

Press Release

Ambience Developers and Infrastructure Private Limited

August 14, 2020

Rating

Instrument / Facility	Amount (Rs. Crore)	Current Rating	Previous Ratings	Rating Action
Long Term Fund Based Bank Facilities	1470.00	IVR BBB+/ Credit Watch with Developing Implications (IVR Triple B Plus/ Credit Watch with Developing Implications)	IVR A- /Stable Outlook (IVR Single A Minus/ with Stable Outlook)	Revised
Short Term Non-Fund Based Bank Facilities	15.00	IVR A2 (IVR A Two)	IVR A2+ (IVR A Two Plus)	Revised
Total	1485.00			

Details of Facilities are in Annexure 1

Detailed Rationales

The revision of the rating to the bank facilities of Ambience Developers and Infrastructure Private Limited (ADIPL) reflects the recent development in the operational and financial performance of the company led by the covid-19 pandemic situation and impact of it on retail sector. Rating revision also reflects the view on the cancellation orders of delicensing of residential complex and investigation orders from Honourable High Court of Punjab and Haryana. **The rating is under credit watch with developing implications** on account of challenges posed due to above mentioned reasons.

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The rating continues to draw comfort from its experienced promoters and management, escrow mechanism and structured payment waterfall, locational advantage, Renowned Lessees with long standing minimizing counter party risk. These strengths are partially offset by high gearing and growth in e-commerce industry. Improvement in profitability margins and maintaining DSCR above 1.25x, renting out the unleased area to shore up revenues, and improvement in debt metrics are the key rating sensitivities.

Upward Factors

- Significant improvement in profitability metrics and maintain the DSCR above 1.25x, renting out the unleased area to shore up the revenues and improvement in debt metrics are the key rating sensitivities.

Downward Factors

- Significant fall in revenue in FY21, and/or deterioration in profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action
- Deterioration in capital structure

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experience promoters and Management team

Ambience group has been in the real estate industry for over three decades. The Group is engaged in the acquiring, developing, and marketing of real estate business. The day to day operations of the company are looked after by Mr Raj Singh Gehlot, FCA, founder of the Group, with a vast experience of over 34 years. Project development and marketing activities are looked after by Mr. Aman Gehlot, CA, with over 7 years of experience in the business. Construction and development work of the group is managed by Mr. Arjun Gehlot, CA, with an experience of over 4 years in the business. The day to day affairs of the group are managed by experienced professionals.

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Escrow mechanism and structured payment waterfall

The main bank loan facility has been structured in the form of a Lease Rental Discounting (LRD) facility. The terms of the LRD facility require that the lease rent receivables from all the tenants of the mall be routed directly to an Escrow Account set up specifically for the repayment of the said LRD facility. The lease rent amounts deposited in to the Escrow Account would be applied towards statutory dues and the scheduled interest and principal repayments of the LRD facility as per the payment waterfall. Only after fulfilling the repayments towards the LRD facility, any amounts remaining in the Escrow Account would be allowed to be paid out to ADIPL.

Locational advantage

Ambience Mall, Gurgaon is part of Ambience Island, an integrated township situated immediately on Delhi-Haryana border facing vast expanse of Rajokri Green on one side and 9-hole Golf Course on other side. It is situated on Delhi-Jaipur National Highway (NH-8) and is at a distance of 3.5 km. from Radisson Hotel and 5 km. from Indira Gandhi International (IGI) Airport, New Delhi. This Shopping Mall is situated at a distance of 10 to 20 kms from different parts of the Central Business Districts (CBDs) of Delhi.

Renowned Lessees with established brands minimizing counter party risk

There are over 230 lessees of the Mall which are the leading domestic and international brands having long term lease arrangement with the company with satisfactory track record of payment of rents. Lease rent is deposited in to the escrow account under the irrevocable undertaking given by lessees. As per the terms of the sanction interest and instalments to be served first from the escrow account and thereafter the funds will be transferred to ADIPL.

Key Weaknesses

High gearing



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Overall gearing ratio stood high at 5.33x and 5.77x in FY18 and FY19 respectively. TOL/TNW was also high at 6.29x and 6.51x in FY18 and FY19. However, company is generating sufficient rental income to meet its debt obligations on time.

Growth in e-commerce industry

Though, India remains an underdeveloped retail ecommerce market, with digital commerce accounting for only a small piece of the country's total retail sales. Given the growth of e-commerce in India, retailers are feeling the heat. Heavy discounts on the online platforms affects the margins of the retail outlets of malls, unless shopping centres have positioned themselves as entertainment hubs and hangout zones. However, e-commerce players are also facing challenges in growing their revenues and are exploring hybrid models where they are setting up brick and mortar stores to shore up their sales figures, improve consumer experience and provides an assurance to the consumer of a physical presence of the e-tailer.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Stretched

ADIPL liquidity position is stretched marked by the disruptions caused by the covid-19 pandemic leading to operations of mall in a restricted manner and low footfall in the malls. Disruptions in the operations has led to moderated revenue collection during lockdown period. However, ADIPL has availed moratorium till August, 2020 under covid-19 relief package. Further, resumption of retail sector under unlock 2.0 has imparted some comfort towards attaining descent flow of revenues. The rating is under credit watch with developing implications on account of challenges posed due to above mentioned reasons.

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About the Company

M/s Ambience Developers & Infrastructure Private Limited (ADIPL) was incorporated on 23rd October, 1991 as a private limited company in the name of HLF Enterprises Private Limited engaged in promotion, construction and development of townships, colonies, commercial and residential complexes, infrastructure projects. The registered office of the company is located at New Delhi.

Ambience Developers & Infrastructure Pvt. Ltd. owns and manage the Ambience Mall, Gurgaon at Ambience Island, NH-8. It is one of the largest shopping malls in the North India and caters to the posh South Delhi and elite North Gurgaon region.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	248.34	293.33
EBITDA	163.91	190.67
PAT	23.70	17.73
Total Debt	1339.31	1475.72
Tangible Net worth	242.16	255.69
EBITDA Margin (%)	66.00	65.00
PAT Margin (%)	9.41	6.11
Overall Gearing Ratio (x)	5.53	5.77

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term loan	Long Term	1420.00	IVR BBB+ / Under Credit watch with developing implications	IVR A- / Stable (September 09, 2019)	-	-
2.	Overdraft	Long Term	50.00	IVR BBB+ / Under Credit watch with developing implications	IVR A- / Stable (September 09, 2019)	-	-
3.	LC/BG	Short Term	15.00	IVR A2	IVR A2+ (September 09, 2019)		

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio.

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Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Overdraft	-	-	-	50.00	IVR BBB+ / Under Credit watch with developing implications
Long Term Bank Facilities- Term Loan	-	-	Latest by May, 2033	1420.00	IVR BBB+ / Under Credit watch with developing implications
Short Term Bank Facilities- LC/BG	-	-	-	15.00	IVR A2