



Rating Rationale

Cox & Kings Limited

13 Aug 2018

Brickwork Ratings assigns BWR A1+ for the proposed Commercial paper(CP) aggregating to Rs. 38 crs, reaffirms BWR A1+ for the Commercial Paper (CP) aggregating Rs.2022.00 Crs and reaffirms BWR AA(Stable) for the existing and proposed, listed, unsecured/secured, redeemable Non Convertible Debentures (NCDs) aggregating to Rs.500 Crs of Cox & Kings Limited ('C&K' or the Company)

Particulars:

1. Commercial Paper

Instrument	Previous (Rs. Crs) (April 2018)	Present (Rs. Crs) (August 2018)	Tenure	Previous Ratings (April 2018)	Rating ¹
Proposed Commercial Paper (to be carved out of working capital facility)	-	38.00	Short Term	-	BWR A1+ (Pronounced BWR A One Plus) Assigned
Commercial Paper (carved out of working capital facility)	1647.00	1647.00		BWR A1+ (Pronounced BWR A One Plus)	BWR A1+ (Pronounced BWR A One Plus) Reaffirmed
Commercial Paper	375.00	375.00			
Total	2022.00	2060.00	(Rupees Two Thousand and Sixty Crores Only)		

¹ Please refer to BWR website www.brickworkratings.com for definition of the ratings

2. NCDs[^]

Instrument*	ISIN	Issue Date	Amount Rs. Crs	Coupon	Maturity Date	Present Rating ¹
Existing*						
NCD (secured)	INE008I07320	24 Mar 2014	75.00	10.50 %	Mar 24 2019	BWR AA (Pronounced BWR Double A) Outlook : Stable Reaffirmed
NCD (unsecured)	INE008I08112	27 Apr 2018	175.00	9.00%	27 Apr 2021	
NCD (unsecured)	INE008I08120	23 Jul 2018	200.00	9.00%	23 Aug 2019	
Proposed						
NCD (unsecured)	-	-	50.00	-	-	
Total			500 .00 (Rupees Five Hundred Crores Only)			

* Existing NCD as on 07 August 2018

[^]Put option exercised by investor in respect of Rs. 150 crs bearing ISIN INE008I08104 on 27 July 2018 and NCDs redeemed.



Rating assigned for proposed Commercial Paper(CP) and earlier Ratings for CP and NCDs reaffirmed.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of the Company upto FY18, publicly available information and information/clarifications provided by the Company's management.

The rating continues to draw comfort from the leadership position enjoyed by the company in the Indian travel and tourism industry with strong brand recall, established track record, well-integrated business model, geographically diversified operations and product portfolio, healthy financial risk profile of the company and Company's monetization plan of its international business by the end of FY 2019, which is expected to lead to an improvement in the capital structure of the company. The rating also takes note of C&K's large operating scale supported by a well established distribution network and strong bargaining power with vendors across the value chain. The rating remains vulnerable to the seasonal nature of the industry, regulatory changes, macroeconomic conditions like economic slowdowns, foreign exchange fluctuations and exogenous shocks, competition from unorganised regional players and online travel portals in a fragmented industry and working capital intensive operations.

Going forward, the Company's ability to sustain its growth momentum by expanding its travel offerings to more countries and promoting online sales, maintain capital structure and debt coverage indicators at envisaged levels, generate cash flows as estimated for NCDs servicing, refinance the NCDs as and when necessary and strengthen its overall credit profile would be the key rating sensitivities.

BWR has relied on consolidated financials of C&K for arriving at rating of Commercial Paper and NCDs.

Rating Outlook: Stable

BWR believes C&K's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues, profit margins, capital structure show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and margins show lower than expected figures.



Key rating drivers

- **Established track record and strong brand recall:** C&K is a globally established brand name with a proven track record of more than 100 years in travel and tourism industry. Its leadership position is further supported by its wide distribution network and synergies within the group. The company has a well-integrated business model offering one-stop solutions as well as opportunities for cross selling products to customers.
- **Healthy Financial Risk Profile:** The Company's healthy financial risk profile is reflected in its comfortable coverage indicators and liquidity position. Interest coverage ratio was 3.87 times in FY18 as against 3.67 times in FY17. Cash and cash equivalents stood at Rs. 1639.00 Crs as on 31 March 2018. Working capital utilisation was at an average of ~80% during FY18. Company's monetization plan of its international business by the end of FY 2019, leading to significant reduction of debt is expected to lead to an improvement in the capital structure of the company going forward.
- **Geographically diversified operations:** C&K's operations are spread across 23 countries and 4 continents, through its various subsidiaries. Geographical diversification along with Company's presence in multiple segments ensure diversified revenue stream and synergies from integrated operations.
- **Exposure to Geopolitical factors and exchange rate fluctuations:** Revenue growth remains vulnerable to regulatory changes and macroeconomic conditions like economic slowdowns, foreign exchange fluctuations and exogenous shocks
- **Fragmented Industry** The Travel and Tourism industry in India is highly fragmented and competitive with the presence of a large number of small unorganized regional players and several online travel portals. However, established players such as C&K enjoy economies of scale and stronger bargaining power.
- **NCD redemption /refinancing risk :** The redemption of NCDs is proposed to be made out of internal accruals and refinancing as necessary. Hence, ability of the company to generate sufficient cash flows and maintain sufficient liquidity for debt servicing will be crucial.

