

June 08, 2017

## Ozone Leisure & Resorts Private Limited

### Summary of rated instruments

Instrument*	Amount	Rating Action
	In Rs crore	
Term loan	15.0	[ICRA]BB (Stable) assigned

\*Instrument details captured under Annexure-1

### Rating action

ICRA has assigned a long term rating of [ICRA]BB (pronounced ICRA double B) for the Rs 15 crore term loan facilities of Ozone Leisure and Resorts Private Limited ('OLRPL' / 'the company'). The outlook on the long term rating is Stable.

#### Rationale

The rating takes comfort from the favourable demand prospects and attractive location of OLRPL's under-development hotel project near Mandovi river in Goa. The rating also takes comfort from the financial profile of the Ozone group and its track record in developing large-scale integrated township projects and some upscale residential projects in the cities of Bangalore and Chennai. The hotel project has achieved financial progress of 80% as on March 2017 and is expected to be commissioned during FY2018.

The rating, however, is constrained by the high execution and revenue risk associated with the hotel project. The ability of the hotel to achieve optimal occupancy and average room rates (ARR) post timely commissioning of the project remains to be seen. The market risks are heightened by the high competition from other established hotel properties in the vicinity. In case of any delays in commissioning or ramp-up of operational metrics, the hotel's cash flows may not be adequate to meet the debt service obligations in the initial years, thereby necessitating timely funding support from the promoters. ICRA also notes that OLRPL has plans to develop a large scale luxury villa-cum-resort project on Vanxim island; commencement of this project would increase the project and funding risk in OLRPL.

Going forward, the ability of OLRPL to commission the hotel in a timely manner and achieve the targeted occupancy and ARR levels would be the key rating sensitivities. Further, timely support from the parent group as and when required will be another key monitorable.

### Key Rating Drivers

#### Credit Strengths

- Favourable location of the project in old Goa
- Operational track record and financial profile of the Ozone group
- High financial progress achieved on the project

#### Credit Concerns

- Exposed to execution risk since the project is yet to be commissioned
- High revenue risk, in the backdrop of high competition from other established hotels
- Estimated requirement for funding support required from group in the initial years after commissioning
- Risks relating to the larger scale resort-cum-villa project in Vanxim island by OLRPL

**Description of Key Rating Drivers Highlighted Above**

OLRPL is a special purpose vehicle (SPV) of the Ozone group incorporated for executing a premium villa cum 5-star luxury resort project in Vanxim island on Mandovi river in old Goa. The company is currently developing a smaller 20 room luxury hotel named “Porta de Capao” located on the banks of Mandovi river. The smaller hotel will be used as an access point to the island project. The island project is yet to be launched; nonetheless, the group plans to complete and launch the smaller hotel project in the current financial year as it can be operated as a standalone hotel also. The loan facility being rated will be serviced out of the cash flows of this smaller hotel project.

The hotel project has achieved 80% financial progress as on date and is expected to be commissioned by FY2018. The project is exposed to significant demand risk since there are other already established hotel properties in the vicinity. Ability to achieve targeted level of occupancy and average room rates (ARR) would be critical for the hotel to reach break-even and generate free cash flows for timely debt servicing. ICRA estimates that there could be funding support required from the promoters in case the operational parameters do not ramp up adequately in the initial years after commissioning.

Nonetheless, the rating takes comfort from the established track record of the Ozone group. The group has strong experience in the real estate sector with development of large-scale integrated township projects and some upscale residential projects in Bangalore, Chennai and Mumbai. The company has maintained DSRA equivalent to 3 month's (P+I) in the form of lien marked FD with the bank; this fund can be used to meet any temporary cash flow mismatches.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable Criteria**

[Corporate Credit Rating Methodology](#)

[Rating Methodology for Entities in the Hotel Industry](#)

**About the Company**

OLRPL is an SPV floated by Ozone group for executing a luxury villa cum resort project in Vanxim island on Mandovi river in Goa. The company is also developing a smaller 20 room hotel named “Porta de Capao” on the banks of Mandovi river. This hotel in the main land will be used as an access point to the island project. The island project is yet to be launched; nonetheless, the group plans to complete and launch the smaller hotel project in the current financial year as it can be operated as a standalone hotel also. The company is 100% held by Ozone Propex Private Limited, the holding company of the Ozone group.

The Ozone group is promoted by Mr S Vasudevan who is also its chairman. The group is developing a 160-acre integrated township project Ozone Urbana in north Bangalore. This apart, the group is also developing 2 premium residential projects in Chennai. The group has recently ventured into hospitality space and is currently developing hotels in Bangalore, Coorg and Goa (the project being rated). The Bangalore and Coorg hotels will be managed and operated by the Hyatt group; but the Goa hotel is planned to be operated by the group itself.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**
Table: Rating History

Sl. No.	Name of Instrument	Type	Current Rating				
			Rated amount (Rs. Crore)	Month – year & Rating in FY2018	Month – year & Rating in FY2017	Month - year & Rating in FY2016	Month - year & Rating in FY2015
				June 2017	No prior ratings		
1	Term Loan	Long term	15.0	[ICRA]BB (Stable)	-	-	-

**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**  
**Details of Instruments**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Term loan	March 2017	-	March 2026	15.00	[ICRA]BB (Stable)



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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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