

Rating Rationale

Brickwork Ratings reaffirms “BWR B” for the Long Term Bank Loan facilities aggregating ₹ 600 Cr and assigns “BWR A4” for the Short Term Bank Loan facilities aggregating ₹ 20 Cr of Ambience Projects & Infrastructure Pvt Ltd

Brickwork Ratings (BWR) has reaffirmed/assigned the following **Ratings**¹ for the Bank Loan Facilities of Ambience Projects & Infrastructure Pvt Ltd (APIPL or ‘the company’).

Facility*	Previous Amount (₹ Cr)	Rating Amount (₹ Cr)	Tenure	Rating after Review	Rating History
Fund Based: Term Loan	600.00	600.00	Long Term	BWR B (Pronounced BWR B) Outlook: Stable (Reaffirmation)	BWR B (Pronounced BWR B) Outlook: Stable
Non-Fund Based: Bank Guarantee	20.00	20.00	Short Term	BWR A4 (Pronounced BWR A Four)	(December 2014)
Total	620.00	620.00	INR Six Hundred Twenty Crores Only		

BWR has principally relied upon the audited financial results up to FY15 and projected financials up to FY17 of Ambience Projects & Infrastructure Pvt Ltd (APIPL), publicly available information and information/clarifications provided by the company.

The ratings continue to factor the track record of the Ambience group, required approvals for the project being in place and significant promoters’ contribution into the project. The ratings, however, remain constrained by the project off take risk as the sales have been slow, timely project completion and execution risk and inherent risks associated with the sector.

Background:

Incorporated in 2010 at New Delhi, Ambience Projects & Infrastructure Pvt Ltd (APIPL) is constructing a residential apartment complex under the name ‘**CREACIONES**’ at Old Delhi Gurgaon Road. The project would comprise of Three BHK Apartments, Three BHK Penthouse Apartments, Four BHK Apartments, Four BHK Penthouse Apartments, Five BHK Penthouse Apartments, Studio Apartments, Villas and EWS Flats along with three level basements and stilts for parking services. The construction of the project started in 2013 and is expected to get completed by September 2018. All the required approvals/NOCs/permissions for the project have been obtained by the company.

The total cost of the project increased from Rs. 1491.55 Cr to Rs. 1969.57 Cr on account of up gradation of the project, changes in building plans and slow velocity of sales. The total cost will be funded by promoters’ contribution of Rs. 535 Cr, Loans from banks of Rs. 800 Cr and Advances from Customers of Rs. 634.57 Cr. The company has sold 32 apartments (out of the

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

total 802 apartments) as on December 31, 2015 against which the company has received advances amounting to Rs. 4.37 Cr. APIPL has incurred a cost of Rs. 1000.64 Cr as on December 31, 2015.

Ownership & Management:

APIPL is owned by Mr. Raj Singh Gehlot (12.50%), Ambience Pvt Ltd (38%) and India REIT Fund Scheme-IV through IL&FS Trust Co. Ltd (49.50%).

The Board of Directors include Mr. Raj Singh Gehlot, Mr. Aman Gehlot and Mr. Mohan Singh Gehlot. All the directors are well qualified and experienced in the Real Estate industry and are also assisted by a team of well qualified professionals.

Profile of Ambience Group:

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 South Delhi. Later on it also started undertaking development of commercial complexes in these colonies. In 1992 it decided to foray into development of township and construction of multi storeyed complexes and for that purpose acquired 132 acres on Delhi -Haryana boarder. In 2003, it decided to enter into modern retail mall development under the brand name “Ambience Mall”. The Group has completed more than 325 such residential and commercial projects covering an area of 12.50 million Sq. Ft.

Financial Highlights:

APIPL has not reported any revenue in FY15 and all the construction and finance costs are capitalised as part of the Work in Progress. Although, the equity infusion by the promoters is small, they have infused unsecured loans for an amount of Rs. 134.45 Cr and have subscribed to optionally convertible debentures of Rs. 275.38 Cr. As per the terms of issue, the company is not required to pay any interest on these debentures and these debentures will be redeemed in FY20.

Rating Outlook:

The outlook is expected to be stable over the next one year. Going forward, the ability of the company to market the project effectively and achieve a healthy booking status, complete the project in a timely manner within the stipulated cost while ensuring timely debt servicing shall remain key rating monitorables.

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