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Delivering a Strategy



Cox & Kings Limited
74th Annual Report 2013-14

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The parlance of business remains full with many impactful variables – economic growth, industry-specific trends, regulations, consumer behavior, input cost, competitive pricing power and so on. Shortfalls or moderation in business performances often get attributed to adversities emanating from these macro environments.

Mature businesses deploy their knowledge, experience, insights and foresight in developing robust strategies, tools, processes and safeguards in order to contain the impact of these external variables and stay predictable in their performance. As one of the oldest global travel company with interest in holiday business and education travel, we have honed our insights, foresight and control over many decades of business operations in 26 countries spanning 4 continents.

With a clear focus on strengthening our business fundamentals, we started our journey of business transformation in 2009 and developed a strategic plan enumerating certain deliverables to be achieved within set timeframes. We made certain promises to our own self and to our stakeholders towards actualizing these set goals. At the close of fiscal year 2013-14, we are happy to return measurable deliveries across many counts. In our Annual Report 2013-14, we take pleasure in highlighting the deliverables.



Synergies & Leadership



When we started our transformation from a traditional tour operator to a niche travel specialist, we were very clear of taking inorganic as well as organic route. Being the leading package holiday provider in India, then and now, we chose the leadership position in every business that we operate in to be the binding theme of our transformation journey. Another theme of our journey was striking synergy between our various businesses.



We chose the leadership position in every business that we operate in to be the binding theme of our **transformation journey**

In FY12, through acquisition of Holidaybreak we acquired the largest education travel brand in UK, PGL; the ingenious hotel chain in Europe, Meininger; and Europe's leading camping brand, Eurocamp. Acquisition of camping business, despite its leadership position and high margins was not synergistic to our other group activities and hence was approached from a tactical perspective during our transformation journey. With our transformation journey entering into the next phase with binding theme of scaling up and

geographic diversification during the fiscal year 2013-14, we monetized our investment in the camping business by hiving it off for a total consideration of £89.2 Million.

Going forward, we will stay focused on strengthening leadership positions and internal synergies for our three businesses of package holiday, education travel and budget accommodation.

Scale-up & Spread





As we entered the second phase of our transformation during the year 2013-14, the stated objective of this phase was to strengthen respective business leaderships by scaling-up and prudently expanding our footprints by introducing the unique businesses in befitting geographies.

We have taken the superior know-how and brand offerings of our education business from UK to Australia during the year with opening up of our maiden 350 bed centre that spreads across 200 acres. We also expanded our existing Liddington centre in UK by 400 beds.

During the year, Holidaybreak fully acquired MEININGER Holding GmbH by buying the balance 26% tranche in the hotel company. Meininger continued to scale its presence in Europe and opened a 720 bed hotel in Brussels. Spreading itself further in the region, the business signed up for another 3 hotels (Amsterdam, Berlin and Barcelona) with a combined capacity of about 2,300 beds.

With nearly 16,000 beds already within our group, the further scaling-up of the education business will fast change our revenue and profitability mix for good.



We took our superior know-how and brand offerings of our education business to Australia with opening up of our maiden

350 bed centre

Deleverage and Deliver





Alongside our business expansion and diversification of recent years, we required significant Capex that got funded through a judicious mix of new equity, internal accruals and debt. As an intrinsic part of our transformation strategy, we planned to strengthen our balance sheet by bringing down the debt in a gradual manner.

During the last fiscal year, our subsidiary Prometheon Holdings (UK) Ltd attracted equity investment of USD137.75 million from CVCI and used it to retire its debt. The divestment of our camping business for a total consideration of £89.2 Million will help us to further reduce our debt.

Given the capital-intensive nature of our hived-off business of camping, we anticipate to see significant room to efficiently allocate our capital towards our core business and should further bolster our profitability & return ratios.

Additionally, our focus on enhancing capacity utilization by adding new beds to existing rooms and adding new revenue stream such as the non-school revenues during the off-peak season to the existing centres should have a strong positive impact on our bottom-line.

Financial Highlights

(₹ in lac)

Particulars	Unit	FY12	FY13	FY14
Operating Profits				
Net Sales		83,794	180,874	230,759
PBT Before Exceptional Items		9,992	25,895	65,896
Exceptional Items		3,118	5,437	4,562
PBT		6,874	20,458	61,334
PAT Before Minority Interest		4,160	19,284	44,751
PAT After Minority Interest		4,160	24,842	38,317
Financial Position				
Gross Fixed Assets		261,882	274,620	345,194
Net Fixed Assets		203,847	210,505	261,220
Shareholder's Funds				
Share Capital		6,826	6,826	6,826
Reserves & Surplus		112,411	125,769	168,665
Minority Interest		-	54,219	82,054
Dividend (%)	(%)	20	20	20
Dividend		1,586	1,586	1,597
Ratios				
EBITDA Margin (%)	(%)	19.97	39.94	38.57
PAT Margin (%)	(%)	4.96	13.73	16.60
EPS (₹)	(₹)	3.05	18.20	28.07
Book Value (₹)	(₹)	87	97	129
Return on Average Net Worth (%)	(%)	3.47	19.73	24.87
Return on Average Capital Employed (%)	(%)	3.18	10.81	9.87
Net Debt / Shareholders Fund (x)	(x)	3.03	1.82	1.63

Results for FY14 have been impacted by a foreign exchange gain of INR22,045Lacs, increasing the Profits for the Year and EPS numbers to that extent.

PAT for FY13 included a positive minority interest attributed to the share of Citi Venture Capital International in Prometheon Holdings (UK) Limited, our subsidiary with 100% ownership in Holidaybreak Limited, subsequent to the private equity deal with them concluded in Nov 2012.