

September 21, 2020

Ozone Homes Private Limited- Update on Material Event; ratings placed on watch with negative implications

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]B+ @; Rating placed on Watch with negative implications
Total	180.00	180.00	

*Instrument details are provided in Annexure-1

Material Event

Non-receipt of information from the rated entity regarding timely servicing of the rated Rs. 180.0 crore Non-convertible debenture (NCD) programme, and non-availability of debt servicing disclosure(s) on recognized stock exchange as mandated under Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Impact of the Material Event

ICRA has placed the rating on watch with negative implications following non-receipt of information from the rated entity regarding timely servicing of the rated NCD, and non-availability of debt servicing disclosure(s) on recognized stock exchange. 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.

ICRA is monitoring the rating for material developments and would come out with further rating action if required and disclose the same via Press release on its website.

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

Key rating drivers and their description

Credit strengths

Track record of Ozone group in developing large scale residential projects – Ozone group has an established track record in developing and marketing large scale residential projects.

Adequate security cover and favourable project location – Presence of adequate security cover in Autograph project as well as the favourable project location, supports refinancing prospects.

Credit challenges

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. Further, the significant interest payment due in September 15, 2020, increases the pressure on the liquidity position of the company. 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 and significant interest payment due in September 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 – ICRA could upgrade OHPL's rating in case of 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 – Negative pressure on OHPL's rating could arise in case of any delay in proposed refinancing of the NCD availed or continued delay in execution of the ongoing project. Further, OHPL's inability to mobilise funds from other sources within the Group as and when required could have a negative impact.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology-Real estate entities
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

	Instrument	Current Rating (FY2021)						Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating			FY2020	FY2019	FY2018
					21-Sep-2020	31-Aug-2020	25-Jun-2020			
1	NCD	Long Term	180.0	164.0*	[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 [click here](#)

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]B+ @; Rating placed on Watch with negative implications

Source: OHPL

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

Analyst Contacts

Shubham Jain

+91 124 4545 306

shubhamj@icraindia.com

Mathew Kurian Eranat

+91 80 4332 6415

mathew.eranat@icraindia.com

Ishan Luthra

+91 80 4332 6426

ishan.luthra@icraindia.com

Relationship Contact

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: info@icraindia.com

Website: www.icra.in

Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2020 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents