



## Press Release

### Ambience Developers and Infrastructure Private Limited

August 11, 2021

#### Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Fund Based Bank Facilities	1470.00	IVR BB+/ Negative outlook (IVR Double B plus/ Negative Outlook)	IVR BBB/ Credit Watch with Developing Implications (IVR Triple B / Credit Watch with Developing Implications)	Revised
Short Term Non-Fund Based Bank Facilities	15.00	IVR A4+ (IVR A Four Plus)	IVR A3+ / Credit Watch with Developing Implications (IVR A Three Plus/ Credit Watch with Developing Implications)	Revised
<b>Total</b>	<b>1485.00</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in rating and outlook to the bank facilities of ADPL factors in the evident stress on the domestic real estate sector as described by the substantial fall in the revenues in FY2021 as compared to FY2020 impacted by the ongoing Covid 19 pandemic. Nonetheless, the company has also reported losses at net levels in FY2021 and has registered a substantial 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 the event as well the evolution of 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 draw comfort from its experienced promoters and management, escrow mechanism and structured payment waterfall, location advantage, renowned lessees with long standing minimizing counter party risk. These strengths are partially offset by high gearing, impact of pandemic on the revenue and profitability and growth in e-commerce industry.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant improvement in revenues, profitability metrics and liquidity
- Maintaining healthy debt coverage parameters.

#### **Downward Factors**

- Further, deterioration in profitability impacting the debt coverage indicators or liquidity, continued 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.

##### **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.



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### **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 into 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**

Overall gearing ratio stood high at 4.94x as on March 31, 2020. TOL/TNW was also high at 5.66x as on March 31, 2020. However, company is generating sufficient rental income to meet its debt obligations on time.

### **Impact of covid on revenues and profitability**

The pandemic has severely impacted the retail real estate sector, affecting the revenues and profitability of the companies engaged in this sector. ADIPL revenues fell from Rs. 314.80 crore in FY20 to Rs. 184 crore in the fiscal year FY20-21 coupled with the losses of Rs. 2.5 crore in FY21. Further, revenue for Q1-FY22 stood at Rs .24 crore reflecting Covid induced stress in the operations of the company in the current year. The revenue recovery momentum in the remaining part of the year with subsequent affirmative impact on the financials overall and early stabilization of operations to pre Covid levels will be a key monitorable, going forward.



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### **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 remains stretched marked by constrained accrual generation induced by the covid-19 pandemic leading to restricted operations of mall. Disruptions in the operations has moderated revenue collection during lockdown period which continues till date. ADIPL has availed moratorium till August, 2020 under covid-19 relief package to relieve liquidity pressures. Also, company underwent the restructuring of the existing facilities under Resolution Framework for COVID-19 related Stress dated 06.08.2020. Generating adequate accruals will be key rating sensitivity.

### **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.



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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*	31-03-19	31-03-2020
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	293.32	314.80
EBITDA	190.69	199.95
PAT	17.75	19.69
Total Debt	1475.91	1453.27
Tangible Net worth	255.68	294.29
EBITDA Margin (%)	65.01	63.52
PAT Margin (%)	5.91	6.20
Overall Gearing Ratio (x)	5.77	4.94

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term loan	Long Term	1420.00	IVR BB+/Negative	IVR BBB/ Under Credit watch with developing implications (March 03, 2021)	IVR BBB+ / Under Credit watch with developing implications (August 14, 2020)	IVR A- / Stable (September 09, 2019)	-
2.	Overdraft	Long Term	50.00	IVR BB+/Negative	IVR BBB / Under Credit watch with developing implications	IVR BBB+ / Under Credit watch with developing implications	IVR A- / Stable (September 09,	-





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					(March 03, 2021)	(August 14, 2020)	2019)	
3.	LC/BG	Short Term	15.00	IVR A4+	IVR A3+/ Under Credit watch with developing implications (March 03, 2021)	IVR A2/ Under Credit watch with developing implications (August 14, 2020)	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](http://www.infomerics.com).

### Name and Contact Details of the Rating Team:

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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. 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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information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### 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 BB+/Negative
Long Term Bank Facilities- Term Loan	-	-	Latest by May, 2033	1420.00	IVR BB+/Negative
Short Term Bank Facilities- LC/BG	-	-	-	15.00	IVR A4+

### Annexure 2: Facility wise lender details:

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