



Oak Constructions & Properties Pvt. Ltd.

Instrument	Amount (Rs. crore)	Rating Action
Fund Based Limits – Cash Credit	0.10	[ICRA]D / Reaffirmed
Fund Based Limits – Term Loan	8.29	[ICRA]D / Reaffirmed
Non-Fund Based Limits – Bank Guarantee	0.75	[ICRA]D / Reaffirmed
Unallocated	1.86	[ICRA]D / Reaffirmed

Source: ICRA

ICRA has reaffirmed the long-term rating of “[ICRA]D” (pronounced ICRA D) to the Rs 11.00 crore¹, bank facilities of Oak Constructions & Properties Pvt. Ltd. (OCCPL)².

The rating reaffirmation takes into account continued delays in servicing of debt obligations by the company on account of the debt-funded expansion in hotel project, which together with the limited cash accruals from the hotel property, has translated into inadequate cash flows for fulfilling the debt servicing obligations. The rating is also constrained by OCCPL's single asset nature of operations resulting in dependence on the Shimla market and exposing it to the intensely competitive scenario in the city, its small scale of operations which coupled with guest profile mainly comprising of leisure tourists, exposes the company to high volatility in tourist inflow. ICRA however notes company's strengths in the form of experienced promoters who have established track record in the Shimla hospitality industry.

Timely repayment of company's debt obligations, ability of the company to witness a continued growth in its operating income and scale of projects undertaken by the company in future, will be the key rating sensitivities.

Company Profile:

Oak Constructions & Properties Pvt. Ltd (OCCPL) was incorporated in the year 2000 but began commercial operations only in May 2010. The company is promoted by Mr. Sanjay Madan and has East Bourne Resorts Pvt. Ltd. (EBRPL) and Oak Holidays & Resorts Pvt. Ltd. as its group concerns. OCCPL and EBRPL, under the chairmanship of Mr. Sanjay Madan (majority stakeholder in both firms) together own and operate a resort “East Bourne Resort” - a 72 room hotel in Khallini, Shimla with revenues of 25 rooms accruing to OCCPL along with dining and banqueting revenues. The construction of these 25 rooms has been undertaken at a total cost of Rs. 14 crore with 10 rooms becoming operational in May 2012.

Mr. Madan has been involved in the construction business for the past 15 years and was involved in the construction of East Bourne Resorts from scratch to its present stature. He is also credited with the construction of shopping complexes and residential colonies in Shimla. He is also managing the other group associates – East Bourne Resort Pvt. Ltd. and Oak Holidays & Resorts Pvt. Ltd.

Recent Results:

OCCPL reported a PAT of Rs. 0.04 crore on an operating income of Rs. 5.05 cr in FY13 as opposed to net losses of Rs. 0.52 crore on an operating income of Rs. 3.98 crore in FY12.

September 2013

1. 100 lakh = 1 crore = 10 million

2. For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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