



Press Release

Alankar Apartments Developers Private Limited [AAPL]

August 11, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Loan-LRD Facility	983.80	IVR BBB/ Negative Outlook (IVR Triple B with Negative Outlook)	Revised
	Total	983.80		

LRD-Lease Rental Discounting

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in rating and outlook to the bank facilities of AAPL factors in the evident stress on the domestic commercial real estate sector as described by the substantial fall in the revenues in FY21 as compared to FY20 impacted by the ongoing Covid 19 pandemic. Furthermore, the company has registered a fall in Q1FY2022 revenues amidst measured lockdowns associated with the pandemic.

Further, Infomerics also notes the recent news in the public domain with regards to the key promoter of the Ambience Group. Infomerics will continue to monitor events surrounding the group and evaluate the company's performance amidst calculated relaxations across the country and will be in touch with the group for the same for further clarity.

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 Decline in Financial performance in FY21 & Q1FY22, high Intragroup/ Associate companies' transactions, renewal risk of master lease agreements and susceptibility to cyclicity inherent in the Real Estate sector further aggravated by Covid-19.



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Key Rating Sensitivities

Upward factors:

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

Downward factors:

- 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

Key Rating Drivers with detailed description

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. 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.



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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.

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 optimum occupancy. Many of lessees are of international repute.

Key Rating Weaknesses

Decline in Financial performance in FY21 & Q1FY22

The pandemic has severely impacted the retail real estate sector, affecting the revenues and profitability of the companies engaged in this sector. AAPL revenues fell from INR167.62 crore in FY20 to INR151.50 crore in the fiscal year FY20-21 (Provisional) Further, revenue for Q1FY22 stood lower at INR29.50 crore reflecting Covid induced stress in the operations of the company in the current year.

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

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



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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: Standalone

Applicable Criteria

[Rating Methodology for Structured Debt Transaction \(Non – Securitisation Transaction\)](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Stretched

AAPL liquidity position remains stretched marked by constrained accrual generation induced by the covid-19 pandemic leading to fall in revenue in FY21. Disruptions in the operations has moderated revenue collection during lockdown period which continues till date. AAPL has availed moratorium till August 2020 under covid-19 relief package to relieve liquidity pressures. The company's ability to generate adequate accruals will be key rating sensitivity.

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 crore)

For the year ended / As on	31-Mar-19	31-Mar-20
	(Audited)	(Audited)
Total Operating Income	92.53	167.62



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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

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 December 11th, 2020	Date(s) & Rating(s) assigned in 2019-20 November 12th, 2019	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Loan-LRD Facility	Long Term	983.80	IVR BBB/Negative Outlook	IVR A-/ Stable Outlook	IVR A-/ Stable Outlook	--

Name and Contact Details of the Rating Team:

Name: Ms. Himani Singhal

Tel: (022) 62396023

Email: hsinghal@infomerics.com

Name: Mr. Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

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 (INR Crore)	Rating Assigned/ Outlook
Long Term Loan-LRD Facility	NA	NA	Dec-2029	983.80	IVR BBB/ Negative Outlook

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Alankar-Apartments-lenders-11aug21.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Long Term Loan-LRD Facility	Simple

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.