



Press Release
Zenith Leisure Holidays Limited
September 18, 2023
Rating Upgraded

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

Rating Rationale

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

Rationale for upgrade

The rating has been upgraded on account of strong recovery in business risk profile marked by significant improvement in operating performance of the company since FY2023 driven by high pent-up demand due to relaxations and waiving off on travel restrictions in the tourism industry and improving customer confidence to travel. The revenues of the company improved to Rs. 257.68 Cr. in FY2023 (Provisional) as against Rs. 47.68 Cr. in FY2022. Furthermore, the company has already achieved revenue of Rs. 176.43 Cr. for 5MFY2024. Also, the operating profit margin of the company improved to 9.70% in FY2023 (Provisional) as against 4.77% in FY2022.

In line with the improvement in operating performance, the financial performance of the company also recorded an improvement marked by reducing gearing and improving debt protection metrics. The gearing level improved to 1.36 times as on March 31, 2023 (prov.) as against 3.68 times as on March 31, 2022. Driven by improving profitability, the Interest Coverage Ratio (ICR) improved to 5.62 times and the Debt Service Coverage Ratio (DSCR) improved to 3.16 times as on March 31, 2023(prov.). The financial risk profile of the company is expected to further improve on account of the capital infusion in the current year FY2024.

The rating remains constrained on account of the working capital-intensive nature of operations and susceptibility to geo-political risk and competition. Going forward, ability of the company to improve its scale of operations while maintaining its profitability margins and capital structure and restricting the elongation of its working capital cycle will remain a key rating monitorable.

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, Mr. Rajiv Prasad and Mr. Aniket Divakar Kale.

Analytical Approach

Acuité 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.

Augmentation in business risk profile

The business risk profile of the company witnessed strong recovery post Covid-19 reflected by significant improvement in operating performance of the company since FY2023 driven by high pent-up demand due to relaxations and waiving off on travel restrictions in the tourism industry and improving customer confidence to travel. The revenues of the company improved to Rs. 257.68 Cr. in FY2023 (Provisional) as against Rs. 47.68 Cr. in FY2022. Furthermore, the company has already achieved revenue of Rs. 176.43 Cr. for 5MFY2024. Also, the operating profit margin of the company improved to 9.70% in FY2023 (Provisional) as against 4.77% in FY2022.

Acuité believes that the revenues of the company will continue to witness improvement on account of high demand in the tourism industry post covid-19 over the medium term.

Moderate Financial Risk Profile

The financial performance of the company also recorded an improvement marked by reducing gearing and improving debt protection metrics on account of improvement in operating performance. The tangible net worth of the company improved to Rs.31.24 Cr. as on March 31, 2023 (prov.) as against Rs.10.51 Cr as on March 31, 2022 due to accretion to reserves by the company. The company follows a moderate leverage policy and the gearing level improved to 1.36 times as on March 31, 2023 (prov.) as against 3.68 times as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 5.92 times as on March 31, 2023(prov.) as against 6.36 times as on March 31, 2022.

The improvement in the profitability levels has resulted into improvement of the debt protection metrics of the company and the Interest Coverage Ratio improved to 5.62 times as on March 31, 2023(prov.) as against 0.81 times as on March 31, 2022. The Debt Service Coverage Ratio improved to 3.16 times as on March 31, 2023(prov.) as against 0.57 times as on March 31, 2022

Acuité expects that the financial risk profile of the company will improve further on account of

the equity infusion in FY2024.

Weaknesses

Working capital intensive nature of operations

The operations of the company are of working capital-intensive nature, however the working capital management of the company has significantly improved on account of the improvement in the realisation of the debtors. The debtor days stood at 58 days in FY2023(prov.) as against 142 days in FY2022. The debtors are primarily high on account of the flexible payment options offered to the clients in the form of instalments. However, 84.33% of the debtors are within 90 days as on May 31, 2023. The average utilisation of the working capital limits of the company stood at 65.90% for the last eleven months ended in March 2023.

Susceptibility to geo-political risk and competition

The operations of the company remain 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 capital structure of the company

All Covenants

Not Applicable

Liquidity Position Adequate

The liquidity position of the company is adequate marked by adequate net cash accruals against its repayment obligations. The company generated adequate net cash accrual of Rs. 22.05 Cr. in FY2023(prov.) against the repayment obligation of Rs. 3.73 Cr. Going ahead, the net cash accruals are expected to be in the range of Rs. 24.73 Cr. to Rs. 29.82 Cr. against the repayment obligations in the range of Rs. 2.91 Cr to Rs. 2.92 Cr. during the period FY2024-2025. The average utilisation of the working capital limits of the company stood at 65.90% for the last eleven months ended in March 2023. The unencumbered cash and Bank balance stood at Rs. 80.52 Cr. as on March 31, 2023(prov.) and the current ratio stood at 1.01 times as on March 31, 2023 (prov.)

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 company 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 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	257.68	47.68
PAT	Rs. Cr.	20.70	(1.69)
PAT Margin	(%)	8.03	(3.55)
Total Debt/Tangible Net Worth	Times	1.36	3.68
PBDIT/Interest	Times	5.62	0.81

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
18 Nov 2022	Secured Overdraft	Long Term	8.00	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
	Term Loan	Long Term	1.40	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
	Cash Credit	Long Term	12.00	ACUITE BB Stable (Upgraded from ACUITE B+ Stable)
30 Nov 2021	Secured Overdraft	Long Term	8.00	ACUITE B+ Stable (Assigned)
	Term Loan	Long Term	1.40	ACUITE B+ Stable (Assigned)
	Cash Credit	Long Term	12.00	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	10.00	ACUITE BBB- Stable Upgraded (from ACUITE BB)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.40	ACUITE BBB- Stable Upgraded (from ACUITE BB)
Bandhan Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE BBB- Stable Upgraded (from ACUITE BB)

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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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