

## Cox & Kings

### Issue Highlights

- With over 250 years in service, Cox and Kings as a brand has evolved today as one of the recognized holiday brands that caters to the overall travel needs. It has presence across India through 255 touch points covering 164 locations. It has global presence with operations in 18 countries besides India through its subsidiaries, branch offices and representative offices. Outbound leisure travel is the largest contributor to C&K (India)'s total business
- Its business can be broadly categorized as Leisure Travel, Corporate Travel, Forex and Visa Processing. The company designs travel packages for both individuals and groups for their domestic and international leisure travel. It makes travel arrangements for corporate clients to cater to their business meetings, conferences, events and as an incentive for their employees and business partners. It provides end to end travel solutions including land, air and cruise bookings, hotel bookings, in-transit arrangements, local sightseeing, visa, passport and medical insurance assistance and such other destination management services.
- Its near term triggers include, the company's foray into visa processing through Quopro Global Services allows it to explore immense potential in this area of business with only few players present globally. Also, its Luxury train tourism initiative through a JV with IRCTC known as 'Royale Indian Rail Tours Limited' to operate a state of the art luxury train to be called 'Maharajas' Express' with scheduled launch in Jan' 10 will add further sheen to its business. It has priced this service at about \$800 per day.
- On the valuation front, the stock is available at a PE of Rs.31.3-32.7 at the price band of Rs.316-330. Cox & Kings, with its unique business model backed by recurring revenue stream through increasing travel needs promises long term growth going forward. Comparing its nearest listed peer Thomas Cook, which quotes at PE of 35x, the stock is available at a discount. Cox & Kings however enjoys hefty margins (~45%) mainly due to its presence in Leisure Travel which contributes a major share in its revenues than its competitors. Looking at the buoyant industry trend and the visible market consumption potential we recommend "Subscribe" to the issue with a longer-term perspective.

### Objects of the issue

(Rs. Mn)

Particulars	Funds Requirement
■ Repayment of Loans	1296
■ Acquisitions & Other Strategic Initiatives	1500
■ Investment in Overseas Subsidiaries	625
■ Investment in Corporate Office & Upgrading existing Operations	600
■ General Corporate Purposes	[.]
■ Meeting Fresh Issue related Expenses	[.]
Total	[.]

### Financial Summary

Y/E	Sales	Change %	PAT	Change %	Equity Capital	EPS	BV	RoNW
March	(Rs. Mn)		(Rs. Mn)		(Rs. Mn)	(Rs.)	(Rs.)	(%)
2006	631.8	50.3	107.6	1.1	54.4	19.8	98.5	20.09%
2007	969.5	53.5	210.0	95.2	54.4	38.6	152.3	25.35%
2008	1,821.4	87.9	451.5	114.9	279.3	16.2	59.4	27.21%
2009	2,869.0	57.5	634.4	40.5	629.2*	10.1*	100.4-104.6	10-9.6%

\*Post Dilution

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### Issue Details

Issue Size (At Lower Band)	: Rs.5844.9mn
Issue Size (At Upper Band)	: Rs.6103.9mn
Face Value	: Rs.10
Issue Opens on	: 18th November, 2009
Issue Closes on	: 20th November, 2009
Price Band	: Rs.316 - Rs.330
Bid Lot	: 20 shares and in multiples thereof

### Lead Managers

India Infoline Ltd

### Shareholding Pattern (%)

	Pre Issue	Post Issue
Promoters	84.3	63.6
Non-Promoters selling S/H	11.0	3.4
Others	4.7	3.6
Public	-	29.4

### Pattern of Book -Building

	(No. of Shares)
Total Issue Size	18,496,640
<b>Issue Structure:</b>	
Fresh Issue	15,450,000
Offer for Sale	3,046,640
<b>Issue Break Up:</b>	
QIB Portion (49%)	9,148,320
Non-Institutional (15%)	2,744,496
Retail Portion (35%)	6,403,824
Employee Reservation Portion	200,000

