

## Rating Report

### Brickwork Ratings assigns 'BWR B+' for the Bank Loan facilities aggregating ₹639 Cr of Ambience Hotels & Resorts Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating<sup>1</sup>** for the Bank Loan Facilities of Ambience Hotels & Resorts Pvt Ltd (*AHRPL* or 'the company').

Facility	Amount ( ₹Cr)	Tenure	Rating
CC/OD	40.00	Long Term	<b>BWR B+</b> (Pronounced as BWR B Plus) <b>Outlook : Stable</b>
Term Loan (Fund Based)	559.00		
Bank Guarantee#	40.00		
<b>Total</b>	<b>639.00</b>	<b>INR Six Hundred Thirty Nine Crores only</b>	

# For Short term Bank Guarantees the corresponding rating would be BWR A4 (BWR A Four).

BWR has principally relied upon the audited financial results up to FY14 and projected financials up to FY16 of Ambience Hotels & Resorts Pvt Ltd (AHRPL), publicly available information and information/clarifications provided by the company.

The ratings factor the track record of the group, established brand name "The Leela" and healthy operating margins. The ratings are, however, constrained by relatively high gearing levels with weak debt protection indicators, high interest cost leading to low profitability and weak liquidity position of the company.

#### Background:

Incorporated in 1994 at New Delhi, Ambience Hotels & Resorts Pvt Ltd (AHRPL) is operating a five star hotel and serviced Apartments under 'The Leela' brand name. The hotel is a 322 key five star property operated under the brand name of Leela. The company also operates a 90 key serviced apartments property in the same premises. Both the five star hotel & services apartments are located at **Ambience Island**, an integrated township consisting of high end residential, corporate offices, institutional spaces and recreational & entertainment facilities besides the 9 hole golf course with Ambience Mall located 1 km away. The average occupancy of the hotel has remained in the range of 77% over the last three years with an average ARR of Rs. 9500.

The additional services provided for the hotel & serviced apartments includes banquet halls, conference halls, meeting rooms, corporate club, business centres, lounge, bar and restaurants, spa & health club, swimming pool, discotheque and florist shop.

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

### **Ownership & Management:**

AHRPL is owned and managed by the Delhi based Gehlot family. The Board of Directors include Mr. Raj Singh Gehlot, Mr. Aman Gehlot, Mr. Dayanand Singh and Mr. Shekhar Singh. 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. and over 4 million Sq. Ft. of area is presently under construction apart from a township project on 315 acres of land.

### **Financial Highlights:**

AHRPL recorded Net Revenue of Rs. 195.81 Cr for FY14. The revenue declined marginally from Rs. 200.90 Cr in FY13 on account of slightly lower occupancy levels. The EBITDA margin and Net margin increased from 39.86% and -11.25% in FY13 to 43.31% and -10.22% in FY14 respectively. The company is suffering losses on account of high interest and finance charges. Tangible Net Worth stood at Rs. 241.08 Cr as on March 31, 2014 with an Overall Gearing of 2.54 times. The lending Bankers have classified the Company’s accounts as Standard assets. The company has provided an adequate security cover for the borrowings.

### **Key Rating Determinants:**

Healthy Operating Margins: The Company has been reporting healthy operating margins for the past three years. The Operating Margin of the company increased from 39.86% in FY13 to 43.31% in FY14.

Weak Debt Protection Indicators: The overall debt protection indicators of the company was low with an Interest Service Coverage Ratio (ISCR) of 1.06 times and Debt Service Coverage Ratio (DSCR) of 0.79 times as on March 31, 2014.

High Interest Cost: Despite healthy operating margins, the company has been reporting net losses due to high interest cost. The company recorded high interest cost of Rs. 79.70 Cr resulting into net losses of Rs. 20.01 Cr for FY14.

### Rating Outlook:

The outlook is expected to be stable over the next one year. Going forward, the ability of the company to its improve capital structure, profitability and liquidity position shall remain key rating monitorables.

