



Rating Rationale

Cox & Kings Limited

24 June 2019

Brickwork Ratings reaffirms BWR A1+ rating for the Commercial Paper (CP) Issue aggregating to Rs. 2060 Crs. Brickwork Ratings downgrades the rating for the NCD issue amounting to Rs. 50 Crs of Cox & Kings Limited (C&K or Company)

Particulars:

1. Commercial Paper

Instrument	Previous (Rs. Crs) (Mar 2019)	Present (Rs. Crs)	Tenure	Previous Ratings (March 2019)	Rating ¹
Commercial Paper Issue (carved out of working capital facility)	250.00	250.00	Short Term	BWR A1+ (Pronounced as BWR A One Plus)	BWR A1+ (Pronounced as BWR A One Plus) Reaffirmed
Commercial Paper Issue (carved out of working capital facility)	1435.00	1435.00			
Commercial Paper Issue	375.00	375.00			
Total	2060.00	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	Previous Rating (March 2019)	Preset Rating
NCD (secured)	INE008I07 338	18 Jan 2019	50.00	10.00%	15 Nov 2021	BWR AA (Stable) (Pronounced as BWR Double A)	BWR AA-(Stable) (Pronounced as BWR Double A Minus) Downgrade
NCD (secured)	INE008I07 320	24 Mar 2014	75.00	10.50 %	24 Mar 2019	BWR AA (Stable) (Pronounced as BWR Double A)	Rating withdrawn on account of redemption



BWR has principally relied upon the audited financials of the Company upto FY19, publicly available information and information/clarifications provided by the Company and management.

Rationale.

The rating downgrades factors increase in receivables resulting in tied up of working capital and its recent divestment limiting the profitability growth. The rating continues to draw comfort from established track record in tourism industry, brand appeal of Cox and King, geographically diversified operations and established relationship with corporate customers.

The ratings is constrained on account of seasonal nature of tourism industry and exposure of C&K's operations to macroeconomic factors like economic slowdown, foreign exchange fluctuations, geopolitical risk, competition from organized and unorganized players and working capital intensive operations.

The rating is also constrained on account of continued high levels of pledge shares by the promoters and low market capitalization.

Rating Sensitivities

Going forward, the Company's ability to maintain its growth momentum, further improve the capital structure, adequate management of receivables and working capital are the key rating sensitivities.

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 there is significant increase in scale of operations and profitability without weakening of the capital structure and debt protection metrics. The rating outlook may be revised to negative in case of lower-than-expected revenue and profitability, weakening of capital structure or any stretch in receivables.

Credit Strengths.

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 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.

Geographically diversified operation and product portfolio: 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. Diversified product portfolio and steady growth in key business segments ease the seasonality and economic cycle risk: The Company offers a



diverse set of services catering to a varied set of customers spread across multiple geographies providing diversity of revenue streams.

Financials Profile. The total operating Income reported a growth of 14.88% over FY18. The growth was supported by growth in leisure segment which has shown a growth of 12 % and Hybrid hotel segment which has grown by 32.38%. PAT for FY19 was supported by extraordinary income on sale of education business. The cash and cash equivalents for FY19 stood at Rs. 1829 Crs. The EBITDA margins after adjusting notional increased marginally to 12.14 % from 11.85% in FY18.

Credit Weakness.

High Receivables. The receivables of the Company has increased from Rs. 1981 Crs in FY 18 to Rs. 2418 Crs in FY19 on consolidated basis resulting in tied up of working capital. On standalone basis the receivables stood at Rs. 2031 Cr as on FY19 of which the receivable from overseas group companies is ~Rs.150 Crs which is on account of the destination management services (Ground Handling Services for Inbound Tours for Foreign customers visiting India) that Cox & Kings India provides to these Companies. As per the clarification from management the receivables is on account of B2B business which generates higher profitability.

Fragmented Industry: 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.

Pledge of Promoter Shareholding: The promoter and promoter group owns 49.8% C&K of which 63.28 % is pledged as on March 2019. The pledge portion of Indian holding stood at 82.40 % as on March 19.

Adequate Liquidity: The Company has cash and Cash equivalent of Rs. 1829 Crs at Consolidated level and Rs. 723.5 Crs on standalone basis as on March 2019. The CPLTD portion for FY19 on consolidated basis is Rs. 308 Cr while on standalone basis it stood at Rs. 49.90 Cr. The average working capital utilization for last six month also considering the issuance of CP was ~ 79%. The unutilized working capital limit as on 20th June 2019 is Rs. 899 Cr from total working capital limits of Rs. 1685 Crs.

