

Rating Report

Brickwork Ratings assigns a rating of ‘BWR BB-’ for the Proposed Senior Secured & Listed NCD Issue of Rs. 1100 Crores and upgrades the rating to ‘BWR BB-’ for the Long term Bank Loan Facilities aggregating ₹ 1312.29 Crores of Ambience Private Limited (APL), New Delhi.

Brickwork Ratings (BWR) has assigned the following **Ratings**¹ for the Proposed Senior Secured & Listed NCD Issue and Long term Bank Loan Facilities of Ambience Private Limited (APL), New Delhi.

Facility*	Previous Amount (₹ Crs)	Current Rating Amount (₹ Crs)	Tenure	Present Rating	Rating History
Proposed NCD	-	1100.00	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable	Fresh
Total	-	1100.00	INR One Thousand One Hundred Crores Only		
Fund Based: Term Loan O/S	1535.79	1055.99	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable (Upgrade)	BWR B+ (Pronounced BWR B Plus) Outlook: Stable (March 2014)
Fund Based: CC/ODP	154.00	128.00			
Non Fund Based: BG	105.00	128.30			
Total	1794.79	1312.29	INR One Thousand Three Hundred Twelve Crores and Twenty Nine Lakhs Only		

BWR has principally relied upon the audited financial results up to FY15, projected financials up to FY20 of Ambience Pvt Ltd (APL), publicly available information and information/clarifications provided by the company.

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

The ratings draw comfort from the experienced promoters and management team, established track record of the Ambience Group in the NCR region, significant amount of funds infused by the promoters in the ongoing projects, that all the required approvals for the ongoing projects are in place and the progress in the projects are as per schedule. The ratings, however, are constrained on account of project off-take risk as the marketing for the ongoing projects is yet to be launched, high gearing level, high interest & finance cost impacting the profitability of the company and slowdown in the real estate segment in the NCR region.

Background:

Ambience Private Limited (APL) is a real estate development company incorporated in 1986 at New Delhi. APL has a diversified portfolio of completed, ongoing and planned real estate development projects, which include integrated townships, residential projects, including premium and luxury residential apartment complexes, commercial projects, including corporate office towers and retail projects.

The Company, currently, has three projects in its portfolio – Cairtriona Apartments, Gurgaon (completed); Ambience Tiverton, Noida and Ambience City, Panipat. All the required approvals for the ongoing projects are in place. The construction of Cairtriona Apartments is complete and the Company has sold more than 70% of the apartments in the project.

The company expects the construction of Ambience Tiverton to be completed by September 2017 and Ambience City by 2019.

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 border. 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.

Terms of the NCD Issue:

- APL has proposed to raise Senior Secured and Listed NCDs amounting to Rs. 1100 Cr with a tenor of 4 ½ years (54 months).
- The proceeds of the NCDs will be used towards the development of the residential projects, repayment of the existing debt and working capital requirements etc.

- The NCDs are proposed to be repaid in 5 quarterly instalments commencing from 42nd month from the date of allotment. The entire amount is to be repaid by 54th month from the date of allotment.
- The NCDs will be listed on both BSE & NSE.
- The company will maintain a DSRA account with an amount equal to the amount due on the immediately following Interest Payment Date at all times.

Financial Performance:

The Company follows the percentage of completion method for revenue recognition. APL recorded a Net Revenue of Rs. 689.47 Cr for FY15 as compared to Rs. 353.24 Cr in FY14. The revenue increased on account of sales in the Cairtriona Project. The company reported EBITDA Margin and Net Margin of 17.02% and 3.54% respectively in FY15. Tangible Net Worth (TNW) stood at Rs. 534.92 Cr as on March 31, 2015 with an Overall Gearing of 2.38 times. The promoters have infused unsecured loans amounting to Rs. 199.05 Cr in the company which are to be retained till the bank loans are repaid in full. After adjusting for the said unsecured loans, the TNW increases to Rs. 733.97 Cr and the Gearing reduces to 1.48 times as on March 31, 2015.

The Company's Bankers have reported that the Term loan accounts with them are Standard Assets.

Key Rating Determinants:

Progress in the Projects: All the required approvals for the projects are in place. The construction of both the projects have been completed by more than 45% and the projects are likely to get completed as per the schedule.

Infusion of funds by the Promoters: The promoters have infused significant amount of funds in both the projects. Promoters' contribution for Ambience City is Rs. 425 Cr (100% of the total requirement) and for Ambience Tiverton is Rs. 141.70 Cr (56.68% of the total requirement).

