

## Rating Rationale

### Cox & Kings Limited

28 June 2019

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

#### Particulars:

##### 1. Commercial Paper

Instrument	Previous (Rs. Crs)	Present (Rs. Crs)	Tenure	Previous Ratings	Current Rating <sup>1</sup>
Commercial Paper Issue (carved out of working capital facility)	250.00	250.00	Short Term	BWR A1+ (Pronounced as BWR A One Plus)	BWR D (Pronounced as BWR D) (Downgraded)
Commercial Paper Issue (carved out of working capital facility)	1435.00	1435.00			
Commercial Paper Issue	375.00	375.00			
<b>Total</b>	<b>2060.00</b>	<b>2060.00 (Rupees Two Thousand and Sixty Crores Only)</b>			

<sup>1</sup> Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the ratings

##### 2. NCD

Instrument*	ISIN	Issue Date	Amount Rs Crs	Coupon	Maturity Date	Previous Rating	Preset Rating <sup>1</sup>
NCD (secured)	INE008I07 338	18 Jan 2019	50.00	10.00%	15 Nov 2021	BWR AA-(Stable) (Pronounced as BWR Double A Minus)	BWR C (Downgraded)

<sup>1</sup> Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the ratings



### **Rationale.**

The revision in the rating of Cox and King Limited is on account of default in payment of commercial paper due on 26<sup>th</sup> of June 2019 amounting to Rs. 150 Crs.

At the time of last review, the Company has shown cash and Cash equivalent of Rs. 1829 Crs at Consolidated level and Rs. 723.5 Crs on standalone basis as on March 2019. In addition, the Company had shown unutilized bank limits of Rs. 899 Crs as on June 20 2019 out of total working capital limits of Rs. 1685 Crs. Further, out of the total CP rated of Rs. 2060 Crs, the CP carved out of working capital facilities is Rs. 1685 Cr. Based on above clarifications from the company, the liquidity of the company seemed to be adequate for repayment of the Commercial Paper due on 26 June 2019. The Company did not share the current situation of cash and cash equivalents at the time of review and clarified that the CP issuance is for working capital requirements of the Company.

BWR has also noted the recent decline in the share price of Cox and King Limited and sought Company's clarifications. However, despite follow-up through emails and on the phone, the company did not respond to the clarifications.

The rating of long-term instrument has been revised to BWR C showing the elevated risk of default given the stressed liquidity position of the Company.

BWR has been unsuccessful in getting a satisfactory response from the management on reason for default in payment, inspite of the management stance of having sufficient liquidity and unutilized bank lines to meet the upcoming CP Payment.

### **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



**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

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				Rating History							
		Type	Amount (Rs. Crs)	28 June 2019	24 June 2019	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 D (Downgraded)	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	BWR A1+ Reaffirmed	NA	NA	NA	
			250								BWR A1+ Assigned	NA	NA
			1397								BWR A1+ Assigned	NA	NA
2	Commercial Paper Programme		375								BWR A1+ Reaffirmed	BWR A1+ Assigned	
3	NCDs	Long Term	50.0	BWR C (Downgraded)	BWR AA- Outlook : Stable Downgrade	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Reaffirmed	BWR AA Outlook : Stable Assigned	NA	NA	
<b>Total *</b>			<b>2110</b>	<b>(Rupees Two Thousand One Hundred and Ten Crores Only)</b>									

**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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**Note on complexity levels of the rated instrument:**

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**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.

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