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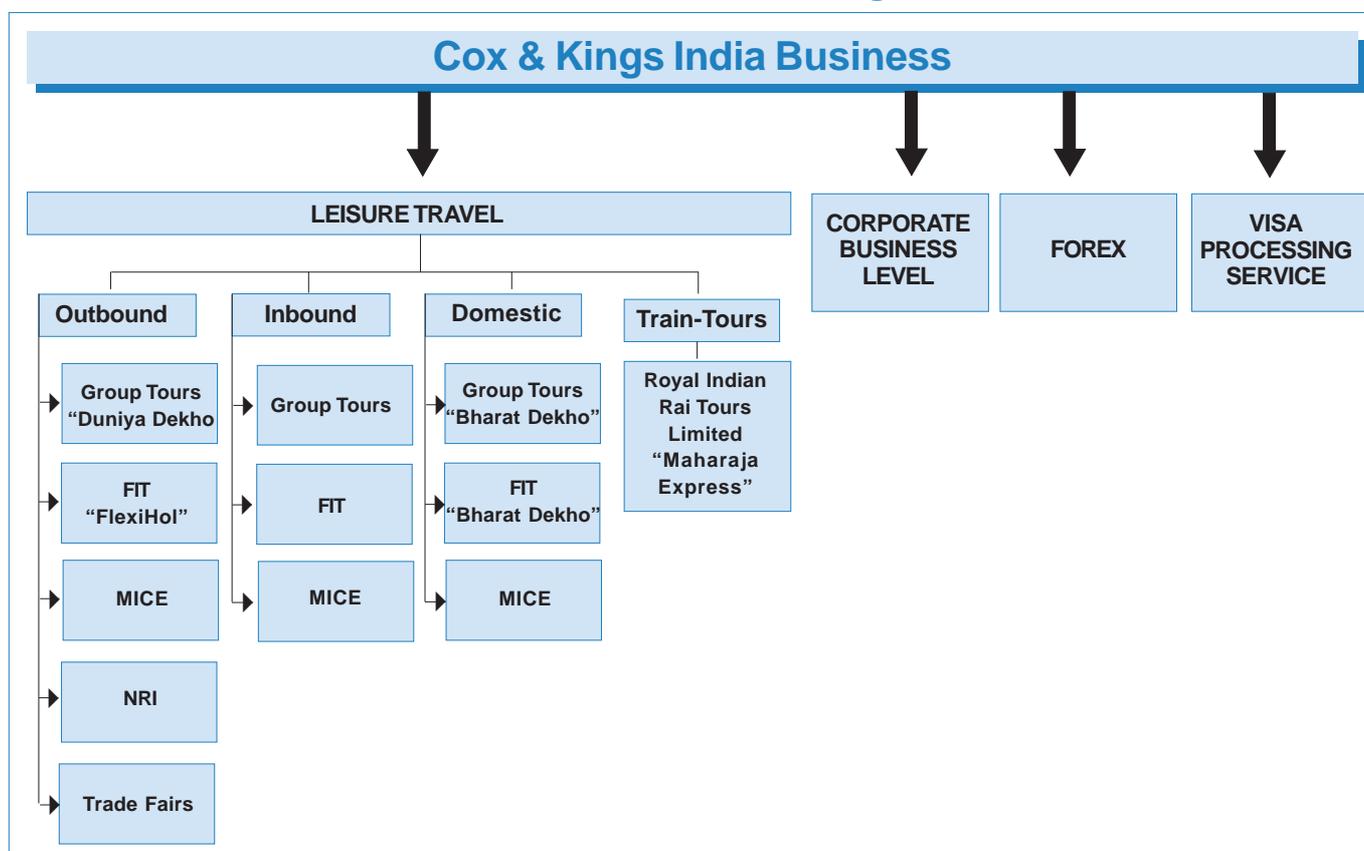
## COMPANY PROFILE

With over 250 years in service, Cox and Kings as a brand has evolved today as one of the recognized holiday brands that caters to the overall travel needs. It has presence across India through 255 touch points covering 164 locations. It has global presence with operations in 18 countries besides India through its subsidiaries, branch offices and representative offices. Outbound leisure travel is the largest contributor to C&K (India)'s total business

Subsidiaries are located in UK, Australia, New Zealand, Japan, US, UAE and Singapore. It also has operations spread across Moscow (Russia), Maldives and Tahiti through its branch offices and Spain, Sweden, Germany, Italy, France, Taiwan, South America and South Africa through its representative offices.

The business can be broadly categorized as Leisure Travel, Corporate Travel, Forex and Visa Processing. The company designs travel packages for both individuals and groups for their domestic and international leisure travel. It makes travel arrangements for corporate clients to cater to their business meetings, conferences, events and as an incentive for their employees and business partners. It provides end to end travel solutions including land, air and cruise bookings, hotel bookings, in-transit arrangements, local sightseeing, visa, passport and medical insurance assistance and such other destination management services.

### Business Model and Product / Service Offerings



Source: RHP

#### Leisure Travel

Leisure Travel contributes majority of our total business and earns us relatively better margins. The company offers products that are either pre-packaged through brochures or tailor-made as per the requirements of a group and an individual traveler. Leisure Travel includes both Outbound and Inbound or Domestic travels.

#### Corporate / Business Travel

The company offers full range of business travel services. It offers customized solutions for corporate clients. The company has systems and processes in place to make urgent and quick bookings for domestic and international flights, hotels, visas, foreign exchange, travel insurance, car rentals, etc. It also provides various services related to conference organizing, meetings, exhibitions, trade fairs for corporate travelers.

#### Foreign Exchange

Cox & Kings are one of the retail forex dealers in the country to be granted the license as the Authorized Dealer (Full Fledged Money Changer ("FFMC")) - Category II under the new licensing regime. The company is amongst the top sellers of American Express Travellers Cheques in India year on year over the past couple of years.

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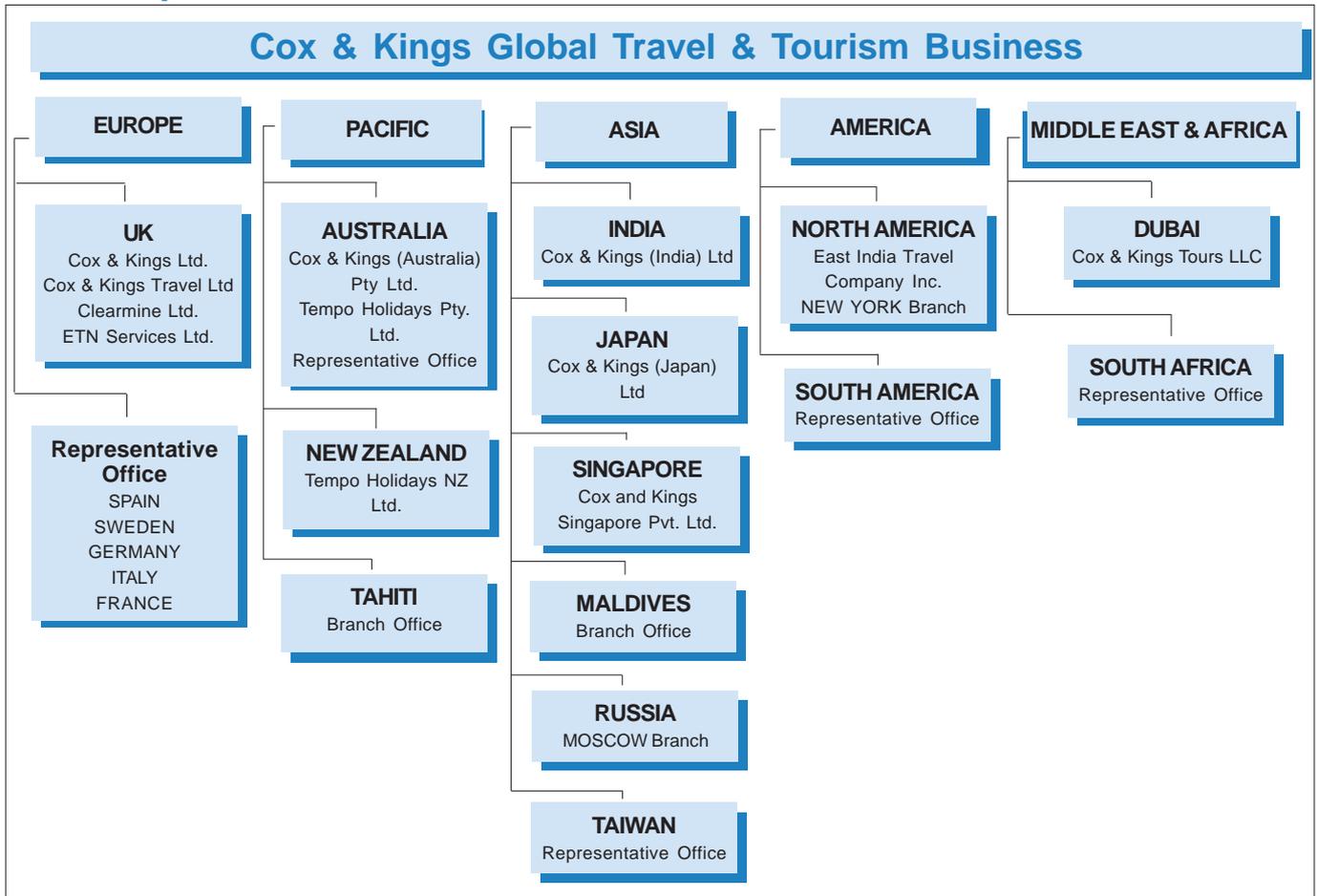
## Visa Processing Services

