

August 31, 2020

Ozone Homes Private Limited: Ratings downgraded to [ICRA]B+; outlook revised to Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture	180.00	180.00	Rating downgraded from [ICRA]BB to [ICRA]B+; outlook revised to Stable from Negative
Total	180.00	180.00	

*Instrument details are provided in Annexure-1

Rationale

The rating downgrade reflects the continued slow construction progress and incremental sales in the Ozone Autograph project over the last one year and exposure 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.

The rating draws comfort from the experience and track record of the promoters of the Ozone group in real estate industry. The rating also considers the presence of adequate security cover in Autograph project as well as the favourable project location, which supports refinancing prospects.

The Stable outlook on the [ICRA]B+ rating reflects ICRA's expectation that OHPL will receive funding support from the Group to meet immediate repayment obligations while it is pursues refinancing options.

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
					31-Aug-2020	25-Jun-2020	31-May-2019	-	09-Feb-2018
1	NCD	Long Term	180.0	164.0*	[ICRA]B+ (Stable)	[ICRA]BB (Negative)	[ICRA]BB (SO) (Negative)	-	[ICRA]BB+ (SO) (Stable)

Amount in Rs. Crore; As on date.

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

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+ (Stable)

Source: OHPL

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

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