

## Rating Rationale

**Brickwork Ratings upgrades the rating of Working capital facilities of ₹ 15 Cr of Ambience Facilities Management Private Ltd., New Delhi, from ‘BWR BB-’ to ‘BWR BB+’ and assigns a provisional rating of ‘BWR BBB- (SO)’ for its Proposed Term Loan of ₹ 43.00 Cr.**

Brickwork Ratings (BWR) has upgraded & assigned the following **Ratings**<sup>1</sup> for the Bank Loan Facilities of Ambience Facilities Management Private Limited (AFMPL or ‘the Company’).

Facility*	Rating Amount (₹ Cr)	Tenure	Rating	Rating History
Overdraft	15.00	Long Term	<b>BWR BB+</b> (Pronounced BWR Double B Plus) <b>Outlook: Stable</b>	<b>BWR BB-</b> (Pronounced BWR Double B Minus) Outlook: Stable (December 2014)
Proposed Term Loan	43.00		<b>*Provisional BWR BBB-(SO)</b> [Pronounced Provisional BWR Triple B Minus (Structured Obligation)] Outlook: Stable	<b>Fresh Rating</b>
<b>Total</b>	<b>58.00</b>	<b>(INR Fifty Eight Crores only)</b>		

\* The rating for the proposed Term loan is provisional and will be confirmed once the Company brings additional equity capital of Rs. 4 Crores by end of July 2015 as confirmed to us by the company and a certificate from the Company’s Statutory Auditor is provided to us.

BWR has relied upon the audited financial statements up to FY15, projected financial statements up to FY17, publicly available information and information/clarifications provided by the Company management.

The rating upgrade factors the infusion of equity during FY15, improved financial performance, addition of new projects in the portfolio and diversification of operations with the electric substation project. The rating continues to derive comfort from the experience of the Company in managing the Real Estate complexes, support extended by Ambience Group Companies and good product mix of Commercial and Residential facilities being managed by the company. The rating for the proposed Term loan factors the commitment of the Company to infuse additional

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

equity capital of Rs. 4 crores by end July 2015 and the 'SO' rating reflects the credit enhancement derived from the escrow account and DSRA to be maintained by the Company.

The rating is, however, constrained due to higher interest & finance cost and dependence on Ambience Group projects.

### **Background:**

Ambience Facilities Management Private Limited (AFMPL) was incorporated on 14<sup>th</sup> September 2010. The Company is engaged in providing Integrated Facility management services to various completed projects of Ambience Group. The facilities currently managed by the Company include Ambience Mall in Gurgaon (Haryana), Ambience Mall in Vasant Kunj (New Delhi), Hotel Leela Ambience in Gurgaon (Haryana) and Catriona Apartments in Gurgaon (Haryana). The company has also added new projects viz. Ambience Corporate Office Tower II in Gurgaon (Haryana), Commercial Complex in Rohini (New Delhi), Commercial Complex in Shalimarbagh (New Delhi) and Commercial Complex in Vasant Kunj (New Delhi) in its portfolio during FY16.

### **Electric Substation (ESS) Project:**

AFMPL has now also undertaken the erection and commissioning of **66 KVA Electric substation (ESS)** at Ambience Island, NH-8, Gurgaon, Haryana. The substation will be used to meet the power requirement of Caitriona Residential Apartments, Hotel Leela Ambience, Ambience Mall Gurgaon and Ambience Corporate Office Tower. All these projects are located at Ambience Island, Gurgaon.

As per the policy, bulk electricity is not supplied to such huge complexes unless a substation is installed which can carry the required load. Therefore, the additional power requirement has to be met through gensets which results into increased power & fuel cost.

On its erection & completion HVPNL (Haryana Vidyut Prasaran Nigam Ltd) shall provide bulk electricity to the complexes at Ambience Island. The total cost of the project is estimated at Rs. 64.99 Cr to be funded by debt of Rs. 43 Cr and promoters' contribution of Rs. 21.99 Cr. The company will charge additional CAM charges to the customers for power supply and on a conservative basis it has estimated revenue realization from the project from October 2016 onwards.

### **Ambience Group Overview:**

AFMPL is maintaining the complexes developed by the Ambience Group companies. Ambience Group was founded by Mr. Raj Singh Gehlot, a professional Chartered Accountant in 1986 to undertake construction and development of premium residential apartments in posh plotted Colonies in South Delhi. Later on it started undertaking development of complexes in these colonies. In 1992, the group decided to foray into development of township and construction of

multi storeyed complexes and for that purpose acquired 132 acres on Delhi-Haryana border. In 2003, the Group decided to enter into modern mall development under the brand name “Ambience Mall”. The Mall is comprised of 1.8 million sq. ft. and 1.4 million sq. ft. The Group has completed more than 325 such residential and commercial projects covering an area of 12.25 million Sq. Ft. and over 4 million sq. feet of area is presently under construction apart from a township on 315 acres of land.

### **Financial Performance:**

The total income from operations of the Company increased from ` 102.91 crores in FY14 to ` 114.89 crores in FY15. The operating profit margin increased from 4.17% in FY14 to 5.09% in FY15 and the net profit margin also increased from 0.76% in FY14 to 0.85% in FY15. The Tangible Net worth (TNW) increased from ` 4.36 crores as on March 31, 2014 to ` 10.33 crores as on March 31, 2015 on account of fresh equity infusion. The gearing ratio, declined from 4.63 times as on March 31, 2014 to 1.47 times as on March 31, 2015.

The promoters have also infused unsecured loans in the company amounting to ` 7.75 crores during April 2015 – June 2015. The management has also undertaken to infuse fresh equity amounting to ` 4 Crores by end of July 2015.

The Banker to the Company has advised that the Company’s account with them is a Standard Asset.

### **Rating Outlook:**

The outlook for the Company’s rating is expected to be stable over the next twelve months. The rating for the proposed Term loan is provisional and will be confirmed once the Company brings additional equity capital of Rs. 4 Crores by end of July 2015 as confirmed to us by the company and a certificate from the Company’s Statutory Auditor is provided to us. The ability of the company to execute the ESS project and achieve the projected levels of revenue & profitability, effectively manage its working capital requirements and ability to meet its term loan obligations shall remain key rating sensitivities.

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