Analytical approach

While assigning the ratings of Commercial Paper and NCDs, BWR has taken a consolidated view of the business and financial profiles of Cox & Kings Ltd Ltd and its subsidiaries (Annexure I provides the list of subsidiaries) collectively referred to as Cox and Kings Group because of the strategic importance and considerable operational integration between the entities. BWR 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 is listed on BSE and NSE. 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 three verticals namely Leisure (India & International), Meininger (hybrid hotels), and Others (includes Visa processing) and has its operations spread across 23 countries and 4 continents. The National Company Law Tribunal (NCLT) sanctioned the demerger of the foreign exchange division of Cox and Kings Ltd (CKL) into a separate entity - Cox & Kings Financial Service Limited ('CKFSL') w.e.f April 1, 2017. CKFSL Limited ceased to be subsidiary from the effective date and is now separately listed on BSE. In January 2019 the company sold its education business to Midlothian Capital Partners (MCP), a leading UK-based investor for all-cash enterprise value of GBP 467 million.

Commercial Paper(CP) Issue: The Commercial Paper is to meet the Company's working capital requirement as also to take advantage of money market rates. The CP Programme would be unsecured in nature with a tenure ranging from 7 to 365 days. Out of the total CP programme of Rs. 2060 Crs, the CP carved out of the sanctioned working capital limits of the company is Rs. 1685 Crs.

Financial Performance:

On a consolidated basis, the Company reported PAT of Rs. 1689.65 Cr on total operating income (TOI) of Rs. 5726.90 Cr in FY19 v/s PAT of Rs. 429.67 Cr in FY18 on TOI of Rs. 4984.12 Crs in FY18. The tangible net worth stood at Rs. 2814.30 Cr as on FY19. PAT for FY19 was supported by extraordinary income on sale of education business.

Key Financials Consolidated: Cox & Kings Limited

Particulars	Unit	31 March 2018	31 March 2019
		Audited	Audited
Total Operating Income	Rs. Crs	4,984.12	5,726.90
OPBDIT (after adjusting for notional forex gain/loss)	Rs. Crs	590	695
PAT	Rs. Crs	429.67	1,689.65
Tangible Net-worth	Rs. Crs	1,329.65	2,814.30
Total Debt	Rs. Crs	4,013.96	3,273.38

Current Ratio	Times	1.44	2.18
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The figures for FY18 has been restated since forex business has been demerged into a separate also the Education business sale was completed in January 2019.

Rating History for the last three years:

Sr. No	Instrument	Current Rating (June 2019)			Rating History						
		Type	Amount (Rs. Crs)	Rating	2018-19				2017-18		
					March 2019	28/09/2018	13/08/2018	26/04/2018	14/03/2018	25/10/2017	
1	Commercial Paper Programme (carved out of working capital)	Short Term	38	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Assigned	NA	NA
			250						BWR A1+ Assigned	NA	
			1397						BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	
2	Commercial Paper Programme		375						BWR A1+ Reaffirmed	BWR A1+ Assigned	
3	NCDs	Long Term	50.0	BWR AA- Outlook : Stable Downgrade	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Assigned	NA	NA	
3	NCDs	Long Term	75.0	Rating Withdrawal (on account of redemption)	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Assigned	NA	NA	
Total *			2110	(Rupees Two Thousand One Hundred and Ten Crores Only)							

* Total is excluding Rs. 75.0 Crs NCD issue which was redeemed and hence withdrawn.



Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Services Sector](#)
- [Commercial Paper](#)
- [Consolidation of Companies](#)

Analytical Contacts	Investor Contacts
<p>Ravindra Kumar Director - Ratings B : +91 22 2831 1426, +91 22 2831 1439 ravindra.k@brickworkratings.com</p> <p>Ajit Jagnade Manager - Ratings D : +91 22 6745 6627 B : +91 22 2831 1426, +91 22 2831 1439 ajit.j@brickworkratings.com</p>	<p>Satish Nair Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 22 6745 6666 satish.n@brickworkratings.com</p>
1-860-425-2742	

Cox & Kings Limited
Annexure I : List of Subsidiaries

C&K Investments Limited
Candk Tours SDN. BHD.
Clearmine Limited
Cox & Kings (Agents) Limited
Cox & Kings (Australia) Pty Ltd.
Cox & Kings (Shipping) Limited
Cox & Kings (UK) Limited
Cox & Kings Destination Management Services Limited
Cox & Kings Enterprises Limited



