



IPO ANALYSIS

Cox & Kings (India)Ltd

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IPO STATISTICS

Issue Open Date	18 th November 2009
Issue Close Date	20 th November 2009
Price Band	Rs 316-330 per Share
Face Value	Rs 10 per Share
Bid Lot	20 Equity Shares
Issue Size	18,496,640 Eq Shares
Pre Issue Equity Capital	Rs 474 Million
Post Issue Equity Capital	Rs 629 Million
Offer For Sale	3,046,640 Eq Shares
Fresh Issue	15,450,000 Eq Shares

SHAREHOLDING PATTERN (%)

	Pre Issue- post transfer	Post Issue
Promoter & Group	84.30	63.60
Public	15.70	36.40

ISSUE STRUCTURE

QIB	9,148,320 Eq Shares
NON-INSTITUTIONAL	2,744,496 Eq Shares
RETAIL	6,403,824 Eq Shares
EMPLOYEE RESERVATION	200,000 Eq Shares

OTHER SPECIFICS

Lead Manager	India Infoline Ltd
Registrar	Karvy Computershare Pvt Ltd

Company Snapshot

Company's business can be broadly categorised as Leisure Travel, Corporate Travel, Forex and Visa Processing. Company design travel packages for both individuals and groups for their domestic and international leisure travel. Company makes travel arrangements for corporate clients to cater to their business meetings, conferences, events and as an incentive for their employees and business partners.

Objects of Issue

Company intends to use the issue proceeds for :

1. Repayment of Loans
2. Acquisitions & Other Strategic Initiatives
3. Investment in Overseas Subsidiaries
4. Investment in Corporate Office & Upgrading its existing Operations
5. General Corporate Purposes
6. Meeting Fresh Issue related Expenses

Funding Requirement

(Rs in Million)

	Particulars	Fund Requirement	Est schedule of deployment of funds in Fiscal 2010
1.	Repayment of Loan	1,296	1,296
2.	Acquisition & Other strategic Initiative	1,500	1,500
3.	Invst In Overseas Subsidiaries	625	625
4.	Invst in Corporate Office & upgrading its existing operations	600	600
5.	General Corporate purpose	[.]	[.]
6.	Meeting Issue related Expenses	[.]	[.]

Business Details

The Cox and Kings brand has evolved through over 250 years of history and today is one of the recognised holiday brands that cater to the overall travel needs of an Indian and International traveller. Company serve as a One Stop Shop for all travel and travel related products. Co's business can be broadly categorised as Leisure Travel, Corporate Travel, Forex and Visa Processing. Company design travel packages for both individuals and groups for their domestic and international leisure travel. Company make travel arrangements for corporate clients to cater to their business meetings, conferences, events and as an incentive for their employees and business partners. Company provide 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. Company is one of the first travel companies in India to be granted a license as an Authorized Dealer - Category II under the new licensing regime. In India, company have 255 points of presence covering 164 locations through a mix of branch sales offices, franchised sales shops, General Sales Agents (GSAs) and Preferred Sales Agents (PSAs). Company have 14 branch sales offices located in Mumbai, New Delhi, Chennai, Kolkata, Bangalore, Hyderabad, Ahmedabad, Jaipur, Kochi, Pune, Nagpur and Goa. Besides, company also operate through its 56 franchised sales shops spread across India to have larger access to its customers. Further, company have an extensive network of 185 GSAs and PSAs covering all major towns and cities of India. GSAs / PSAs are those agents who sell only its products through an exclusive tie-up with company. Company have global presence with its operations in 19 countries besides India through its subsidiaries, branch offices and representative offices. Company have its subsidiaries in UK, Australia, New Zealand, Japan, US, UAE, Singapore and Hong Kong. Company also operate from 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.

Industry Overview

Over the next ten years, the tourism industry will change somewhat as emerging tourism markets start to reap greater benefits from their investment in Travel & Tourism development. While the USA, Japan, China and Germany will retain their current top four slots in terms of total Travel & Tourism Demand (in absolute terms), **India** will rank **3rd** in terms of annual growth in Travel & Tourism Demand between 2010 and 2019, averaging 8.2% per annum. India is also becoming an increasingly important player in the global tourism economy, climbing to fifth place in the contribution of its Travel & Tourism Economy to total GDP growth over the next ten years (from 2010 to 2019), with annual growth of 7.7% forecast; China is expected to rank first. During the same period, India would rank 2nd next to China surpassing the US in generating employment by creating over 40m jobs.