Quoppro Global Services Pvt. Ltd., its wholly owned subsidiary located in Mumbai, functions exclusively as an outsourced business solution to provide comprehensive processing services to diplomatic missions. Visa services are provided in the categories of Tourist visa, Transit visa, Business visa, Student visa, Conference visa and Entry and Employment visa. Passport services include issuance and cancellation of passport, editions in details, extension of validity, etc.

## Travel Insurance

The company also offers travel insurance which covers various products like medical, baggage, lost documentation (passport, etc.), trip cancellation, etc.

## Global Operations



Source: RHP

## Competitive Strengths

### Brand Equity

Cox & Kings has over 250 years of operational existence and is one of the oldest brands in the Travel & Tourism industry today. The tour-operator industry is dependent on brand awareness and a strong brand recall, nurtured through quality travel offerings, can lead to increased repeat business and customer goodwill

### All- inclusive product offering

Cox & Kings provides a 'One Stop Shop' for all the travel requirements from visa to ticketing, to holidays, to insurance, to foreign exchange under one roof. This cross selling of products facilitates our customers, thereby, making it our unique selling proposition. Besides, its consistent innovation in its product offering and flexibility to meet the ever changing needs of the customers, creates a niche differentiating itself from others allowing it to differentiate its products vis-a-vis the products offered by the competitors.

### Wide spread geographical Presence & Reach

The company has a global presence with operations in 19 countries besides India through its subsidiaries, branch offices and representative offices. Its global reach for travel allows it offer multiple travel choices and value for its products. In India, it has 255 points of presence covering 164 locations through a mix of 14 branch sales offices, 56 franchised sales shops and a mix of 185 General Sales Agents (GSAs) and Preferred Sales Agents (PSAs).

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Also, as a member of Radius Inc, a global travel company, the company is connected with a network of 90 Radius members from more than 80 prominent countries across the globe with over 3,600 locations and service clients originating through them within India.

## New initiatives

### Visa processing

The company has acquired Quoprro Global Services marking its foray into visa processing. With only few players globally in visa processing, through this acquisition the company can explore immense potential in this area of business. In September 2008, Cox & Kings got an approval from The High Commission of India at Singapore for outsourcing their visa processing activities. Off-late, it also got in-principle approvals from the diplomatic missions of India at Athens, Greece and at Hong Kong for outsourcing their respective visa processing activities.

### Luxury train tourism

In Dec' 08, Cox & Kings formed a JV known as 'Royale Indian Rail Tours Limited' with IRCTC to operate a state of the art luxury train to be called 'Maharajas' Express' with scheduled launch in Jan' 10. The luxury train would have four different itineraries (of 7-8 days each) and undertake a total 16 journeys/year between September and April. While IRCTC will be involved in the operations, C&K (India) will leverage its overseas offices to market the product globally. It has priced this service at about \$800 per day.

