

Infomerics Valuation And Rating Pvt. Ltd.

Ambience Developers and Infrastructure Private Limited

September 09, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Bank Facilities- Long Term	1470.00	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)
2.	Bank Facilities- Short Term	15.00	IVR A2+ (IVR A two plus)
	Total	1485.00	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws 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.

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 Group affairs are looked after by Mr Raj Singh Gehlot, FCA, founder of the Group, with a vast experience of over 35 years. Project development and marketing activities are looked after by Mr. Aman Gehlot, CA, with over 10 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 7 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 bank Term 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, NewDelhi. This Shopping Mall is situated at a distance of 10 to 20 kms from south Delhi and 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.

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Key Rating Weaknesses

High gearing

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 & Applicable Criteria:

Standalone

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

ADIPL is generating sustained income through lease rentals from leading domestic and international branded stores. The company is projected to maintain adequate level of inflows through lease rentals and the same is expected to increase gradually with increase in leasing of vacant area. ADIPL has sufficient inflow to service its debt obligations. The interest coverage

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ratio was at 1.12x in FY19 and projected at comfortable level of 1.91x in FY20. All these factors indicate adequate degree of liquidity support to the company in meeting its debt obligations.

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. has developed an 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

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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits – Overdraft	Long Term	50.00	IVR A- /Stable	-	-	-
2.	Long Term Fund Based Limits – Term Loan	Long Term	1420.00	IVR A- /Stable	-	-	-
3.	Short Term Non- Fund Based Limits – Letter of Credit/Bank Guarantee	Short Term	15.00	IVR A2+	-	-	-

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

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 A-/Stable
Long Term Bank Facilities- Term Loan	-	-	Up to 2033	1420.00	IVR A-/Stable
Short Term Bank Facilities – Letter of Credit/Bank Guarantee	-	-	-	15.00	IVR A2+