Brand Equity

Investment Rationale

Co's brand has evolved over a period of 250 years and is one of the oldest brands in the Travel & Tourism industry today. "Cox & Kings" was ranked #1 Top Brands in India and ranked 152 amongst Top 1000 Brands in the Asia Pacific region. The ranking is based on a survey conducted by a research agency TNS and co-funded by Media magazine across the markets of 10 countries in the Asia Pacific. Company is recognized as a brand both locally and internationally.

Geographical Presence & Reach

Company have global presence with its operations in 19 countries besides India through its subsidiaries, branch offices and representative offices. Co's global reach and passion for travel uniquely position it to offer multiple travel choices and value for its products. In India, company have 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). The domain knowledge from its branch sales offices and franchised sales network has enabled it to successfully scale up tourism business in India.

Product Spectrum

Co provides a 'One Stop Shop' for all the travel requirements from visa to ticketing, to holidays, to insurance, to foreign exchange, under one roof. Co is in the process of rolling out a pan-India luxury train under the brand '*Maharajas' Express*' through a joint venture with IRCTC. The potential of luxury train-based tourism in India is significant and these initiatives will leverage co's business extensively.

Requirement of regulatory approvals or licenses

Concerns

Company currently require 52 approvals, licenses, registrations and permissions for operating its business, some of which are due to expire and for which company have either made or are in the process of making an application for obtaining the approval or its renewal. If company fails to obtain some or all of these approvals or licenses, or renewals thereof, in a timely manner or at all, its operations could be affected.

High Debt

Company have incurred a substantial amount of indebtedness which could adversely affect its financial condition. As on September 30, 2009, company had total debt of approximately Rs. 2,913.14 million. In addition, company may incur substantial additional indebtedness in the future.

Financial Statement

(Rs Cr)

Particulars	FY06	FY07	FY08	FY09	30.06.09
Net sales	63.179	96.951	182.138	286.9	99.606
Growth%	----	53.45	87.87	57.52	----
Expenditure	42.90	56.79	109.13	165.53	52.33
EBITDA	20.28	40.16	73.01	121.37	47.27
Growth%	---	98.05	81.79	66.24	---
EBIDTA Margin	32.10	41.42	40.08	42.30	47.46
Other Income	2.57	2.47	6.17	6.66	16.27
Depreciation	1.81	3.41	6.37	9.57	3.01
EBIT	21.05	39.22	72.81	118.46	60.53
EBIT Margin	33.31	40.46	39.97	41.29	60.77
Interest	3.08	5.17	5.91	20.13	6.65
PBT	17.97	34.06	66.89	98.33	53.89
Tax	7.21	13.05	21.75	34.89	13.13
Adjusted PAT	10.76	21.00	45.15	63.44	40.76
Growth%	----	95.25	114.96	40.52	---
Sh Profit-Loss Associate	0.05	8.73	-2.54	-0.63	-0.18
Adjusted PAT	10.80	29.73	42.61	62.81	40.58
NPM	17.10	30.67	23.39	21.89	40.74
E/O Items	6.57	0.00	0.00	0.00	0.00
Reported PAT	17.33	21.00	45.15	63.44	40.76
Equity Capital	5.44	5.44	27.93	27.93	27.93
Net Worth	53.567	82.852	165.93	227.974	276.96

Ratio Analysis

Particulars	FY06	FY07	FY08	FY09	30.06.09
EPS	19.86	54.66	15.26	22.49	14.53
ROE (%)	20.17	35.89	25.68	27.55	14.65
Book Value	98.47	152.30	59.42	81.64	99.18
ROCE (%)	17.85	28.00	24.63	20.35	8.54
Interest Coverage Ratio	6.84	7.59	12.32	5.88	9.11

Valuation

The company is bringing the issue at a price band of Rs 316-330 per share which will turn into p/e multiple of 12.23-12.78 at post issue eps of Rs 25.82 (Basis PAT annualized for 3 months ending 30.06.2009). The company has shown decent growth in its topline as well as bottomline numbers from last few years. Though the company's debt position and high collection period is a cause of concern but repayment of debt as one of the object of this issue would help the company in controlling its interest cost to some extent. Also looking at the peer "Thomas cook (India) Ltd" which is running at p/e multiple of more than 50 the valuation seems to leave scope for upside movement in company, hence we recommend the investor to "Subscribe" the issue.

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MEMBER-NSE

HEM MULTI COMMODITIES PRIVATE LIMITED

MEMBER-NCDEX, MCX

HEM FINANCIAL SERVICES LIMITED

SEBI REGISTERED CATEGORY I MERCHANT BANKER

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