Cox & Kings - BUY

COXK IN	Rs 446	Mid-Caps	18-Feb-2010	Initiation

Going places

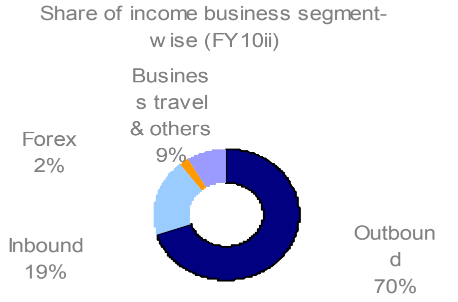
Cox and Kings (C&K), a global tour operator, has a strong presence in the fast-growing markets in India, the Middle East and South-East Asia and a niche presence in the developed markets. Its presence in both source and destination markets will help capture gains throughout the value chain. We expect the company's revenue to grow at 24% annually during FY09-12, driven by industry growth and rising market share, while integration of high-margin acquisitions and cost reduction measures should support profit growth of 38% CAGR. Buy with a target price of Rs565.

High growth in tourism in emerging markets: Industry sources estimate that emerging markets will witness the fastest growth in tourism (at ~8% CAGR during FY09-19). In India, unorganised players dominate the market with a share of over 80%, but the capping of commissions has endangered their businesses. This should support a rapid increase in the market share of organised players, as unorganised players turn into their franchisees. These factors should support a 23% CAGR in earnings in C&K India, during FY09-12ii.

Presence along the entire value chain improves margins: C&K has been rapidly expanding its presence as a ground-handler in leading destination markets, which will enable it to capture gains along the entire value chain. Also, the increased scale will act as a lever to negotiate better costs with vendors and tourism departments. This will support an EBIDTA margin expansion of 100-150bps during FY09-12ii.

External shocks, forex pose risks: While long-term demand prospects remain intact, external shocks, such as disease outbreaks and terrorist threats can impair demand in the short term. C&K's overseas subsidiaries are exposed to forex risk, as customers pay them in resident currencies, although their costs are in a variety of other currencies. C&K mitigates this risk by hedging its estimated exposure in each currency.

C&K operates mainly in the leisure segment



Source: Company, IIFL Research

Financial Summary

Y/e 31 Mar	FY08A	FY09A	FY10ii	FY11ii	FY12ii
Revenues (Rs m)	1,821	2,869	3,849	4,674	5,465
EBITDA Margins (%)	40.1	42.3	46.1	46.6	46.7
Reported PAT (Rs m)	420	627	1,024	1,335	1,647
EPS (Rs)	15.0	22.5	16.0	20.9	25.8
Growth (%)	98%	49%	-29%	30%	23%
PER (x)	29.6	19.9	27.8	21.4	17.3
RoE (%)	25.4	27.6	11.5	13.0	13.8
Debt / Equity (x)	0.8	1.6	0.5	0.3	0.2
EV/EBITDA (x)	37.0	22.3	15.2	12.4	10.6
Price/Book (x)	7.5	5.5	3.2	2.8	2.4

Price as at close of business on 17 February 2010

12-mth TP	(Rs) 565 (+26%)
Market cap (US$ m)	**608**
52Wk High/Low (Rs)	469/343
Diluted o/s shares (m)	64
Daily volume (US$ m)	0
Free float (%)	36.4

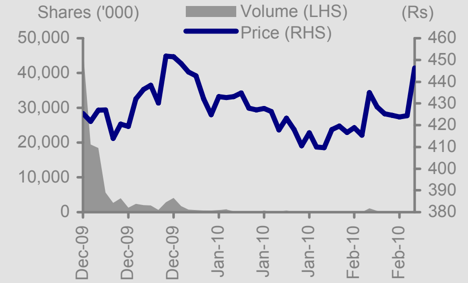
Shareholding pattern (%)

Promoters	63.6
FIIs	18.7
DIIs	8.5
Others	9.2

Price performance (%)

	1M	3M	1Y
Cox & Kings	4.3	-	-
Rel. to Sensex	10.7	-	-
Thomas Cook	-11.8	4.6	92.1
Mah. Holidays	-4.7	20.1	-

Stock movement



Sangeetha Saranathan
sangeetha@iiflcap.com
(91 22) 6620 6644

Company description

Cox & Kings is a global tour operator, with a presence mainly in the leisure travel segment (accounts for ~90% of consolidated revenues). Leisure travel includes both:

(a) 'Outbound' business segment refers to sales of tour packages to customers travelling to destinations outside their home country. Revenue (or commission income) for this segment is the difference between the value of the tour package sold and the cost of the package (primarily airline, hotel and ground-handling costs).