Cox & Kings Finance (Mauritius) Ltd.
Cox & Kings Finance Limited
Cox & Kings Global Services Canada Ltd.
Cox & Kings Global Services Lanka (Pvt) Ltd
Cox & Kings Global Services LLC Dubai
Cox & Kings Global Services Management (Singapore) Pte Ltd
Cox & Kings Global Services Private Limited , UK
Cox & Kings Global Services Pvt Ltd
CKGS South Africa (Pty) Ltd
Cox & Kings Global Services Sweden AB
Cox & Kings GmbH
Cox & Kings Holdings Limited
Cox & Kings Japan Ltd
Cox & Kings Tours LLC, Dubai
Cox & Kings Tours Ltd.
Cox & Kings Travel Limited, Hong Kong
Cox & Kings Travel Limited, UK
Cox and Kings Asia Pacific Travel Ltd
Cox and Kings Consulting Service (Beijing) Co. Ltd.
Cox and Kings Destinations Management Services Pvt Ltd-
Cox and Kings Global Services (Singapore) Pte Ltd.
Cox and Kings Global Services USA LLC
Cox and Kings Global Services, Qatar
Cox and Kings Nordic PTY Limited
Cox and Kings Singapore Private Limited
Cox and Kings Special Interest Holidays Ltd.
East India Travel Company Inc,
Edge Adventures Ltd
ETN Services Limited
Grand Tours Limited
Holidaybreak Holding Co Ltd
Holidaybreak Hotel Holdings GmbH
Holidaybreak Ltd
Holidaybreak QUEST Trustee Ltd
Holidaybreak Trustee Ltd
Hotelbreak Enterprise UK Ltd
Hotelnet Ltd
Hotels London Limited
Meininger Airport Frankfurt GmbH
Meininger "10" City Hostel Berlin-MITte GmbH



Meininger "10" Frankfurt GmbH
Meininger "10" Hamburg GmbH
Meininger "10" Hostel und Reisevermittlung GmbH
Meininger Airport Hotels BBI GmbH
Meininger Amsterdam Amstelstation BV
Meininger Amsterdam BV
Meininger Barcelona GmbH
Meininger Berlin Hauptbahnhof GmbH
Meininger Brussels GmbH
Meininger City Hostels & Hotels GmbH
Meininger Finance Company Limited
Meininger Holding GmbH
Meininger Holding USA Inc
Meininger Hotel Asia Pacific Pte. Limited
MEININGER Hotel Berlin East Side Gallery GmbH
MEININGER Hotel Berlin Tiergarten GmbH
Meininger Hotel Bordeaux SAS
Meininger Hotel Brussels Midi Station SA
Meininger Hotel Copenhagen ApS
Meininger Hotel Dresden GmbH
Meininger Hotel Europe Limited
Meininger Hotel Genf AG, Geneva
Meininger Hotel Glasgow Limited
Meininger Hotel Heidelberg GmbH
MEININGER Hotel Hungary kft
Meininger Hotel Leipzig Hauptbahnhof GmbH
Meininger Hotel Lyon SAS
Meininger Hotel Milan City SRL
Meininger Hotel Milan Lambrate SRL
Meininger Hotel Munchen Olympiapark GmbH
Meininger Hotel Paris Porte de Vincennes SAS,
MEININGER Hotel Rome Termini Station S.r.l
Meininger Hotel Russia Limited
MEININGER Hotel Venice Marghera S.r.l
Meininger Hotel Zurich AG
Meininger Hotellerrichtungs GmbH
Meininger Hotels (India) Private Limited
Meininger Hotels Limited
Meininger Ltd
Meininger Oranienburger Straße GmbH



Meininger Paris SCI
Meininger Shared Services GmbH
Meininger West GmbH & Co. KG
Meininger West Verwaltungs GmbH
Meininger Wien GmbH
Meininger Wien Schiffamtsgasse GmbH
Meininger Hotel Innsbruck GmbH
Meininger Hotel Lisbon, Unipessoal LDA
MEININGER HOTEL MANCHESTER LIMITED
Meininger Hotels North America Limited
Prometheon Australia Pty Ltd
Prometheon Enterprise Limited
Prometheon Holding Private Limited,
Prometheon Holdings (UK) Ltd
Prometheon Limited
Prometheon Singapore pte Ltd
Quoprro Global Limited (UK)
Quoprro Global Services Pte. Ltd
Quoprro Global Services Pvt Ltd
Tempo Holidays NZ Ltd.
Tempo Holidays Pty Ltd.
Travelworks UK Limited
Meininger Hotels Washington DC NY AVE LLC
List of Associates :
Tulip Stars Hotel Ltd
Radius Global Travel Limited
Malvern Group Ltd (name changed wef 9th May 2017-formerly known as Malvern Enterprise UK Ltd)
Tutors Direct Limited

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



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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.

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