Analytical approach

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

About the Company

Cox & Kings Ltd. (C&K), was initially incorporated in Mumbai, in 1939 as Eastern Carrying Company Ltd. Subsequently, the name was changed to Cox & Kings Limited and the company was listed on BSE in 2009. C&K has subsidiaries in the US, Canada, the UK, Netherlands,



UAE, Japan, Singapore, Australia and New Zealand. It is an established brand in the travel and tourism industry. The Company operates in four verticals namely Leisure (India & International), Education, Meininger (hybrid hotels), and Others (includes Visa processing) and has its operations spread across 23 countries and 4 continents.

Proposed Commercial Paper

The proposed Commercial Paper is to meet the Company's working capital requirement as also to take advantage of lower money market rates. The proposed CP issue would be unsecured in nature with a tenure ranging from 7 to 365 days. The proposed CP of Rs. 38.00 crs would be carved out of enhanced working capital facilities of Rs. 38.00 crs sanctioned by Kotak Mahindra Bank (Rs. 25 crs) and Abu Dhabi Commercial Bank (Rs. 13 crs) and may be issued in tranches. The rating assigned to the Commercial Paper is subject to the Company's compliance with relevant guidelines/instructions issued by RBI with regard to issue of Commercial Papers.

Existing NCDs of Rs 450 Crs

CKL has issued NCDs as follows:

- 750 secured, listed, Redeemable Non-convertible Debentures of face value of Rs. 10,00,000 (Rupees Ten Lakhs) each on March 24 2014, issued at par by way of private placement amounting to Rs. 75.00 crs (Rupees Seventy Five Crores only) with a tenure of 5 years.
- 1750 rated, unsecured, listed, Redeemable Non-convertible Debentures of face value of Rs. 10,00,000 (Rupees Ten Lakhs) each on 27 April 2018, issued at par by way of private placement amounting to Rs. 175.00 crs (Rupees One Hundred Seventy Five Crores only) with a tenure of 3 years. The maturity date is 27 April 2021.
- 2000 unsecured, listed, Redeemable Non-convertible Debentures of face value of Rs. 10,00,000 (Rupees Ten Lakhs) each on 23 July 2018, issued at par by way of private placement amounting to Rs. 200.00 crs (Rupees Two Hundred Crores only) with a tenure of 1 year 1 Month.

The above NCDs have been raised for purposes of capital expenditure, refinancing of existing debt, general corporate purposes and short/medium term working capital requirements of the Company.

Financial Performance

On a consolidated basis, the Company reported Total Operating Income (TOI) and PAT of Rs. 6450.55 Crs and Rs. 443.88 Crs for FY18 as against TOI of Rs. 7176.29 Crs and PAT of Rs. 211.74 Crs respectively in FY17. Tangible Net-worth (excluding intangible assets, goodwill

and revaluation reserve) as on 31st March 2018 was Rs. 1238.99 Crs as against Rs. 624.24 Crs in FY17. Total debt stood at Rs. 3906.94 Crs as on 31 March 2018. ISCR was 3.87 times as on 31 March 2018 as against 3.67 times as on 31 March 2017.

Key financial indicators are summarized in Annexure I.

Rating History for the last three years:

SI No	Instrument	Current Rating (August 2018)			Rating History with BWR		
		Type	Amount (Rs. Crs)	Rating	26/04/2018	14/03/2018	25/10/2017
1	Proposed Commercial Paper (to be carved out of working capital)	Short Term	38.00	BWR A1+ Assigned	NA	NA	NA
2	Commercial Paper (carved out of working capital)		250.00	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Assigned	NA
			1397.00	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Assigned
3	Commercial Paper		375.00	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Assigned
4	NCDs (existing)	Long Term	450.00	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Assigned	NA	NA
5	Proposed NCDs		50.00			NA	NA
Total			2560.00 (Rupees Two Thousand Five Hundred and Sixty Crores Only)				

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Services Sector](#)
- [Approach to Financial Ratios](#)
- [Commercial Paper](#)



- [Short Term Debt](#)

- [Consolidation of Companies](#)

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Cox & Kings Limited
Annexure
Key Financial Indicators - Consolidated

Particulars	Unit	31 March 2017	31 March 2018
		Audited	Audited
Total Operating Income	Rs. Crs	7176.29	6450.55
OPBDIT	Rs. Crs	855.56	1024.28
PAT	Rs. Crs	211.74	443.88
Networth	Rs. Crs	3205.86	4286.24
Tangible Net-worth*	Rs. Crs	624.24	1238.99
Total Debt	Rs. Crs	3,673.89	3906.94
Current Ratio	Times	1.54	1.46

* Tangible Net-worth is arrived at after deducting goodwill on consolidation, intangible assets and revaluation reserves

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.



BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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