## ISSUE PROFILE

### Investment Positives

#### Brand Power

The brand has evolved over a period of 250 years and is one of the oldest brands in the Travel & Tourism industry. Since tour-operator industry is dependent on brand awareness and recall in the long run as customers need to believe in the capabilities of the operator to provide quality services, the company's strong brand acceptance both locally and internationally provides it an edge over other players in the segment.

#### All- inclusive product offering

The company has a wide choice of product offering which caters to all the travel needs of an Indian and International traveler and with their 'One Stop Shop' caters to all the travel requirements from visa to ticketing, to holidays, to insurance, to foreign exchange, under one roof. Also the company is in the process of rolling out a pan-India luxury train under the brand '**Maharajas' Express'** through a joint venture with IRCTC which will help them cash on the luxury train-based tourism in India which is quite significant. Further the company has expanded their offerings to include outsourcing of visa processing services for diplomatic missions.

#### Wide spread geographical Presence & Reach

The company has a strong global presence with their operations in 19 countries besides India through their subsidiaries, branch offices and representative offices. Further the company has also formed a number of strategic alliances with partners across the world to expand its global presence.

#### Online Presence

The online travel market in India is in a nascent stage and offers tremendous growth potential. Having firmly set foot in the offline market, the company has also created our space in the online arena with their existing website [www.coxandkings.com](http://www.coxandkings.com). The website offers complete travel solutions offering the user a choice to purchase any item from an airline ticket, hotel accommodation, logistic support, to a complete tour package. With the rise in the number of internet users and better acceptability of the internet as a convenient medium for making travel related purchases, the company is well positioned to capture a whole new client base.

### Investment Concerns

#### Travel and Tours Industry is cyclical and sensitive to changes in the economy

The sector may be unfavorably affected by such factors as changes in the global and domestic economies, changes in local market conditions. If the economic growth of India or other countries that the company operate in slows down there may be a gradual decline in the willingness for people to travel. A global or domestic recession may severely impact the Tour and Travel Industry and consequently the company's business.

#### Operating in a highly competitive and fragmented market

The company faces stiff competition from other players operating in this sector and also from the un-organized sectors. Many Indian and foreign players have entered the market both in the online and offline space. Pricing is one of the factors that play an important role in our customers' selection of our products. A portion of the tourism business is now increasingly being cornered by companies offering holidays on a 'time share' basis, which increases competition. All these factors tend to impact the overall performance of the business.

### Valuations & Recommendations

On the valuation front, the stock is available at a PE of Rs.31.3-32.7 at the price band of Rs.316-330. Cox & Kings, with its unique business model backed by recurring revenue stream through increasing travel needs promises long term growth going forward. Comparing its nearest listed peer Thomas Cook, which quotes at PE of 35x, the stock is available at a discount. Cox & Kings however enjoys hefty margins (~45%) mainly due to its presence in Leisure Travel which contributes a major share in its revenues than its competitors. Looking at the buoyant industry trend and the visible market consumption potential we recommend "Subscribe" to the issue with a longer-term perspective.

#### Valuation Metrics

(Rs. Mn)

Particulars	Sales	PAT	Equity Capital	EPS (Rs.)	CMP	P/E	RoE
Thomas Cook#	3341.0	395.9	211.4	1.9	63.7	35.0	34.3
Cox & Kings*	2869.0	634.4	629.2 <sup>^</sup>	10.1 <sup>^</sup>	316-330	32.7	10.9-10.4

<sup>^</sup>Post Dilution, # - Year Ending December, \* Year Ending March

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## COMPANY FINANCIALS

### Profit & Loss Statement

(Rs. In Mn)

