

October 20, 2020

## Ozone Homes Private Limited- Ratings downgraded to [ICRA]D; rating removed from Watch and moved to ISSUER NOT COOPERATING category

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture	180.00	180.00	[ICRA]D ISSUER NOT COOPERATING <sup>1</sup> ; Rating downgraded from [ICRA]B+@; rating removed from watch and moved to ISSUER NOT COOPERATING category
<b>Total</b>	<b>180.00</b>	<b>180.00</b>	

\*Instrument details are provided in Annexure-1; @-Ratings placed on watch with negative implications

### Rationale

The rating downgrade follows the continuing lack of information on the status of the coupon payment which was due on September 15, 2020 on the rated NCD programme. The rated NCDs are maturing in November 2020 and in the absence of any information from the management regarding the status of the planned refinancing, ICRA expects that there could be delays in the redemption of the NCD.

ICRA in accordance with SEBI Circular on 'Monitoring and Review of Ratings by Credit Rating Agencies (CRAs)', dated June 30, 2017 has sought confirmation from Ozone Homes Private Limited on debt servicing for the rated NCD, however has not received any response as yet. At present, ICRA is unable to ascertain the status of payment for the interest which was due on September 15, 2020.

As part of its process and in accordance with its rating agreement with Ozone Homes Private Limited, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information and in line with SEBI's Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information.

The previous detailed rating rationale is available on the following link: [Click here](#)

### Key rating drivers and their description

#### Credit strengths

Not Applicable

#### Credit challenges

**Lack of clarity on debt servicing status and imminent repayment due date** – There is no clarity on the status of the coupon payment which was due on September 15, 2020 on the rated NCD programme. The rated NCDs are maturing in

<sup>1</sup>Issuer did not cooperate; based on best available information

November 2020 and in the absence of any information from the management regarding the status of the planned refinancing, ICRA expects that there could be delays in the redemption of the NCD.

**Slow construction and sales progress in past one year** – The Autograph project has seen limited construction and sales progress observed over the last 12 months. Following the change in permissible FSI of the project, the company had applied for revisions in the development plan of the project and is in process of obtaining the necessary approvals. This has resulted in delay in execution of the project.

**High refinancing risk and weak liquidity position** – Weak inflow of customer advances in the Autograph project due to delay in execution coupled with low sales exposes the company to significant refinancing risk due to the impending NCD redemption in November 15, 2020. The company plans to refinance the maturing NCDs with a fresh credit facility, however the subdued market conditions due to the ongoing pandemic impedes the process.

### Liquidity position: Poor

OHPL's liquidity is poor. Large NCD repayment obligations due in November 15, 2020 increases the pressure on the liquidity position of the company. Due to the delay in construction in the Autograph project, the completion of the project will extend beyond the NCD tenure, necessitating refinancing. The company will require funding support from the Group to meet immediate repayment obligations while it pursues refinancing options.

### Rating sensitivities

**Positive triggers** – Receipt of confirmation on timely servicing of the NCD dues for September 15, 2020. Further, timely refinancing of the NCD availed, at favourable terms while also demonstrating timely ramp-up of construction along with improved sales momentum in the ongoing project, leading to improved collections, would be a key monitorable.

**Negative triggers** – Not Applicable.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology-Real estate entities</a> <a href="#">Policy in respect of non-cooperation by the rated entity</a> <a href="#">Policy on Default recognition</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	The rating is based on standalone financial statements of the rated entity.

## About the company

Ozone Homes Private Limited (OHPL) is a special purpose vehicle (SPV) of the Ozone group which is currently developing Ozone Autograph, a residential real estate project in Dadar, Mumbai. OHPL has some unsold inventory in Ozone Gardenia, a completed project in Chennai. OHPL also owns 11 units in Ozone Metrozone project, Chennai which has been provided as security for the rated NCD programme. Tuscan Consultants & Developers Private Limited (TCDPL) is the majority shareholder of the company, with a shareholding of 99.8%. TCDPL is 100% owned by Mr. S Vasudevan, who is the chairman of the Ozone group.

## Key financial indicators (audited)

	FY2018	FY2019
Operating Income (Rs. crore)	27.3	24.4
PAT (Rs. crore)	-2.0	-19.3
OPBDIT/OI (%)	-17.7%	-107.4%
PAT/OI (%)	-7.4%	-79.2%
Total Outside Liabilities/Tangible Net Worth (times)	7.7	42.6
Total Debt/OPBDIT (times)	-35.4	-7.5
Interest Coverage (times)	-21.0	-9.0

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

	Instru ment	Current Rating (FY2021)				Rating History for the Past 3 Years					
		Type	Amount Rated	Amount Outstan ding	Rating				FY2020	FY2019	FY2018
					20-Oct- 2020	21-Sep- 2020	31-Aug- 2020	25-Jun- 2020			
1	NCD	Long Term	180.0	164.0*	[ICRA]D; ISSUER NOT COOPER ATING	[ICRA]B+ @	[ICRA]B+ (Stable)	[ICRA]BB (Negative)	[ICRA]BB (SO) (Negative)	-	[ICRA]BB + (SO) (Stable)

Amount in Rs. Crore; \*As on date. @- Ratings placed on watch with negative implications

## Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
INE632N07038	NCD	Nov 2016	14.25%	Nov 2020	180.0	[ICRA]D; ISSUER NOT COOPERATING

Source: OHPL

### Annexure-2: List of entities considered for consolidated analysis: Not Applicable

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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For more information, visit [www.icra.in](http://www.icra.in)

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