(b) 'Inbound' business segment refers to destination management/ground-handling services provided to incoming foreign tourists. For instance, C&K, as the destination management company for India, offers ground-handling services (such as arranging for ground handling, guided tours and accommodation) to foreign tourists coming to India. Revenue for this segment is the commission charged from overseas tour operators/agents who have sold the packages to customers.

In addition, the company also offers forex and business travel services. 'Forex and business travel' segments refers to commission income earned on sale of forex. It also provides services to corporate clients for arranging airline tickets, hotel bookings and other services in the course of business travel.

Promoter background

ABM Good, the Chairman of the company, after a spell with British airline companies, was appointed on the board of Cox and Kings in 1971. He subsequently became chairman in 1975. He was also a Director of Grindlays Commercial Holdings, during which period he was given the assignment of turning the company into a long-haul operator specialising in India.

He was appointed on the board of Cox and Kings (India) Ltd. for the first time in 1976, and then as the director in 1987. Since then he continues to be on the board of the company.

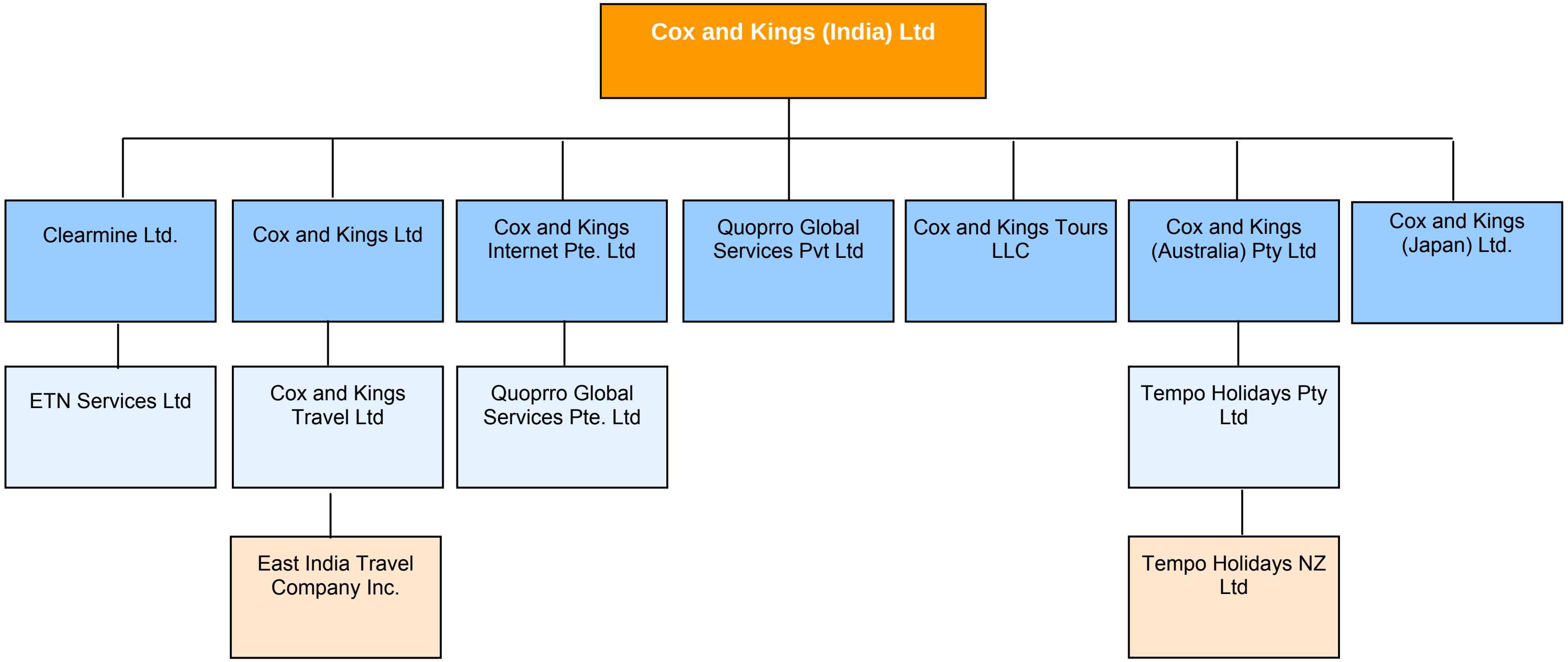
Peter Kerkar, the current ED, joined Cox and Kings in 1986. Since then, he has expanded its product geographies from India to Latin America, Middle East, Africa, Egypt, China, Far East and other specialised tours. He remains responsible for overall leadership, strategy and growth.