Y/E March	Q1FY10	2009	2008	2007	2006	2005
<b>Income</b>						
Commission and Operating Income	996.1	2,869.0	1,821.4	969.5	631.8	420.5
Total Expenditure	523.3	1,655.3	1,091.3	567.9	429.0	251.1
<b>Operating Profits</b>	<b>472.7</b>	<b>1,213.7</b>	<b>730.1</b>	<b>401.6</b>	<b>202.8</b>	<b>169.4</b>
<b>OPM%</b>	<b>47.5</b>	<b>42.3</b>	<b>40.1</b>	<b>41.4</b>	<b>32.1</b>	<b>40.3</b>
Other Income	162.7	66.6	61.7	24.7	25.7	34.7
Interest	66.5	201.3	59.1	51.7	30.8	66.4
Depreciation	30.1	95.7	63.7	34.1	18.1	14.2
PBT	538.9	983.3	668.9	340.6	179.7	123.5
<b>PAT</b>	<b>407.6</b>	<b>634.4</b>	<b>451.5</b>	<b>210.0</b>	<b>107.6</b>	<b>106.4</b>
NPM %	40.9	22.1	24.8	21.7	17.0	25.3

### Balance Sheet Statement

(Rs. In Mn)

Y/E March	Q1FY10	2009	2008	2007	2006	2005
<b>APPLICATION OF FUND</b>						
A. Fixed Assets						
Gross Block	1,300.2	1,173.4	852.0	288.4	199.5	157.6
Less: Depreciation	535.7	458.7	323.1	143.7	108.6	94.7
Net Block	764.5	714.7	528.9	144.6	90.9	62.9
Add: Capital WIP/Capital Advances	124.8	103.2	25.4	5.7	45.7	24.8
<b>Sub – Total</b>	<b>889.3</b>	<b>817.9</b>	<b>554.3</b>	<b>150.3</b>	<b>136.6</b>	<b>87.8</b>
B. Goodwill on consolidation	2,253.9	1,110.2	101.7	96.4	100.5	-
C. Deferred Tax Asset	29.5	39.4	15.0	12.3	12.9	4.2
D. Investments	456.1	457.0	464.6	530.7	193.4	190.7
E. Current Assets, Loans & Advances						
Inventories	46.9	35.3	40.5	19.0	11.4	12.4
Sundry Debtors	2,289.9	2,321.6	1,786.8	765.3	473.3	478.7
Cash & Bank Balances	1,124.5	633.8	560.6	192.2	324.6	261.3
Loans and Advances	2,537.6	3,081.2	1,744.7	989.1	895.0	609.2
<b>Sub - Total</b>	<b>5,998.9</b>	<b>6,071.9</b>	<b>4,132.6</b>	<b>1,965.6</b>	<b>1,704.4</b>	<b>1,361.6</b>
<b>F. Total Assets (A+B+C+D+E)</b>	<b>9,627.7</b>	<b>8,496.4</b>	<b>5,268.1</b>	<b>2,755.3</b>	<b>2,147.8</b>	<b>1,644.2</b>
<b>SOURCES OF FUND</b>						
G. Liabilities and Provisions						
Secured Loans	2,991.9	2,363.5	502.4	272.1	457.5	323.4
Unsecured loans	1,329.2	1,178.0	794.0	300.0	185.9	287.2
Current Liabilities	1,572.6	1,835.6	1,795.5	1,076.6	804.6	853.4
Provisions	942.2	818.0	486.5	277.2	163.3	41.0
<b>Sub- Total</b>	<b>6,835.9</b>	<b>6,195.0</b>	<b>3,578.3</b>	<b>1,925.8</b>	<b>1,611.3</b>	<b>1,505.0</b>
H. Deferred Tax Liability	22.2	21.6	30.5	1.0	0.9	-
I. =(F-G-H)	2,769.6	2,279.8	1,659.3	828.5	535.7	139.2
<b>J. Net Worth</b>						
<b>Represented by</b>						
Share Capital	279.3	279.3	279.3	54.4	54.4	9.0
Reserves & Surplus	2,490.4	2,000.5	1,380.1	774.1	481.3	130.3
<b>Net Worth</b>	<b>2,769.6</b>	<b>2,279.7</b>	<b>1,659.3</b>	<b>828.5</b>	<b>535.7</b>	<b>139.3</b>

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Equities: Trading through Reliance Securities Limited | NSE SEBI Registration Number Capital Market :- INB 231234833 |  
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