Rating Rationale

Brickwork Ratings assigns 'BWR BB-' and 'BWR A4' for the Bank Credit Facilities amounting ₹ 9.88 Cr of Alps Leisure Holidays Private Limited

Brickwork Ratings (BWR) has assigned the following **Ratings**[1] for the Bank Credit Facilities of ₹ 9.88 Cr of Alps Leisure Holidays Pvt Ltd.

Facility	Limits (₹ Cr)	Tenure	*Rating*
Fund Based CC TL TL(Proposed)	 0.15 3.58 6.00	Long Term	***BWR BB-*** *(BWR Double B Minus)* ***Outlook-Stable***
OD	0.15	Short Term	***BWR A4*** *(BWR A Four)*
Total	***9.88*** **(INR Nine Crores and Eighty Eight Lacs only)**		

BWR has principally relied upon the audited financial results up to FY 12 and projected financials of Alps Leisure Holidays Private Ltd, publicly available information and information/clarification provided by the Company management.

The rating is constrained by its small scale of operations, low profitability, small cash accrual, moderate debt coverage indicators and fragmented nature of industry. However, the rating constraints are partially mitigated by relevant experience of the promoters in the industry, diversification of business activity i.e. foray in to medical tourism and setting up of health resort.

Background

Alps Leisure Holidays Pvt ltd. (ALHPL) commenced its operation in the year 2006. The company is engaged in the business of resorts and operates tours. In initial years of operation company was accruing its entire revenue from sale of tour packages and ticket booking. In FY 2010 Company diversified its operation by setting up health resort and restaurants. Substantial portion of firm's revenue comes from resort & restaurant operation.

Operations

ALHPL diversified its business operation in 2010 by setting up a health Resort in Vadodara. Further in 2012 to fuel its growth plan ALHPL expanded its operation through construction of restaurant, 2 conference halls and swimming Pool adjacent to existing health resort. Revenue of the company has grown at a CAGR of 46% during last four years (FY 09-12).

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

The revenue mainly comprises of income from restaurant & picnic package sale (i.e. F & B Sale), income from health packages and income from selling tours & travels packages.

Financial Performance

ALHPL's scale of operations remained small marked by a total operating income of ₹3.86 Cr in FY 13 (based on provisional results). Company has posted YOY growth of 22% in top line for FY13. The operating margins of the company have been in the range of 35-40% in last three years. The operating margin slightly declined in FY13 to 37% from 41% in FY12. The net profit margin of the Company improved to 11.55% in FY13 from 2.83% in FY12 on account of reduced depreciation and interest charges. The profit for FY13 stood at ₹0.45 Cr against ₹0.09 Cr in FY12.

Promoters have infused equity to the extent of ₹2.5 Cr into the company in past three years ended FY12.The Debt/Equity ratio declined slightly to 1.13X in FY13 compared to 1.11X in FY12, gearing is expected to increase further over the medium term on account of proposed term loan on reimbursement basis for the expansion of rooms in the resort with total project cost of ₹9.5 Cr which will be funded through 37% equity and 63% debt with ballooning repayment with a moratorium of 1 year. The Interest Service coverage ratio improved to a level at 2.71 times in FY13 due to lower interest and finance charges. The Networth of the company has been constantly improving on account of plough back of profits, stood at ₹4.45 crores in FY13. The current ratio stood at 0.27 in FY 13 below the level of 0.46 in FY 12 on account of increase in CPLTD. Company is expecting to grow in terms of revenue over the period of next 2-3 yrs. on account of increase in F & B Sale projected to grow at 25%. ALHPL's financial risk profile is marked by small Networth due to limited scale of operation and moderate debt protection matrics.

Rating Outlook

The increase in the scale of operations and maintaining its healthy profit margins along with the rationalization of debt levels would be the key rating sensitivities.

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Annexure I - Key Financials – Alps Leisure Holidays Pvt Ltd.

Particulars (₹ In Crores)	2010	2011	2012
	A	A	A
Operating Income	0.74	1.93	3.16
EBITDA	0.03	0.72	1.30
PAT	0.03	0.07	0.09
Long term borrowings	3.74	5.08	4.12
Short term borrowings	-	0.45	0.32
Total Debt	3.74	5.53	4.44
Paid Up Equity Capital	0.50	0.98	3.00
Reserves & Surplus	0.04	0.11	1.01
Tangible Net worth (Rs. Cr)	1.02	1.08	4.01
Debt to Equity (x)	3.67	5.10	1.11
Interest Coverage (x)	1.69	1.93	1.88
EBITDA Margin (%)	4%	38%	41%
PAT Margin (%)	4.02%	3.41%	2.83%
Net Cash Accruals / Total Debt (x)	0.01	0.07	0.15
Current Ratio (x)	0.18	0.15	0.46

****Calculations has been based on BWR ratio definition***