

## Press Release

### Zenith Leisure Holidays Limited

November 30, 2021



#### Rating Assigned

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Loan Ratings</b>	21.40	21.40	ACUITE B+   Stable   Assigned	
<b>Total</b>	21.40	21.40	-	-

#### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs. 21.40 Cr. bank facilities of Zenith Leisure Holidays Limited (ZLHL). The outlook is '**Stable**'.

The ratings on the bank loan facilities of ZLHL takes cognizance of the company's long track record of operations marked by its experienced promoters and diversified business risk profile. These strengths are offset by stretched liquidity due to elongated working capital management and declining revenue levels leading to lower accruals.

#### About the Company

Incorporated in 1997, Zenith Leisure Holidays Ltd (ZLHL) is a Kolkata, West Bengal based company. It is a leading integrated travel and travel-related financial services company in India, offering a broad spectrum of facilities including forex, corporate travel, leisure travel, and visa and passport services. Currently, ZLHL is headed by Mr. Amitava Biswas, Mrs. Shilpi Biswas, Mr. Manoj Mishra, Mrs. Asha Mishra and Mr. Rajiv Prasad. They are authorized agent for Singapore visa and trusted travel partner by the New Zealand immigration and New Zealand tourism board for business events visa. It is an IATA-approved agent and can book tickets for all IATA registered airlines.

#### Analytical Approach

Acuité has considered standalone business and financial risk profiles of ZLHL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- **Established track record of operation and strong corporate tie-ups**

Established in 1997, the company has been operational for more than twenty five years. The key promoters, Mr Amitabha Biswas, Mrs. Shilpi Biswas and Mr. Manoj Mishra have more than 2 decades of experience in the business. The long standing experience of the promoters and long track record of operations has helped them to establish comfortable corporate tie-ups with key clients across the country. Customer focus, innovative packages and operational excellence, supported by a strong management, have made the company one of the leading travel and tourism players with a dominant presence across the retail and corporate segments in the organised travel business. Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady

growth in the scale of operations.

## **Weaknesses**

- Decline in revenue streams due to pandemic**

The company has achieved revenues of Rs. 15.71 Cr in FY2021 (Provisional) as compared to revenues of Rs. 246.78 Cr in FY2020 registering a y-o-y decline of 93 per cent. The operation was brought to a standstill in the first quarter of FY21, the peak travel season, due to nationwide lockdown and ban on international travels. Moreover, the decline in the MICE (Meetings, Incentives, Conferences and Exhibitions/Events) division was on account of dip in corporate travel with meetings and events shifting to the online mode. However, the forex business, classified as an essential service, resumed operations since mid-April 2020. Further, the ease of restrictions in Q3 and Q4 of FY21 and improving air traffic led to demand for short domestic holidays. Once again, the company had been hit by an intense second wave of the pandemic from April this year. The company is now looking to realign its strategy to increase focus on the domestic market, driven by high pent up demand and an expected improvement in vaccination rates. The company could achieve revenue of Rs 24.86 Cr (Prov.) till August 2021, of which the forex segment itself contributed around 80 per cent. However, segments such as international holidays and inbound travel, which has historically constituted major portion of ZLHL's travel business, may see material recovery only from Q3FY22 onwards with expected easing of restrictions in foreign countries. The pace of recovery in both the travel and forex business will remain a key monitorable.

- Weak financial risk profile**

The company's weak financial risk profile is marked by modest and decreased networth, high gearing and weak debt protection metrics. The tangible net worth of the company reduced to Rs.16.09 Cr as on March 31, 2021 (provisional) from Rs.31.79 Cr as on March 31, 2020 due to losses incurred by the company. Gearing is high at 2.74 times as on March 31, 2021 (provisional) as against 1.49 times as on 31 March, 2020. The debt of Rs.44.09 Cr mainly consists of working capital borrowing of Rs. 33.45 Cr, long term debt of Rs.8.56 Cr and current maturity of term loan of Rs.2.08 Cr. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 3.85 times as on 31st March, 2021 (prov.) as against 2.73 times as on 31st March, 2020. The weak debt protection metrics of the company is on account of operating losses. Acuité believes that going forward the financial risk profile of the company will improve backed by the gradually improving accruals and no major debt funded capex plans.

- Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 1261 days as on March 31, 2021(provisional) as against 131 days as on March 31, 2020. The high GCA days are on account of high debtor period which stood at 213 days as on March 31, 2021 as compared to 43 days as on 31st March 2020, with considerable amount of debtors outstanding for more than 6 months. The debtors are primarily high due to slower realization of debtors and flexible payment options offered to the clients in the form of instalments in FY21. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from the high debtor level.

## **Liquidity Position: Stretched**

The company's liquidity is stretched marked by accumulated losses. The fund based limit remained highly utilised at 87 per cent over one year ended July, 2021. Further, the company has availed loan moratorium and also applied for additional covid loan of Rs. 7.47 Cr. The working capital intensive nature of operations of the company is marked by high Gross

Current Assets (GCA) of 1261 days as on March 31, 2021 (provisional) as against 131 days as on March 31, 2020. The current ratio stood moderate at 1.07 times as on March 31, 2021 (provisional). However, the cash and bank balances of the company stood at Rs.8.40 Cr as on March 31, 2021 (provisional) as compared to Rs. 11.47 Cr as on March 31, 2020. Acuité believes that going forward the liquidity position of the company will improve backed by the gradually improving accruals.

### **Rating Sensitivities**

- Significant ramp up in scale of operations while improving the profitability margin
- Elongation of working capital cycle

### **Material covenants**

None

### **Outlook: Stable**

Acuité believes that the outlook on ZLHL will remain 'Stable' over the medium term on account of the experience of the promoters and diversified business risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its scale of operations. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile and liquidity position or further elongation in its working capital cycle.

### **About the Rated Entity - Key Financials (Standalone)**

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	15.71	246.78
PAT	Rs. Cr.	(15.75)	1.09
PAT Margin	(%)	(100.27)	0.44
Total Debt/Tangible Net Worth	Times	2.74	1.49
PBDIT/Interest	Times	(1.71)	1.80

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

Not Applicable

### **Any other information**

Not Applicable

### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### **Note on complexity levels of the rated instrument**

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

### **Rating History :**

Not Applicable

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Initial Quantum (Rs. Cr.)</b>	<b>Net Quantum (Rs. Cr.)</b>	<b>Rating</b>
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	12.00	ACUITE B+   Stable   Assigned
Bandhan Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	8.00	8.00	ACUITE B+   Stable   Assigned
Bandhan Bank	Not Applicable	Term Loan	30-04-2021	Not available	30-11-2024	1.40	1.40	ACUITE B+   Stable   Assigned

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## About Acuité Ratings & Research

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