



Press Release

Ambience Facilities Management Pvt Ltd (AFMPL)

January 29, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1.	Long Term Fund Based Facility – Term Loan	40.95	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Short Term Fund Based Facility - Overdraft	14.78	IVR A4+ (IVR A Four Plus)
	Total	55.73	

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of the entity derives comfort from their experienced board of directors, strong group position, escrow mechanism and creation of DSRA for repayment of debt, improvement in profitability and decline in leverage. However, below-par debt protection metrics, large contingent liabilities and customer concentration risk are the rating constraints.

Key Rating Sensitivities

Upward factors:

- Continued improvement in profitability, scale of operations and decline in leverage.

Downward factors:

- Decline in profitability.
- Increase in leverage.



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Board of Directors

AFMPL is a private limited company promoted by Mr. Raj Singh Gehlot and Mr. Shekar Singh. 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.

Strong group position

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 Ambience Commercial Developers Pvt Ltd – engaged in the development, construction and upkeep of malls, 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 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.

Escrow mechanism and creation of DSRA for repayment of debt

The receivables from facility management income/ other charges which are billed by AFMPL from project Ambience Island, Gurgaon will be deposited in the escrow account (with PNB and monitored by PNBHFL). The receivables which are deposited into the escrow account are being shared between PNBHFL and AFMPL in the ratio of 10:90. The first 10% of the receivables remitted to PNBHFL's current account shall be utilised for payment of monthly interest and repayment of term debt, balance 90% is credited to AFMPL is utilised towards business expenses and other debt repayment. **Any shortfall in debt obligations will be met by AFMPL / ADIPL (Ambience Developers and Infrastructure Pvt Ltd, co-borrowing entity) / promoters.** As per other terms of sanction, the company maintains DSRA of an amount INR2.00 crore.



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Improvement in profitability and decline in leverage

The top line of the company has grown by 18.91% from INR130.76 crore in FY18 to INR153.03 crore in FY19 to INR184.89 crore in FY20, with their absolute EBITDA improving from INR8.18 crore in FY19 to INR27.19 crore in FY20. Despite being in a very competitive industry the company has also seen improvement in their margins as well over the past 3 fiscals with EBITDA margin improving from 5.34% in FY19 to 14.70% in FY20 having a strong client base which has aided their profitability. The total debt of the company has reduced from INR144.57 crore in FY19 to INR55.82 crore in FY20 as the company has repaid major outstanding term debts, which has reduced their overall gearing ratio from 5.21x in FY19 to 1.87x in FY20.

Key Rating Weaknesses

Below-par debt protection metrics

Despite the improvements in profitability the debt protection metrics of the company is sub-par with interest service coverage ratio at 1.32x. Total outside liabilities to Tangible networth at 12.04x in FY20.

Large contingent liabilities

AFMPL has a sizeable amount of contingent liability, majority of which pertains to corporate guarantee given by the company to their associate company – Ambience Developers and Infrastructure Private Limited and Ambience Commercial Developers Pvt Ltd; amounting to INR1020.00 crore in FY20. The company has provided the corporate guarantee to the company during the construction of Ambience Mall.

Customer concentration risk

AFMPL only caters to their group companies which includes Residential Complexes in Ambience Lagoon and Ambience Caitriona, Malls with Ambience Mall (at Vasant Kunj and Gurgaon), Five-Star Deluxe Hotels in Leela Ambience Hotels and Residences and Leela Ambience Convention Centre, Ambience Corporate Office Towers, Ambience Shopping Complexes, Ambience Golf Course and Ambience Schools; this largely exposes the company to customer concentration risk as they are only catering to their group companies. The company only caters to the group companies of Ambience; indicating a highly concentrated client basket.



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Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Service Sector Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

The company has a good current ratio of 1.19x and a quick ratio of 1.19x in FY20. The continued improvement in profitability has seen the GCA of the company increase from INR4.94 crore in FY19 to INR8.64 crore in FY20 with a cash balance of INR7.16 crore.

About the company

Ambience Facilities Management Pvt. Ltd.(AFMPL) was incorporated on 14.09.2010 with the main objective of providing facility and management services including management of supply of power in the residential and commercial complexes and townships. The company is engaged in the business of providing international standard facility management and operation services to the large & ultra-premium townships and residential & commercial complexes in Delhi and NCR, mainly to the inhouse Ambience Group projects. The facility management services inter-alia includes maintenance and operation of infrastructure of power supply to the townships/complexes managed by the company. AFMPL is part of Ambience Group, a well-established brand in real estate sector, particularly in premium segment with diverse portfolio of Malls, Hotels, Corporate Office Towers, Schools, Golf-Course. Established in the year 1986, Ambience is a dream come true story of Mr. Raj Singh Gehlot, a professional Chartered Accountant turned first generation entrepreneur. Over the years Ambience has established itself as an integrated real estate player equipped with in-house construction, marketing and O&M capabilities.



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Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Audited)
Total Operating Income	130.76	153.03	184.89
EBITDA	-0.48	8.18	27.19
PAT	0.54	0.64	2.08
Total Debt	154.53	144.57	55.82
Tangible Net-worth	16.45	17.09	19.17
Ratios			
EBITDA Margin (%)	-0.37	5.34	14.70
PAT Margin (%)	0.41	0.40	1.10
Overall Gearing Ratio (x)	5.70	5.21	1.87

* 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 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facility – Term Loan	Long Term	40.95	IVR BB+/ Stable Outlook	--	--	--
2.	Short Term Fund Based Facility – Overdraft	Short Term	14.78	IVR A4+	--	--	--

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.

Name and Contact Details of the Rating Team:

Name: Rajath Rajpal

Tel: (022) 62396023

Email: rjajpal@infomerics.com

Name: Prakash Kabra

Tel: (022) 62396023

Email: prakash.kabra@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
Long Term Fund Based Facility – Term Loan	NA	NA	Up to 2024	40.95	IVR BB+/ Stable Outlook
Short Term Fund Based Facility – Overdraft	NA	NA	Less than 1 year	14.78	IVR A4+