



Press Release

Ambience Commercial Developers Pvt Ltd (ACDPL)

August 14, 2020

Ratings

| Sl. No. | Instrument / Facility | Amount (INR Crores) | Rating | Rating Action |
|---------|-----------------------|---------------------|--|--|
| 1 | LRD Facility | 1330.00 | IVR BBB+ / Credit Watch with Developing Implications (IVR Triple B Plus Credit Watch with Developing Implications) | Revised from IVR A- with Stable Outlook (IVR Single A Minus with Stable Outlook) |

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating reflects recent developments in the group company, operational and financial performance, the impact of COVID-19 pandemic and the subsequent nationwide lockdown. Ambience Developers and Infrastructure Pvt Ltd, a group company is embroiled in a court case involving Ambience Mall, Gurgaon. Overall economic slowdown due to COVID-19 pandemic has led to weakening of liquidity position of the company.

Though, the rating continue to derive strength from experience board of directors, established brand recognition, locational advantage and diversified streams of revenue, strong cash flow generation by operational portfolio and healthy occupancy levels. However, the rating strengths are partially offset by a below average financial risk profile and exposure to contract renewal risk.



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Key Rating Sensitivities:

Upward rating factors:

- Sustained lease rental income from existing and new tenants
- Maintaining profitability
- Timely servicing of debt

Downward rating factors

- Decline in profits due to increase in expenses and weakening of cash cover
- Weakening of liquidity
- Any further deterioration in debt protection parameters
- Any further increase in debt

Key Rating Strengths

Experienced Board of Directors

ACDPL is a private limited company incorporated 1984. The company is promoted by Mr. Raj Singh Gehlot, Mr. Arjun Gehlot, Mr. Sumit Chaudhary and Mrs. Surabhi Gehlot. They possess a considerable amount of experience in the field of real estate (commercial and residential construction). Mr. Raj Singh Gehlot is the MD & Chairman of Ambience group, a Chartered Accountant by qualification, he has been bestowed with many awards including being named among India's top 10 industrialists by HITEC. Mr. Arjun Gehlot, has been looking after project development and marketing.

Established brand recognition

The Ambience Group, promoted by Mr. Raj Singh Gehlot has an established presence in the real estate sector – both in commercial and residential real estate development. The group consists of ACDPL, Ambience Hotel & Resorts Pvt. Ltd – partnering with Leela Group to construct top notch hotels with state-of-the-art facilities in Delhi, Ambience Developers and Infrastructure Pvt. Ltd – engaged in construction, development and promotion of townships, colonies, commercial and residential real



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estate and Alankar Apartments Pvt. Ltd – construction of office spaces and leasing out the same, their major customers include Deloitte, Panasonic and Amazon among others.

Locational advantage and diversified streams of revenue

The Ambience Mall is located in Ambience Island, located nearby are the Indira Gandhi International Airport, Jawaharlal Nehru University and Leela Palace Hotel among others. The revenue mix of the company comprises lease rentals from retail stores, Common Area Maintenance (CAM) charges, parking income, advertisement income etc. While 81% of the revenue is contributed lease rentals, ticket sale and CAM contribute for 11% and 8% of the total revenue respectively in FY20. By offering customers a wide range of goods and services at very competitive prices and engaging them in fun activities, thus maintain a high level of patronage.

Strong Cash Flow Generation by Operational Portfolio

Ambience Mall covers 12.39 lakh square feet area and houses over 150 tenants of various prominent brands such as Jack & Jones, Pantaloons, PVR Cinemas, Hamleys among others. ACDPL is expected to continue to generate healthy cash flows through lease rates, occupancy levels, diversified client base, locational advantage and brand name; thus continuing to support the risk profile of the company for the medium term.

Healthy occupancy levels

Ambience Mall enjoys healthy occupancy levels of 98.7%. The remaining area is also developed and is ready to be leased out. The occupancy levels increased after the entry of PVR, which also resulted in a significant increase in footfalls.