Urrshila Kerkar joined the company in an advisory role in 1985, while she continued to run her own enterprise (a graphic design and production house). She subsequently joined the company in 1999, and has remained fully responsible for India operations.

After the IPO in December 2009, promoters' stake came down to 63% from 84%. The promoters did not sell any of their shares during the IPO.

Organisation structure

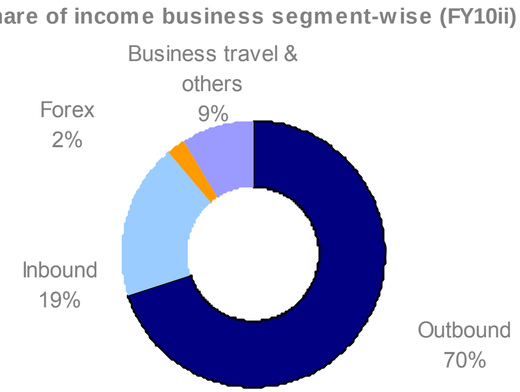
All subsidiaries of Cox & Kings (India) Ltd. shown below are 100% owned either directly or indirectly. Thus all their operations are fully consolidated into that of Cox & Kings (India) Ltd.


Cox and Kings (India) Ltd
Clearmine Ltd.
Cox and Kings Ltd
Cox and Kings Internet Pte. Ltd
Quoprro Global Services Pvt Ltd
Cox and Kings Tours LLC
Cox and Kings (Australia) Pty Ltd
Cox and Kings (Japan) Ltd.
ETN Services Ltd
Cox and Kings Travel Ltd
Quoprro Global Services Pte. Ltd
Tempo Holidays Pty Ltd
East India Travel Company Inc.
Tempo Holidays NZ Ltd

Global tour operator, with focus on emerging markets

Cox and Kings (C&K) is a leading India-based global tour operator that derives ~90% of its revenues from the leisure segment. The company has a strong presence in both emerging markets and developed countries (through its subsidiaries), where it offers outbound and inbound services. In India, the company also offers business travel and forex services.

Figure 1: Leisure travel accounts for ~90% of the company's business



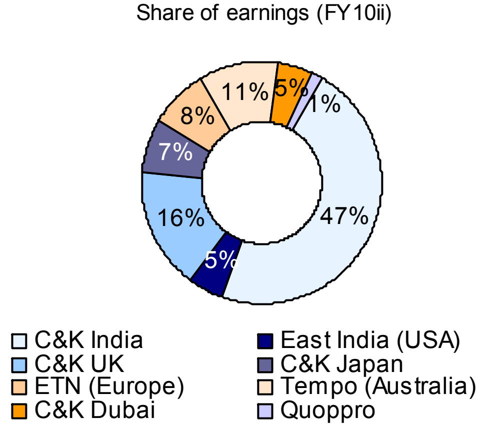
Source: Company, IIFL Research

C&K, a global tour operator and ground-handler (in select emerging markets), is ideally positioned to gain from two key trends, in our view:

(a) *focussed presence in large mass-market segments in developing/emerging countries (both as a tour operator and a ground-handler)*. In these markets, we expect demand for tourism to grow the fastest, and market dynamics will favour an increase in market share of organised tour operators; and

(b) *presence in niche segments:* we believe that niche segments in resilient high-income countries assure steady growth and a large addressable market (as the USA and UK will continue to be among the top five sources of tourism demand in the world).

