vitran Nigam, and a General Bank guarantee limit amounting to ₹ 8.71 Cr. Accordingly, the rated credit facilities aggregate to ₹ 1222.87 Cr. The term loan is secured by escrow of lease rentals from the 'Ambience Mall' in favour of the Bank and further secured by a charge on certain fixed assets of the Company, personal guarantee of Mr. Raj Singh Gehlot, the Promoter Director of ADIPL and a Corporate guarantee from Ambience Facilities Services Pvt Ltd. The Bank has confirmed satisfactory conduct of the accounts and considered them Standard assets.

Financial Performance

Highlights:

| S. No | Particulars | Mar-11 Audited | Mar-12 Audited | Mar-13 Audited |
|-------|------------------------------|-------------------|-------------------|-------------------|
| 1 | Total Operating Income | 143.36 | 176.99 | 203.98 |
| 2 | Total Expenditure | 28.20 | 20.99 | 28.40 |
| | PBITDA | 115.16 | 156.00 | 175.59 |
| 3 | Interest and Finance Charges | 73.45 | 138.49 | 153.03 |
| 4 | Depreciation | 10.42 | 10.47 | 10.50 |
| | PBT | 31.29 | 7.04 | 12.06 |
| 5 | Non-Operating Income | 1.35 | 6.10 | 0.94 |
| 6 | Provision for Tax | 8.98 | (5.68) | (2.94) |
| | PAT | 23.66 | 18.82 | 15.94 |
| | NET WORTH | 171.32 | 190.14 | 206.07 |
| | DEBT | 586.68 | 1252.80 | 1208.75 |

During FY13, the outstanding lease rent receivables amounted to ₹ 24.61 Crores, more than half of which were outstanding for a period exceeding 6 months, thereby constraining the Company's liquidity position.

The Company informs that currently 26% of the revenue is contributed by advertisements, common service area management and rentals from vehicle parking lot.

ADIPL's debt to equity is 5.87x in FY 13 and has decreased from a high of 6.59x in FY12. The Company's borrowings in the form of Loan against Future lease rentals in FY 12 and FY13 amounting to ₹ 1252.80 Crores and ₹ 1208.75 Crores respectively are reflected under the long term borrowings in the respective audited financial statements. During FY13, the Company had a moderate ISCR of 1.15x and a less than moderate DSCR of 0.87x. At the current stage of operations the Company is passing through liquidity stress and its debt servicing capability is very delicately poised.

Rating Outlook

The Company's ability to improve liquidity by quickly ensuring optimization and timely receipt of lease rentals, infuse funds to improve the Company's debt metrics and ensure timely servicing of debt obligations will be crucial rating sensitivities. The rating is also sensitive to the FY14 audited results of the Company to be on the lines of the key provisional figures up to Q3FY14 provided to us.

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