

## Press Release

### Zenith Leisure Holidays Limited

November 18, 2022

### Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.40	ACUITE BB   Stable   Upgraded	-
Total Outstanding Quantum (Rs. Cr)	21.40	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.21.40 Cr bank facilities of Zenith Leisure Holidays Limited (ZLHL). The outlook remains '**Stable**'

#### Rationale for the rating

The rating upgrade is driven by strong recovery in the performance of the company since H2FY22, subsequently, driven by high pent-up demand, increased vaccination rates and improving customer confidence to travel. This is expected to improve further in FY23, given the sharper recovery already witnessed in H1FY23. Further, the rating also draws comfort from the extensive experience of ZLHL's management in the travel business and the strong corporate clientele profile. However, these strengths are partially offset by stretched collection period, below average financial risk profile and any adverse macro-economic event impacting the tourism industry.

#### About the Company

Founded in the year 1997, by Mr Amitava Biswas and Mr Manoj Mishra, Zenith Leisure Holidays Ltd (ZLHL) is a Kolkata, West Bengal based company. It initially started as a MICE (Meetings, Incentives, Conferences, Exhibitions) operating travel company which has now diversified into leisure travel, creative marketing and events, inbound travel, E-business and forex and inbound business from other global countries, which is internally referred to as DMC business. The company is amongst the select group of Authorized Dealer Cat II Foreign Exchange company, retailing foreign exchange products from thirty branches in India. 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. Currently, the company is headed by Mr. Amitava Biswas, Mrs. Shipli Biswas, Mr. Manoj Mishra, Mrs. Asha Mishra and Mr. Rajiv Prasad.

#### Analytical Approach

Acuite has considered standalone business and financial risk profiles of ZLHL to arrive at the

rating.

## Key Rating Drivers

### Strengths

- **Experienced management and strong corporate tie-ups**

Established in 1997, the company has been operational for more than twenty-five years. The key promoters have more than two decades of experience in the business. The long standing experience of the promoters and long track record of operations has helped them to establish corporate tie-ups with key clients across the country. The company has strong clientele profile with reputed corporates including Ceat, TATA Chemicals Limited, Berger Paints, Samsonite, CK Birla Group, Reliance Industries Limited, to name a few. 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.

- **Significant improvement in the performance in H1 2022-2023**

The company has reported a revenue of Rs 47.68 Cr in FY2022 as compared to Rs15.59 Cr in FY2021 due to easing of travel restrictions in the second half of FY2022. Further, the company has reported significant improvement in the performance in H1 of FY2023 and has generated a revenue of around Rs.120 Cr till September, 2022 (Provisional), owing to lifting up of travel restrictions and thrust in the tourism industry. The operating margin of the company improved to 4.77 per cent in FY2022 as compared to losses in FY2021, due to cost rationalization. Further, the company has reported an operating margin of around 11 per cent for H1FY2023. Expected improvement in international travel and increased economic activity will also support recovery in ZLHL's forex business. Acuite believes that going forward, the company would thrive as the tourism industry is reviving post-pandemic. The pace of recovery in both the travel and forex businesses will remain a key monitorable.

### Weaknesses

- **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 432 days as on March 31, 2022 as against 1134 days as on March 31, 2021. Although the company's receivables position has shown some improvement to 142 days in FY2022 from 176 days in FY2021, it continues to be stretched. The debtors are primarily high due to slower realization of debtors and flexible payment options offered to the clients in the form of instalments. However, the reputed and diversified customer base of ZLHL translates into low counterparty default risk. Acuité, however, notes that the company has been making constant efforts to streamline its debtor position and recovery measures, which will be a key monitorable.

- **Below average financial risk profile**

The company's above average financial risk profile is marked by modest networth, and high gearing and weak albeit improving debt protection metrics. The tangible net worth of the company reduced to Rs.10.51 Cr as on March 31, 2022 from Rs.12.20 Cr as on March 31, 2021 due to losses incurred by the company. Gearing is high at 3.68 times as on March 31, 2022 as against 3.62 times as on 31 March, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 6.36 times as on 31st March, 2022 as against 4.98 times as on 31st March, 2021. The weak debt protection metrics of the company is marked by Interest

Coverage Ratio of 0.81 times and Debt Service Coverage Ratio of 0.57 times as on March 31, 2022. It is expected that the significant growth in turnover in FY2023 shall trigger high net cash accruals. 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.

- **Susceptibility to geo-political risk and competition**

The operations of the company remains vulnerable to adverse events and geo-political risk. The global travel industry has been impacted due to Covid-19, on account of reduced international travel amidst the pandemic. New variants of Covid-19 as well as geo-political risks might impact the pace of recovery going forward. Therefore, it would remain a key monitorable. The company also faces competition from other organised and unorganised players in the industry, thereby challenging its pricing power.

### **Rating Sensitivities**

- Significant ramp up in scale of operations while improving the profitability margin
- Improvement in collection mechanism

### **Material covenants**

None.

### **Liquidity Position Adequate**

The company's liquidity is adequate marked by comfortable cash and bank balance which stood at Rs. 10.21 Cr as on March 31, 2022 as compared to Rs. 8.02 Cr for the same period. Further, the fund based limit remained utilized at around 29% for nine months ended September, 2022. The current ratio stood moderate at 1.14 times as on March 31, 2022. However, the company has availed loan moratorium and applied for additional covid loan of Rs. 9.77 Cr. Further, the company has incurred loss in FY2022 and FY2021 primarily due to nation-wide lockdown and a temporary halt in the tourism sector, which resulted in negative cash accruals. Moreover, the working capital intensive nature of operations of the company is marked by high but improving Gross Current Assets (GCA) of 432 days as on March 31, 2022 as against 1134 days as on March 31, 2021. Acuité believes that going forward the company will improve its liquidity position due to steady accruals, on account of ramp up in operations supported by positive outlook of industry and tie-up with reputed corporate clients .

### **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 registers consistent growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or deterioration in its working capital cycle.

### **Other Factors affecting Rating**

None.

### **Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	47.68	15.59
PAT	Rs. Cr.	(1.69)	(19.61)
PAT Margin	(%)	(3.55)	(125.80)

Total Debt/Tangible Net Worth	Times	3.68	3.62
PBDIT/Interest	Times	0.81	(2.22)

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

None

#### Any other information

None.

#### 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

#### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Nov 2021	Cash Credit	Long Term	12.00	ACUITE B+   Stable (Assigned)
	Secured Overdraft	Long Term	8.00	ACUITE B+   Stable (Assigned)
	Term Loan	Long Term	1.40	ACUITE B+   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bandhan Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE BB   Stable   Upgraded
Bandhan Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BB   Stable   Upgraded
Bandhan Bank	Not Applicable	Term Loan	Apr 30 2021 12:00AM	10.65	Nov 30 2024 12:00AM	Simple	1.40	ACUITE BB   Stable   Upgraded

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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