

Rating Rationale

Ambience Developers & Infrastructure Pvt Ltd

20 Nov 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities amounting to Rs. 1500 Crores of Ambience Developers & Infrastructure Pvt Ltd

Particulars:

| Facility Rated | Amount (Rs. Crs) | Tenure | Rating * |
|-------------------|------------------|--|--|
| Fund Based Limits | 1500 | Long Term | BWR BBB+ (Pronounced BWR Triple B Plus) Outlook: Stable |
| Total | 1500 | INR One Thousand Five Hundred Crores Only | |

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

Rationale/Rating Sensitivities:

BWR has principally relied upon the audited financial results up to FY18, projected financial statements of Ambience Developers & Infrastructure Pvt Ltd (ADIPL), publicly available information and information/clarifications provided by the company.

The rating factors positively the refinancing of bank loans at liberal terms leading to reduced debt obligations for the next few years and escrow of lease rentals & cash flows from parking, kiosks/signage to the Bank with a defined waterfall mechanism.

The rating also takes into account the experienced & resourceful promoters, established track record of the group in the real estate sector, operational track record of the mall & its brand value, escalation in the rentals leading to higher revenue and efficient receivables management.

The rating, however, is constrained by relatively high gearing levels, significant intergroup transactions and competition from other malls in the vicinity & ecommerce portals.

Going forward the ability of the company to achieve the projected growth in the revenue & profitability indicators, mobilize additional security deposits as projected and ensure timely debt servicing shall remain key rating sensitivities.

Key Rating Drivers:

Operational Track Record of the Mall: The Ambience Mall, Gurgaon has been in operations for over a decade and is considered to be one of the most popular malls of Delhi/NCR. The mall houses reputed international as well as domestic brands such as H&M, Arvind Lifestyle, Future Group, PVR, Zara, Fab

India and Trent etc. The mall also has adequate recreational/entertainment facilities including PVR Cinemas, PVR BluO (Bowling Alley), Fun City, Kids Play Area, OK Play, Xtro Games and ISkate (Ice skating zone) which attract major footfalls in the mall.

Refinancing of Bank Loans: The company got its debt facilities refinanced from Yes Bank at significantly better terms. As part of the refinancing, the applicable interest rate reduced by 75 bps and the repayment period got increased to 15 years as against the residual repayment period of 8 years as per the previous terms. Consequently, the company's debt obligations have come down significantly for the next few years. The repayment amounts for FY20 and FY21 have come down from Rs. 94.50 Crs to Rs. 22.96 Crs and Rs. 106.50 Crs to Rs. 34.84 Crs respectively leading to improved liquidity position of the company.

Escrow Account with Waterfall Mechanism: The company is maintaining an escrow account monitored and operated by Yes Bank. The tenants have given an undertaking that the rental income and other charges will be directly deposited in the escrow account by them. ADIPL has no control over the account. The amount collected will be first used for debt repayment and then the surplus will be transferred to the company for their operational expenses by the Bank.

Escalation in the Rentals: The lease agreements have built-in clauses related to escalation in the rent to extent of 5% every year or 15% every three years. Accordingly, the rentals of many of the tenants have undergone a change leading to increased revenue for the company. The operating income of the company increased from Rs. 229.04 Crs in FY17 to Rs. 249.90 Crs in FY18.

High Gearing: The Gearing continues to remain high at 4.62x as on March 31, 2018, although the same improved from 5.19x as on March 31, 2017. The company, however, is generating sufficient rental income to meet its debt obligations (including both principal and interest) on time.

Analytical Approach: BWR has assessed the company on a standalone basis. Expected cash flows as per lease arrangements have been analyzed in line with the waterfall mechanism to ensure availability of sufficient funds for debt servicing.

Please refer to applicable criteria at the end.

Rating Outlook: Stable

BWR believes that Ambience Developers & Infrastructure 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 lease out the remaining area and revenues as well as profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down on account of vacancies by the tenants and profit margins show lower than expected figures.

About the Company:

Incorporated in 1991 at New Delhi, Ambience Developers and Infrastructure Private Limited (ADIPL) is a part of the Ambience group. ADIPL owns and operates the '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 deluxe hotel, two office towers and two premium residential apartments' complexes. The construction and development of the mall commenced in Feb 2004 and completed in March 2007. Thereafter the lessees occupied during Aug/Sep 2007.

The total Leasable Super Area in the Mall is 16.75 Lakhs Sq. Ft of which 14 Lakhs Sq. Ft is currently leased. There are approx. 250 lessees in the mall. Top 20 lessees include reputed names such as H&M, Arvind Lifestyle, Future Group, PVR, Zara, Marks & Spencer and Trent etc.

Company's Financial Performance:

The company shows the electricity, water & gas charges collected from the tenants as part of the operating income as well as operating expenses, since, the amount is collected from the tenants and then paid to the respective authorities.

Key Financial Indicators are given in the table below:

| Key Financial Indicators | | | |
|--------------------------|------------|----------|----------|
| Particulars | Unit | FY17 (A) | FY18 (A) |
| Operating Income | Rs. Crores | 229.04 | 249.90 |
| EBITDA | Rs. Crores | 161.89 | 166.32 |
| Net Profit | Rs. Crores | 6.19 | 23.70 |
| TNW | Rs. Crores | 266.48 | 290.18 |
| Total Debt | Rs. Crores | 1382.49 | 1339.31 |
| Total Debt : Equity | Times | 5.19 | 4.62 |

Rating History for the last three years:

| Sl. No. | Facility | Current Rating (Nov 2018) | | | Rating History | | | |
|-----------------------|----------------|---------------------------|-----------------|--|------------------|------------------|------------------|------------------|
| | | Type | Amount (Rs Crs) | Rating | Sep 2018 | April 2018 | 2017 | 2016 |
| Fund Based | | | | | | | | |
| 1. | Term Loan | Long Term | 1450 | BWR BBB+ (Stable) | Rating Withdrawn | BWR BBB (Stable) | BWR BBB (Stable) | Rating Withdrawn |
| 2. | OD | | 50 | | NA | NA | NA | NA |
| Non-Fund Based | | | | | | | | |
| 1. | Bank Guarantee | Short Term | 0 | NA | Rating Withdrawn | BWR A3+ | BWR A3+ | Rating Withdrawn |
| Total | | | 1500 | INR One Thousand Five Hundred Crores Only | | | | |

Status of Non-Cooperation with Previous CRA: NA

Any Other Information: NA



Hyperlink/Reference to Applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

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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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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