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Key Rating Weaknesses

Below-average financial risk profile

The company's liquidity profile is stretched, marked by gross cash accruals of Rs.10.58 cr. in FY19 which barely covers their yearly debt payments. The current ratio and quick ratio stand at 0.37x and 0.34x in FY19 largely due to high debt repayments indicating that the liquidity is stretched in the short-term. The total debt of the company stands at Rs.1332.72 cr. as on March 31, 2019. Due to Covid-19 and the consequent lockdown imposed in the country, all retail chains have been shut, which has affected their operations significantly, any defaults from these companies would invoke clauses from their debt agreements with lenders having their assets as security, this would have a significant impact on the amount invested in these companies.

Exposure to contract renewal risk

Timely renewal of lease agreements for the tenants at similar or better terms to the existing agreement remains a risk for ACDPL. However, 98.7% of the leasable area in the mall has been leased out to anchors with whom ACDPL has entered into Leave and License agreement of 5 years and above.

Analytical Approach & Applicable Criteria

Standalone

Rating Methodology for Structured Debt Transaction (Non – Securitisation Transaction)

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

Due to COVID-19 retail outlets and malls were closed since March end. Subsequently it has availed repayment moratorium. In view of these recent developments ACDPL's liquidity condition seems to be stretched.



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About the Company

Ambience Commercial Developers Private Limited (ACDPL) – A member of Ambience Group, they are real estate developers having a niche in developing premium buildings. They started their journey constructing premium residential apartments in South Delhi, followed by developing their landmark project ‘Ambience Island’- comprising residential, commercial, retail buildings, golf courses; which marked their entry into the large real estate development avenue. Their other major projects include – The Leela Ambience Hotel in Gurgaon, Ambience Caitriona (premium luxury apartments) and Ambience Tiverton (premium apartments). Erstwhile Rampat Estates Pvt. Ltd. (name changed to ACDPL on January 04, 2008) was established in the year 1984. The company is promoted by Mr. Raj Singh Gehlot, Mr. Arjun Gehlot, Mr. Sumit Chaudhary and Mrs. Surabhi Gehlot, they possess over 25 years of combined experience in the construction industry. ACDPL is operating a mall under the brand name of “Ambience Mall” at Vasant Kunj, New Delhi. It consists of gold class multiplexes, food courts, family entertainment zones, bowling alleys and hyper markets. It is one of the largest malls in Delhi. Apart from these the mall has well defined zones for retail, entertainment and recreation areas. Their esteemed list of tenants includes Jack & Jones, Pantaloons and Reliance among others.

Financials

(INR crore)

| For the year ended/ As On | 31-03-2018 | 31-03-2019 |
|---------------------------|------------|------------|
| | (Audited) | (Audited) |
| Total Operating Income | 784.68 | 198.60 |
| EBITDA | 142.16 | 117.42 |
| PAT | -10.15 | 4.31 |
| Total Debt | 472.23 | 591.32 |
| Tangible Networth | 234.78 | 239.11 |
| <u>Ratios</u> | | |



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| | | |
|---------------------------|-------|-------|
| EBITDA Margin (%) | 18.12 | 59.13 |
| PAT Margin (%) | -1.33 | 2.17 |
| Overall Gearing Ratio (x) | 2.01 | 2.47 |

*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 | Type | Current Rating (Year 2020-21) | | Rating History for the past 3 years | | |
|---------|-------------------------------|-----------|--------------------------------|--|---|---------------------------------------|---------------------------------------|
| | | | Amount outstanding (INR crore) | Assigned Rating | Date(s) & Rating(s) assigned in 19-20 (November 25, 2019) | Date(s) & Rating(s) assigned in 18-19 | Date(s) & Rating(s) assigned in 17-18 |
| 1. | LRD Facilities | Long Term | 1330.00 | IVR BBB+/Credit Watch with Developing Implications | 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

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (INR Crore) | Rating Assigned/ Outlook |
|------------------|------------------|------------------|---------------|------------------------------|--|
| LRD Facility | -- | -- | 2028 | 1330.00 | IVR BBB+/Credit Watch with Developing Implications |