



Press Release

Alankar Apartments Private Limited [AAPL]

December 11, 2020

Rating

Sl. No.	Instrument/ Facility	Amount (Rs. crore)	Current Ratings	Rating Action
1	Long term Loan-LRD facility	983.80 (Increased from Rs.973.00 Crore)	IVR A-/Stable Outlook (IVR Single A Minus with Stable Outlook)*	Reaffirmed
	Total	983.80		

**LRD-Lease Rental Discounting*

Details of facilities are in Annexure 1

Rating Rationale

The rating continues to derive strength from experienced promoters & management team, Escrow mechanism & structured waterfall payment mechanism, location advantage and renowned lessees with long standing relationship minimising counter party risk. The rating however is constrained by high Intragroup/ Associate companies' transactions, renewal of master lease agreements and susceptibility to cyclicity inherent in the Real Estate sector further aggravated by Covid-19.

Key Rating Sensitivities:

Upward Rating Factor:

- Timely renewal/ fresh tie-ups at higher rates leading to improvement in cash surplus

Downward Rating Factor:

- Non- renewal/ fresh tie-ups at competitive rates upon the expiry of lease tenor termination of lease agreement with any of the major tenants leading to reduction in occupancy rates and/or cash surplus



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoter and management team

Alankar Apartments Private Limited (AAPL) is a part of the Ambience group which 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.

Escrow mechanism and structured waterfall payment mechanism

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 office tower be routed directly to an Escrow Account set up specifically for the repayment of the said LRD facility. The lease rent amounts deposited into the Escrow account would be applied towards statutory dues and the scheduled interest and principal repayments of the LRD facility as per the structured waterfall payment mechanism. The company is also maintaining a DSRA of INR12.00Cr as on 31st October, 2020.

Locational advantage

Ambience Corporate Office Tower II, Gurgaon is the part and parcel of Ambience Island – an Integrated Township spread over 135 acres of land being located on Delhi Gurgaon Border on NH-8. The boundary of Ambience Island is the boundary of Delhi & Haryana. Ambience Island is in the close vicinity of both domestic & international Airports. Further Ambience Island is a part of Special Zone as per Master Development Plan of Gurgaon with all the four permissible development usages i.e. Residential, Commercial, Institutional, Recreational & Entertainment.



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Renowned Lessees with long standing relationship minimising counter party risk

Ambience Corporate Office Tower II located is at Ambience Island, Gurgaon and has a total leasable area of 10.68 lakhs sq. Ft. The complex is operational from 2016 with almost 100% occupancy and all the lessees are of either most reputed multinationals or are of International repute such as Markit, Deloitte, Panasonic, Amazon, Sabic India and Sansbury, etc.

Key Rating Weaknesses

High Intragroup/ Associate companies transactions

The company has done a significant amount of related party transactions by a way of contribution toward joint venture agreement with the associate companies owing land for the development of residential and commercial projects located at Gurugam and Udaipur and valued at cost. Total amount of such transaction stood at of Rs. 487. 30 Cr in FY20 and Rs. 460.50 Cr in FY19

Renewal of Master Lease Agreements

The master lease agreements have been entered with different parties for various tenors ranging from 9 to 12 years. Further, the lock-in period has also expired for tenants occupying about 42.13% of the leased area as of October 31, 2020. However, the lease rent for the initial lease term will be enhanced after expiry of first 3 (three) years during the initial lease term at the rate of 15% over the last paid lease rent.

Susceptibility to cyclicalities inherent in the Real Estate sector further aggravated by Covid-19

The real estate sector is volatile in nature with an inherent liquidity risk associated to it. There may be fluctuations in cash flows due to delayed realization & changes in regulatory requirements. The uncertainty pertaining around Covid-19 also dents the demand of commercial as well as residential real estate demand.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Structure Debt Transaction (Non- securitisation transaction)



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➤ Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The company has an adequate liquidity position. The surplus generated from lease rental business is sufficient to meet the debt obligations. The LRD facility is backed by an escrow arrangement and stipulates maintenance of Debt Service Reserve Account

About the company

Alankar Apartments Private Limited (AAPL) was incorporated in 1989 as a Private Limited Company with the main objects of carrying on the business of promotion, construction, and development of townships, colonies, commercial and residential complexes, projects, etc. The company has constructed a state of the art Ambience Corporate office tower II at Ambience Island, NH-8. The tower is one of the best located corporate office complexes in Gurgaon at Ambience Island Township. The complex is comprised of Ground + eleven floors (12 levels) with three- level basements and a stilt floor. The total leasable area in the Tower is 10.68 lacs sq. ft. Further, there is dedicated car parking for 1100 cars for the lessees in the tower.

Financials (Standalone)

INR in Crore

For the year ended / As on	31-Mar-19	31-Mar-20
	(Audited)	(Audited)
Total Operating Income	92.53	167.62
EBITDA	84.07	155.58
PAT	12.33	18.98
Total Debt	938.33	939.21
Tangible Net Worth	-6.31	36.92
EBIDTA Margin (%)	90.86	92.82
PAT Margin (%)	13.22	11.20

** Classification as per Infomerics' standards*

Details of Non Co-operation with any other CRA: N.A.

Any other information: N.A.



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Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-2021)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 November 12 th , 2019	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan-LRD Facility	Long Term	983.80	IVR A-/ Stable Outlook	IVR A-/ Stable Outlook	--	--

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. 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

Sr. No	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Long Term Loan-LRD Facility	--	--	Dec-2029	983.80	IVR A- /Stable Outlook

Annexure 2: Facility wise lender details: [Lenders-AAPL-11-12-2020.pdf](#)