

Press Release

Italix Living Spaces Private Limited

June 02, 2021



Rating Downgraded

Total Bank Facilities Rated*	Rs.570.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB- / Outlook: Stable)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded its long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs. 570.00 crore bank facilities of Italix Living Spaces Private Limited (ILSPL).

The rating downgrade is on account of the delay in interest servicing by ILSPL on long term debt. ILSPL has delayed the servicing of interest by 30-60 days. Their interest servicing ability has been hindered due to delays in receipt of some customer advances.

About the Company

Italix Living Spaces Private Limited (ILSPL) is a Bangalore based company incorporated in 2018. The company established as an SPV for Ozone Group to under the Ozone Chambers (Initially Galleria Project). The company has acquire the project from Raheja Group (Pebble Bay Developers) in May 2019 for a consideration of Rs. 390.00 crore. It was a leveraged buyout funded by Yes Bank. The project initially consisted of 1 commercial and 1 residential segment. It is located at Koramangala, Bangalore. RERA Registration is pending

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of ILSPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

ILSPL incorporated in 2018 is part of the Ozone group. The group is promoted by Mr. Vasudevan, an architect who has almost two decades of experience in real estate development. The Group's developments include IT parks, office spaces, commercial & retail malls, hospitality & serviced apartments, prime residential. It has developed ~9 million square feet area since its inception in 2004 and is in process of developing further 26 million square feet. The Group has projects in Bangalore, Mumbai and Chennai.

Acuité believes that the groups established track record of project execution and brand presence will help the ILSPL's business risk profile over medium term.

Weaknesses

- **Delay in servicing of bank facilities**

There have been instances of delay in servicing of interest by ILSPL on its term debt. The delay in servicing of interest has been for 30-60 days primarily on account of delays in receipt of some customer advances.

- **Significant project execution risk**

ILSPL is developing project named Ozone Chambers located at Koramangala, Bangalore. The company acquired the project from Pebble Bay Developers in May 2019 at total consideration of Rs. 427.80 crore. This was funded by debt of Rs. 390.00 crore and rest by promoter's contribution. The project consists of two commercial phases with total saleable area of 15.76 million sq. ft.

The total construction cost for the project is Rs. 470.80 crore out of which Rs. 60.70 crore has been incurred till December 2020. The project stands at a very nascent stage as just 13 percent cost has been incurred. Out of

the total saleable area of 15.76 million square feet the company has sold 0.55 million square feet at the Rs. 509.90 crore. Against that customer advances of Rs. 285.45 crore have been received. Rs. 193.30 have gone to the previous owner and rest have been received by ILSP. The receivable against sold units stand at Rs. 224.45 crore. Further, debt to be drawn is only 40 crore as against the cost of construction and other costs of Rs. 521.75 crore (Phase I & Phase II). Thus Acuite believes the company's dependence on customer advances and promoter funding for timely completion of project will be critical. However, currently the real estate market is tepid and post outbreak of Covid-19, many companies have cut down on costs such as adding new offices along with higher adoption of work from home which is likely to have an adverse impact on the commercial real estate sales and leasing business.

Rating Sensitivities

- The ability of the company to repay its debt obligations on time will be a key rating sensitivity.

Material Covenants

None

Liquidity: Poor

ILSP's liquidity profile remains poor on account of delays in servicing the debt obligations. The delay in servicing of interest has been for 30-60 days primarily on account of delays in receipt of customer advances.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
PAT	Rs. Cr.	(0.06)	(0.01)
PAT Margin (%)		NA	NA
Total Debt/Tangible Net Worth	Times	NA	NA
PBDIT/Interest	Times	NA	NA

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Real Estate Entities - <https://www.acuite.in/view-rating-criteria-63.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-Mar-2021	Term Loan	Long Term	570.00	ACUITE BB-/ Stable (Assigned))

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	01-May-2019	8.40%	01-May-2024	570.00	ACUITE D (Downgraded from ACUITE BB-/ Stable)

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About Acuité Ratings & Research:

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