



Press Release

Ambience Hotels & Resorts Pvt Ltd (AHRPL)

August 21, 2020

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Current Rating*	Previous Rating	Rating Action
Long Term - Fund Based Facilities	515.00	IVR BBB (CE) / Credit Watch with Developing Implications (IVR Triple B [Credit Enhancement]/ Credit Watch with Developing Implications)	IVR A- (CE)/Stable Outlook (IVR A Minus [Credit Enhancement] with Stable Outlook)	Revised
Short Term - Fund Based Facility	50.00	IVR A3+ (CE) (IVR A Three Plus [Credit Enhancement])	IVR A2+ (CE) (IVR A Two Plus [Credit Enhancement])	Revised
Total	565.00			

*CE Rating based on corporate guarantee of Ambience Developers & Infrastructure Pvt. Ltd., Rated IVR BBB+/ (Credit Watch with developing implications) & IVR A2 by Infomerics. Unsupported Rating has been revised to IVR BB- (Credit Watch with developing implications) on a standalone basis.

Details of Facilities are in Annexure 1

Rating Rationale

The revision in the rating reflects recent developments in the group Company Ambience Developers and Infrastructure Pvt Ltd (ADIPL), which is also a guarantor to AHRPL, where, ADIPL is embroiled in a court case involving Ambience Mall, Gurgaon. The rating also takes into account that the overall economic slowdown due to COVID-19 pandemic has led to weakening of liquidity position of the company.

The rating is under credit watch with developing implications on account of challenges posed due to above mentioned reasons.



Press Release

The rating continues to derive strength from corporate guarantee of ADIPL, the group profile and favourable terms of repayment post refinancing of debt. The rating however is constrained by weak profitability parameters, competitive nature of industry and working capital intensive operations.

The rating of the instrument is based on the corporate cross-guarantee wherein the monthly lease rentals, parking and signage income of ADIPL and all the receivables of AHRPL are escrowed to meet the principal and interest payments of both the firms. Given this condition and considering the annual receivables of both the firms under the escrow mechanism, results in Credit Enhancement in the rating of the said instrument.

Key Rating Sensitivities

Upward Factor

- Improved profitability will be crucial for the company in near term to prevent any stress on its liquidity

Downward Factor

- Continued negative profitability
- Any further deterioration in debt protection metrics
- Any further increase in debt
- Any deterioration in the financial risk profile of the guarantor

Detailed Description of Key Rating Drivers

Key Rating Strengths

Ambience group profile and availability of corporate guarantee:

Ambience group has an established track record in the real estate sector. Ambience Hotels and Resorts Pvt Ltd and Ambience Developers and Infrastructure Pvt Ltd have provided corporate guarantees to each other's loans. ADIPL, which owns a mall in Gurgaon at Ambience Island. Although the capital structure of the guarantor is debt heavy, the escrow mechanism in place provides additional comfort to its repayment ability.

Favourable terms post refinancing of the existing debt with escrow mechanism:

The Company has refinanced its existing debt with a more favourable bank loan having tenure of 15 years and lower interest rates in the initial years owing to which its debt coverage



Press Release

parameters have improved. The said refinancing also involves an escrow mechanism wherein all the cash flows will be routed through an escrow account and the company would get funds for its expense after the bank obligations are paid.

Key Rating Weaknesses

Weak Profitability parameters:

Hotel industry being cyclical and dependent on the general economic scenario in the country, AHRPL's operating income saw fluctuating top-line due to which the company reported negative profitability for the past five years as its broader expenses remained constant for the said period.

Stressed capital Structure:

Although the refinancing of existing debt has eased the debt payments for few initial years, the overall capital structure of the company is stressed with overall gearing ratio of 3.61x in FY19, an increase from 2.67x of FY18. The long term debt to equity ratio moved from 2.38x in FY18 to 3.10x in FY19 while the TOL/TNW stood at 4.69 in FY19.

Expected Impact of COVID-19 on the operations of the Company:

The Covid-19 pandemic is likely to adversely impact the operations of the Company. The said pandemic has interrupted the business during the lockdown period. Moreover, the Company continues to face challenges even after ease in restrictions due to low occupancy levels.

Analytical Approach:

Unsupported Rating: Standalone

Credit Enhancement (CE Rating): CE Rating based on corporate guarantee of Ambience Developers & Infrastructure Pvt. Ltd.

Applicable Criteria:

Rating of Structure Debt Transactions (Non securitisation Transactions)

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-Financial Sector)



Press Release

Liquidity: Stretched

The liquidity position of the Company is stretched marked by the disruptions caused by the covid-19 pandemic leading to adverse impact on the revenue collection during lockdown period. It continues to face challenges even after ease in restrictions due to low occupancy levels.

About the Company

Ambience Hotels & Resorts Limited, incorporated on 12th October, 1994, as a public limited company is into the business of hotels, motels & resorts. It has developed a 322 keys Five Star Deluxe Hotel and 90 keys Serviced Apartments on 5.30 acres of land as an integral part of Ambience Island Township at NH-8, Gurgaon, Haryana. The said Hotel is presently fully operational under the brand name 'The Hotel Leela Ambience, Guragon'.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	195.49	196.84
EBITDA	71.89	73.71
PAT	-9.88	-8.49
Total Debt	449.38	579.22
Tangible Networth	168.54	160.51
Ratios		
EBITDA Margin (%)	36.77	37.45
PAT Margin (%)	-4.78	-3.79
Overall Gearing Ratio (x)	2.67	3.61

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.



Press Release

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (November 26, 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Fund Based Facilities	Long Term (TL & CC)	515.00	IVR BBB (CE) / Credit Watch with Developing Implications	IVR A-(CE)/Stable Outlook	--	--
2	Fund Based Facilities	Short Term (Overdraft)	50.00	IVR A3+ (CE)	IVR A2+ (CE)	--	--

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



Press Release

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 Fund Based (Term Loan)	--	--	--	495.00	IVR BBB (CE) / Credit Watch with Developing Implications
Long Term Fund Based (CC)	--	--	--	20.00	IVR BBB (CE) / Credit Watch with Developing Implications
Short Term Fund Based (Overdraft)	--	--	--	50.00	IVR A3+ (CE)