

Press Release**Alankar Apartments Private Limited****November 12, 2019****Ratings**

Sl. No.	Instrument/Facility	Amount (Rs Crore)	Rating Assigned
1	LRD Facilities	973.00	IVR A- / Stable Outlook ; (IVR Single A Minus with Stable Outlook)
Total		973.00	

Details of facilities are in Annexure 1**Rating Rationale**

The rating derives strength from the experience of promoters in real estate industry, escrow mechanism & structured payment waterfall, locational advantage and renowned lessees with long standing minimising counter party risk. The rating however is partially offset by low net worth leading to weak capital structure, high intragroup/associate companies transactions and renewal of master lease agreements.

Key Rating Sensitivities:

- **Upward Rating Factor-** Significant improvement in the receipt lease rental/ Common Area Maintenance revenue and car parking revenue from its tenants.
- **Downward Rating Factor -** If the gross operating revenue as projected are not achieved and if there are any delays in recovering the current investments in the projects of the associate companies.

Detailed Description of Key Rating Drivers**Key Rating Strengths*****Experienced Promoters 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. Mr. Raj Singh Gehlot is the promoter and founder of Ambience Group with over 34 years in business, has registered many awards on his name including the Real estate lifestyle leadership award 2011. Project development and marketing activities are looked after by Mr. Aman Gehlot, CA, with over 10 years of

experience in the business. The management of the group is further supported by professionals in the field of engineering, architecture, finance, marketing, human resources, and general administration. Ambience Infrastructure and Developers Pvt Ltd is rated IVR A-/Stable.

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 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 payment waterfall. The company is also maintaining a DSRA equivalent to one quarter's principal and interest. The DSRA has been built up over a period of one year out of the accumulated lease rentals. Alankar is maintaining the DSRA of Rs. 33.50 Crore

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 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

Low net worth leading to Weak Capital Structure

Although the escrow mechanism and Master lease agreement protects the company from any stress related to the debt repayment obligations, the company has a very low net worth and it had become negative in FY19

High Intragroup/ Associate companies transactions

The company has done a significant amount of related party transactions by way of investments in the projects of associate companies in the form of current investment. Total current investment of Rs. 460.50 cr. has been made by Alankar Apartment Private limited in FY19 in the projects of their associate companies

Renewal of Master Lease Agreements

The master lease agreements have been entered with different parties for various tenors ranging from 9 to 12 years. 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 and similar rate of increase is applicable on revenue generated from car parking. Common area maintenance (CAM) charges increases by 5% every year and it is collected by one of the maintenance agency Ambience Facilities Management Pvt. Ltd. which shares 30% of total collected amount with Alankar Apartments Private Limited.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for Structure Debt Transaction (Non securitisation transaction)
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company has an adequate liquidity position. The surplus generated from the Gross operating revenue which includes lease rentals, CAM Revenue and car parking revenue after the debt obligations have been paid is sufficient for generating adequate liquidity position for the company.

About the company

Alankar Apartments Private Limited (AAPL) was incorporated on 14th September 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 are dedicated car parking for 733 cars for the lessees in the tower.

Financials (Standalone)

(Rs. Crore)

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	67.88	92.53
EBITDA	62.62	84.07
PAT	4.97	12.31
Total Debt	919.42	938.34
Tangible Net worth [#]	8.10	-6.31
EBIDTA Margin (%)	92.24	90.86
PAT Margin (%)	7.29	13.20
Overall Gearing ratio (x)	113.46	NM

* Classification as per Infomerics' standards

#Tangible net worth is adjusted for Deferred Tax Assets of Rs.33 crore in FY19 and Rs.7.20 crore in FY18

Details of Non Cooperation with any other CRA: N.A

Any other information: N.A

Rating History for last three years:

Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
LRD Facilities	Term Loan (LRD)	973.00	IVR A-/Stable Outlook	--	--	--
	Total	973.00				

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 (Rs. crores)	Rating Assigned/ Outlook
1	LRD Facilities	--	--	--	973.00	IVR A-Stable Outlook
Total					973.00	