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**Ambience Hotels & Resorts Pvt Ltd**  
**Annexure I – Profit & Loss Account Summary**

<b>P&amp;L Account Summary (Rs. Crores)</b>	<b>FY12 (A)</b>	<b>FY13 (A)</b>	<b>FY14 (A)</b>
Net Sales	207.34	200.73	195.62
Other Operating Income	0.14	0.17	0.19
<b>Total Operating Income</b>	<b>207.48</b>	<b>200.90</b>	<b>195.81</b>
Operating Expenses	122.89	120.82	111.00
<b>OPBDIT</b>	<b>84.58</b>	<b>80.09</b>	<b>84.81</b>
Depreciation/Amortization/Impairment	23.05	23.44	24.70
Interest and Finance Charges	76.67	80.45	79.70
Non-Operating Income(Expenses)	1.92	2.87	0.38
<b>PBT</b>	<b>-13.22</b>	<b>-20.93</b>	<b>-19.21</b>
Provision for Taxes	3.21	1.68	0.80
<b>PAT</b>	<b>-16.42</b>	<b>-22.60</b>	<b>-20.01</b>

**Ambience Hotels & Resorts Pvt Ltd**  
**Annexure II – Balance Sheet Details**

<b>LIABILITIES (Rs. Crores)</b>	<b>FY12 (A)</b>	<b>FY13 (A)</b>	<b>FY14 (A)</b>
<b>EQUITY AND RESERVES</b>	<b>269.48</b>	<b>254.90</b>	<b>241.66</b>
Share capital	123.84	123.84	123.84
Reserves and Surplus	145.63	131.06	117.82
<b>Non-current liabilities</b>	<b>662.00</b>	<b>640.00</b>	<b>614.04</b>
Long-Term Borrowings	587.00	565.00	539.04
Other Long Term liabilities	75.00	75.00	75.00
<b>Current liabilities</b>	<b>102.49</b>	<b>127.50</b>	<b>150.20</b>
Short-Term Borrowings	40.93	44.64	41.75
Current Portion Of Long Term Debt	18.00	27.00	31.98
Trade Payables	28.09	11.38	14.13
Other Current Liabilities	15.47	44.49	62.34
<b>Total Liabilities</b>	<b>1033.97</b>	<b>1022.40</b>	<b>1005.90</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>968.46</b>	<b>961.43</b>	<b>958.60</b>
Net Fixed assets	813.98	800.59	791.39
Net Intangible assets	0.18	0.19	0.58
Non-Current Investments	125.90	125.90	125.90
Deferred Tax Assets (Net)	28.40	34.75	40.72
<b>Current assets</b>	<b>65.51</b>	<b>60.97</b>	<b>47.30</b>
Inventories	12.75	11.61	11.22
Trade Receivables > Six Months	3.10	2.86	3.14
Trade Receivables < Six Months	9.69	10.41	13.45
Cash and Cash Equivalents	15.70	18.13	4.21
Short-Term Loans and Advances	24.26	17.96	15.28
Other Current Assets	0.00	0.00	0.00
<b>Total Assets</b>	<b>1033.97</b>	<b>1022.40</b>	<b>1005.90</b>

**Ambience Hotel & Resorts Pvt Ltd**  
**Annexure III – Key Financial Ratios**

Key Ratios	Unit	FY12 (A)	FY13 (A)	FY14 (A)
Total Debt	Crores	645.93	636.64	612.76
Tangible Net Worth	Crores	269.30	254.71	241.08
Total Debt/TNW	Times	2.40	2.50	2.54
Long Term Debt/TNW	Times	2.18	2.22	2.24
TOL/TNW	Times	2.84	3.01	3.17
ISCR	Times	1.10	1.00	1.06
DSCR	Times	1.09	0.83	0.79
Net Cash Accruals/Total Debt	Times	0.01	-0.01	0.00
Net Cash Accruals/Long Term Debt	Times	0.01	-0.01	0.00
Net Profit Margin	%	-7.92	-11.25	-10.22
Operating Profit Margin	%	40.77	39.86	43.31
ROCE	%	6.94	6.50	7.20
Current Ratio	Times	0.64	0.48	0.31
Days Receivables	Days	22	24	28
Days Inventory	Days	55	50	49
Days Payable	Days	354	237	179
Conversion Cycle	Days	-276	-164	-101
Net Cash Flow from Operating Activities (as reported)	Crores	91.18	99.67	105.04
Net Cash flow from Investing Activities (as reported)	Crores	-6.95	-7.79	-15.71
Net Cash Flow from Financing Activities (as reported)	Crores	-85.00	-89.46	-103.26