

## Rating Report

**Brickwork Ratings upgrades the rating of Working capital facilities of ₹ 15 crores 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 Crores.**

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	BWR BB+ (Pronounced BWR Double B Plus) Outlook: Stable	BWR BB- (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 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

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

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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.

### **Key Rating Determinants:**

*New Projects Added:* The company has added four new commercial projects in its portfolio during FY16 which is expected to lead to improved revenue and profitability position for the company.

Further the unleased portion of Ambience Mall, Vasant Kunj and Ambience Mall Gurgaon is expected to be leased out in the current financial year which will be an added source of revenue for

the company.

**Infusion of Funds by Promoters:** The promoters have infused fresh equity amounting to Rs. 5 Crs and transferred Rs. 3.99 Crs from reserves & surplus to share capital by issuing bonus shares during FY15. The paid up capital stands at Rs. 9 Crs as on March 31, 2015. Further the promoters have also infused unsecured loans (to be retained in the company till the bank borrowings are repaid) amounting to Rs. 7.75 Crs during April-June 2015 and have committed to bring additional equity of Rs. 4 Crs by end of July 2015.

**Structure of the ESS Project:** The Company is required to maintain an escrow account and the additional CAM charges will be deposited in the account which will be first used to repay the borrowings and then for other purposes. Also, the company is required to maintain a DSRA equivalent to two quarter principal and interest payment obligations at any given point of time to secure the borrowings.

### **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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**Ambience Facilities Management Pvt Ltd**  
**Annexure I – Profit & Loss Account Summary**

<b>P&amp;L Account (Rs. Crores)</b>	<b>FY13 (A)</b>	<b>FY14 (A)</b>	<b>FY15 (A)</b>
Net Sales	91.74	98.26	108.09
Other Operating Income	0.42	4.66	6.80
<b>Total Operating Income</b>	<b>92.15</b>	<b>102.91</b>	<b>114.89</b>
Operating Expenses	88.66	98.62	109.05
<b>OPBDIT</b>	<b>3.49</b>	<b>4.29</b>	<b>5.84</b>
Depreciation/Amortization/Impairment	0.18	0.31	0.59
Interest and Finance Charges	1.71	3.56	3.90
Non-Operating Income(Expenses)	0.18	0.79	0.13
<b>PBT</b>	<b>1.78</b>	<b>1.20</b>	<b>1.48</b>
Provision for Taxes	0.70	0.42	0.51
<b>PAT</b>	<b>1.08</b>	<b>0.78</b>	<b>0.97</b>

**Ambience Facilities Management Pvt Ltd**  
**Annexure II – Balance Sheet Details**

<b>LIABILITIES (Rs. Crores)</b>	<b>FY13 (A)</b>	<b>FY14 (A)</b>	<b>FY15 (A)</b>
<b>EQUITY AND RESERVES</b>	<b>3.58</b>	<b>4.36</b>	<b>10.33</b>
Share capital	0.01	0.01	9.00*
Preference Share Capital/Quasi Equity	0.00	0.00	0.00
Reserves and Surplus	3.57	4.35	1.33
<b>Non-current liabilities</b>	<b>0.22</b>	<b>0.40</b>	<b>0.53</b>
Long-Term Borrowings	0.00	0.00	0.00
Deferred tax Liabilities (Net)	0.22	0.40	0.53
<b>Current liabilities</b>	<b>50.86</b>	<b>102.29</b>	<b>112.39</b>
Short-Term Borrowings	20.16	20.16	15.16
Trade Payables	7.22	10.41	19.18
Other Current Liabilities	21.53	71.48	77.43
Short-Term Provisions	1.95	0.24	0.62
<b>Total Liabilities</b>	<b>54.65</b>	<b>107.05</b>	<b>123.25</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>5.28</b>	<b>6.27</b>	<b>14.21</b>
Net Fixed assets	5.28	6.27	14.21
Capital Work-In-Progress	0.00	0.00	0.00
<b>Current assets</b>	<b>49.37</b>	<b>100.78</b>	<b>109.04</b>
Inventories	0.00	0.00	0.03
Trade Receivables > Six Months	2.84	7.04	6.68
Trade Receivables < Six Months	3.34	2.27	10.05
Cash and Cash Equivalent	6.16	6.71	0.46
Short-Term Loans and Advances	33.13	79.53	84.57
Other Current Assets	3.90	5.23	7.24
<b>Total Assets</b>	<b>54.65</b>	<b>107.05</b>	<b>123.25</b>

**Ambience Facilities Management Pvt Ltd**  
**Annexure III – Key Financial Ratios**

Key Ratios	Unit	FY13 (A)	FY14 (A)	FY15 (A)
Total Debt	Crores	20.16	20.16	15.16
Tangible Net Worth	Crores	3.58	4.36	10.33
Total Debt/TNW	Times	5.63	4.63	1.47
Long Term Debt/TNW	Times	0.00	0.00	0.00
TOL/TNW	Times	14.27	23.58	10.93
ISCR	Times	2.05	1.20	1.50
DSCR	Times	1.74	1.31	1.40
Net Cash Accruals/Total Debt	Times	0.08	0.06	0.11
Net Cash Accruals/Long Term Debt	Times	NA	NA	NA
Net Profit Margin	%	1.17	0.76	0.85
Operating Profit Margin	%	3.79	4.17	5.09
ROCE	%	13.81	16.28	20.61
Current Ratio	Times	1.64	3.10	2.73
Days Receivables	Days	24	29	44
Net Cash Flow from Operating Activities (as reported)	Crores	-11.31	1.84	2.29
Net Cash flow from Investing Activities (as reported)	Crores	-3.16	-1.30	-8.54
Net Cash Flow from Financing Activities (as reported)	Crores	20.16	0.00	0.00