Project Off-take Risk: The marketing for both the projects has not been launched yet. The overall market sentiment is currently weak in the NCR region with high levels of unsold inventory and declining demand. Although, the management is confident of healthy sales in their projects due to their reputation & quality, it can only be confirmed once the marketing of the ongoing projects is launched and response received.

High Interest & Finance Cost: The company's interest and finance cost is high, impacting its bottom-line. The company incurred an interest cost of Rs. 76 Cr for FY15 as compared to Rs. 45.52 Cr for FY14.

Rating Outlook:

The Company's performance is expected to be Stable over the next twelve months. Going forward the ability of the Company to ensure healthy bookings for the ongoing projects as envisaged, achieve projected revenue and profitability levels, complete the ongoing projects as per schedule and within the stipulated cost, meet its debt obligations on time and improve its capital structure shall remain key rating sensitivities.

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Ambience Private Limited
Annexure I – Profit & Loss Account Summary

P&L Account Summary (Rs. Crores)	FY13 (A)	FY14 (A)	FY15 (A)
Total Operating Income	513.52	353.24	689.47
Operating Expenses	425.16	274.94	572.12
OPBDIT	88.36	78.29	117.35
Depreciation/Amortization/Impairment	1.98	2.06	5.16
Interest and Finance Charges	43.95	45.52	76.00
Non-Operating Income(Expenses)	9.09	2.91	1.49
PBT	51.52	33.62	37.68
Provision for Taxes	24.12	11.69	13.28
PAT	27.43	21.93	24.40

Ambience Private Limited

Annexure II – Balance Sheet Details

LIABILITIES (Rs. Crores)	FY13 (A)	FY14 (A)	FY15 (A)
EQUITY AND RESERVES	488.44	510.37	534.92
Share capital	302.84	302.84	302.84
Reserves and Surplus	185.60	207.53	232.08
Non-current liabilities	937.34	1189.79	840.09
Long-Term Borrowings	936.58	1188.30	839.69
Deferred tax Liabilities	0.76	1.49	0.40
Current liabilities	1748.27	1406.28	1180.22
Short-Term Borrowings	611.63	151.00	133.00
Current Portion Of Long Term Debt	0.00	337.23	299.74
Trade Payables	104.95	57.04	64.69
Other Current Liabilities	994.39	807.49	632.36
Short-Term Provisions	37.30	53.53	50.43
Total Liabilities	3174.05	3106.44	2555.23
ASSETS			
Non-current assets	601.74	524.92	168.82
Net Fixed assets	17.34	15.57	11.42
Non-Current Investments	584.40	509.35	157.40
Current assets	2572.30	2581.52	2386.41
Current Investments	0.00	75.05	75.05
Inventories	1398.23	2263.26	2037.65
Trade Receivables > Six Months	764.95	94.62	31.74
Trade Receivables < Six Months	295.42	18.06	6.05
Cash and Cash Equivalents	18.32	25.22	9.15
Short-Term Loans and Advances	95.38	105.31	226.77
Other Current Assets	0.00	0.00	0.00
Total Assets	3174.05	3106.44	2555.23

Ambience Pvt Ltd
Annexure III – Key Financial Ratios

Key Ratios	Unit	FY13 (A)	FY14 (A)	FY15 (A)
Total Debt	Crores	1548.22	1676.53	1272.43
Tangible Net Worth	Crores	488.44	510.37	534.92
Total Debt/TNW	Times	3.17	3.28	2.38
Long Term Debt/TNW	Times	1.92	2.33	1.57
TOL/TNW	Times	4.62	3.11	2.35
ISCR	Times	2.01	1.72	1.54
DSCR	Times	1.67	0.39	0.26
Net Cash Accruals/Total Debt	Times	0.02	0.01	0.02
Net Cash Accruals/Long Term Debt	Times	0.04	0.02	0.03
Net Profit Margin	%	5.34	6.21	3.54
Operating Profit Margin	%	17.21	22.16	17.02
ROCE	%	4.24	3.61	5.62
Current Ratio	Times	1.47	1.84	2.02
Days Receivables	Days	754	606	40
Net Cash Flow from Operating Activities (as reported)	Crores	0.00	-81.32	109.13
Net Cash flow from Investing Activities (as reported)	Crores	0.00	2.62	352.58
Net Cash Flow from Financing Activities (as reported)	Crores	0.00	85.60	-477.79