

Rating Rationale

Ambience Facilities Management Pvt Ltd

29 Sep 2018

Brickwork Ratings reaffirms/assigns the ratings for the Bank Loan Facilities amounting to Rs. 149.94 Crs (enhanced from Rs. 58 Crs) of Ambience Facilities Management Pvt Ltd

Particulars:

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based	15	15.00	Long Term	BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable	BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable <i>Reaffirmation</i>
Fund Based	43	72.94		BWR BBB- (SO) [Pronounced BWR Triple B Minus (Structured Obligation)] Outlook: Stable	BWR BBB- (SO) [Pronounced BWR Triple B Minus (Structured Obligation)] Outlook: Stable <i>Reaffirmation</i>
Fund Based	NA	62.00	Short Term	NA	BWR A4+ (Pronounced BWR A Four Plus) <i>Assignment</i>
Total	58	149.94	INR One Hundred Forty Nine Crores and Ninety Four Lakhs Only		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Rating Sensitivities:

BWR has relied upon the audited financial statements up to FY18, projected financial statements, publicly available information and information/clarifications provided by the Company management.

The ratings continue to draw comfort from the strong and resourceful promoters, experience of the Company in managing the Real Estate complexes, support extended by Ambience Group Companies, good product mix of Commercial and Residential facilities being managed by the company. The rating is, however, constrained due to fall in profitability levels, high gearing, increasing level of receivables and dependence on Ambience Group projects.



Going forward the ability of the Company to achieve the projected levels of revenue & profitability, effectively manage its working capital requirements and meet its short term loan obligations on time shall remain key rating sensitivities.

Key Rating Drivers:

Healthy Mix of Projects: The company is providing facility management services to various projects (residential and commercial) of the Ambience Group. However, since, the maintenance charges received from the residential projects are relatively lower as compared to the commercial projects, the company is majorly focussing on commercial projects. Presently, 28% of the area managed by the company belongs to the residential category. Average realization in case of residential area has remained around Rs. 7-8/Sq. Ft., while average realization in case of commercial projects vary between Rs. 17/Sq. Ft. to Rs. 38/Sq. Ft.

Support from and Dependence on Ambience Group: The group/promoters have supported the company by consistently infusing equity till FY16. Also, the unsecured loans from the promoters amounting to Rs. 10.50 Crs which are to remain invested in the company till the term of rated debt. Also, being a part of the Ambience Group, the company gets the facility management contracts for all the group's projects, however, due to challenging scenario in the real estate sector, the group has not launched any new project over the last two-three years. Since, the company relies only on group's projects, their own revenue stream has not been able to grow accordingly.

Elongated Receivables Cycle: The receivables cycle is getting elongated y-o-y with days receivables increasing from 44 in FY15 to 88 in FY18. While, the company has been able to manage its operations till now, any further deterioration in the receivables cycle may cause short term liquidity issues in the company in the future. Also, the repayment of the short term loan is by way of bullet payment in March 2019 and timely realization of receivables is key to ensure timely repayment of the same.

Analytical Approach: The 'SO' (Structured Obligation) rating for the Term loan reflects the credit enhancement derived from the defined receivables being escrowed in the favour of lenders and DSRA maintained by the Company. Please refer to the applicable criteria at the end.

Rating Outlook: Stable

BWR believes that Ambience Facilities Management 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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company:

Ambience Facilities Management Private Limited (AFMPL) was incorporated on 14th September 2010. The Company is engaged in providing Integrated Facility Management Services to various completed projects of Ambience Group. The properties currently managed by the Company include Ambience Mall



in Gurgaon (Haryana), Ambience Mall in Vasant Kunj (New Delhi), Catriona Apartments in Gurgaon (Haryana), Ambience Corporate Office Tower II in Gurgaon (Haryana), Commercial Complex in Rohini (New Delhi), Commercial Complex in Shalimar Bagh (New Delhi) and Commercial Complex in Vasant Kunj (New Delhi).

Company's Financial Performance:

AFMPL's revenue increased marginally by 7.26% in FY18, however, since the CAM charges have undergone a revision, the same is likely to increase in the current financial year.

Key Financial Indicators are given in the table below:

Key Financial Indicators			
Particulars	Unit	FY17 (A)	FY18 (A)
Operating Income	Rs. Crores	121.91	130.76
EBITDA	Rs. Crores	-1.88	-0.13
Net Profit	Rs. Crores	0.78	0.54
Adjusted TNW [#]	Rs. Crores	26.55	27.10
Adjusted Total Debt [#]	Rs. Crores	117.13	154.53
Adjusted Total Debt : Equity [#]	Times	4.41	5.70

TNW and Total Debt has been adjusted for unsecured loans from promoters. Total Debt does not include contingent liabilities

Note: EBITDA has been calculated excluding the interest income and other miscellaneous income which are taken as part of non-operating income

Rating History for the last three years:

Sl. No.	Facility	Current Rating (Sep 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
1.	OD Limit	Long Term	15.00	BWR BB+	BWR BB+	BWR BB+	BWR BB+
2.	Term Loan		72.94	BWR BBB-(SO)	BWR BBB-(SO)	BWR BBB-(SO)	Provisional BWR BBB-(SO)
3.	Short Term Loan	Short Term	62.00	BWR A4+	NA	NA	NA
Total			149.94	INR One Hundred Forty Nine Crores and Ninety Four Lakhs Only			

Status of Non-Cooperation with Previous CRA: NA

Any Other Information: NA



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Structured Obligation Instruments](#)
- [Services Sector](#)
- [Short Term Debt](#)

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.



DISCLAIMER

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