Figure 2: Emerging markets account for ~60% of C&K's total earnings



Source: Company, IIFL Research

Tourism industry – on a steady track

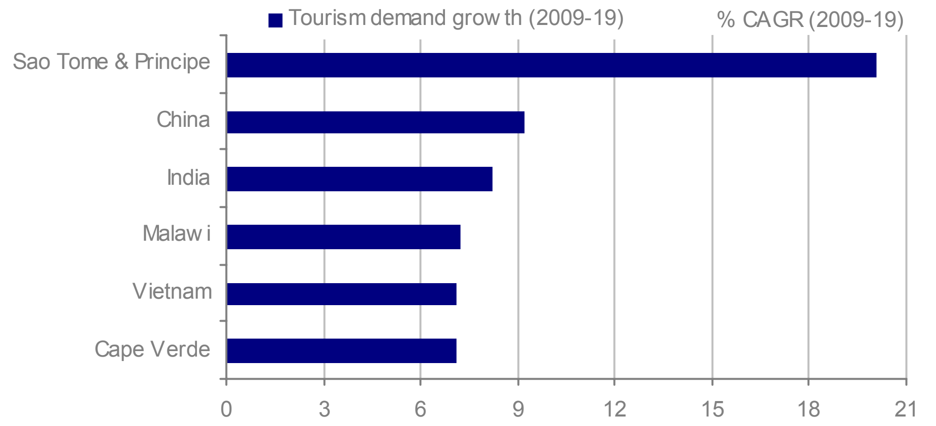
Travel & tourism, which is one of the largest drivers of employment growth (contributing 7.6% of world employment during 2008), has registered 3.6% CAGR during 2003-07, almost matching world GDP growth during the same period. The economic downturn has undoubtedly had a severe impact on all discretionary spending industries, including travel & tourism. Although travel & tourism GDP growth decelerated to an estimated 1% during 2008, as against 3.7% during 2007, foreign tourist arrivals in emerging markets (mainly Asia and Africa) grew 2.3% YoY even during the 2008 downturn—supporting the case of the rising attractiveness of these destinations.

Long-term outlook for the world travel & tourism industry remains robust. According to the World Travel and Tourism Council (WTTC), the tourism industry's GDP is expected to register 4% CAGR during 2009-2019—significantly faster than global GDP growth during this period.

Growing presence in high-potential emerging markets

C&K has a growing presence in emerging markets, mainly India, Middle East and South-East Asia. We believe these markets are poised to grow at robust rates, both as key sources of demand for outbound travel as well as inbound tourist arrivals.

Figure 3: Emerging markets will witness the highest growth over the next decade



Source: WTTC, IIFL Research

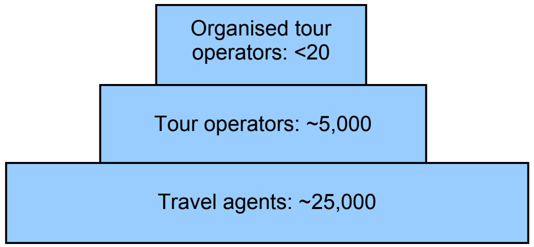
India tourism – still just the tip of the iceberg

India's low penetration of the tourism market, compared to other emerging markets, offers strong support to the country's long-term growth potential. Travel & tourism's share of India's GDP, at 5.6% in FY08, is quite low in comparison to its 9.4% share of world GDP. In addition, the GDP share in other emerging countries such as Brazil and Mexico ranges from 8-8.5%. WTTC estimates an 8.2% long-term CAGR for travel & tourism in India during 2009-2019, well ahead of GDP growth estimate during the same period.

A fragmented market—beneficial for organised players

C&K India is one of India's leading organised tour operators, with an estimated 2.5% market share of the Indian tourism market (including outbound, inbound and domestic). The travel market is highly fragmented, with a large number of travel agents catering to both outbound and domestic travel. A large number of small tour operators concentrate on their respective geographic areas, catering to local demand. In a country as diverse as India, this demand varies significantly with respect to food and other cultural needs. As a result, C&K, along with Thomas Cook and Kuoni Travel, is one of the few organised tour operators operating on a pan-India basis, and thus capable of reaching a wider customer base.

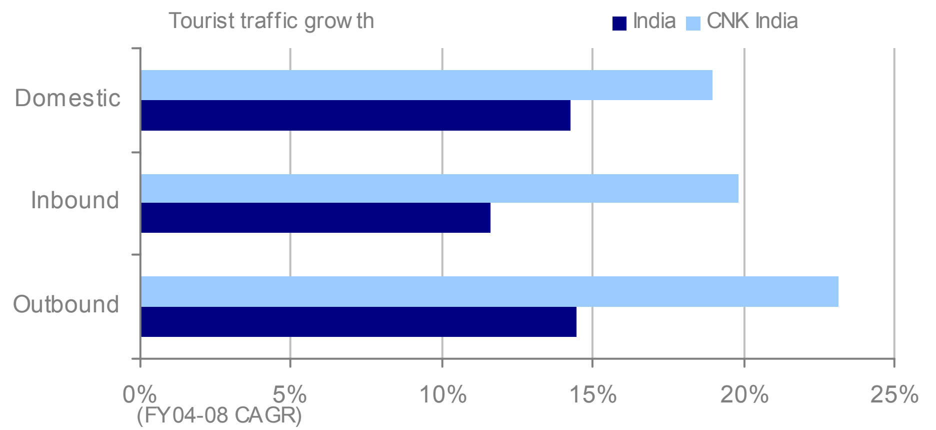
Figure 4: Organised tour operators' penetration is very low in India



Source: Company, IIFL Research

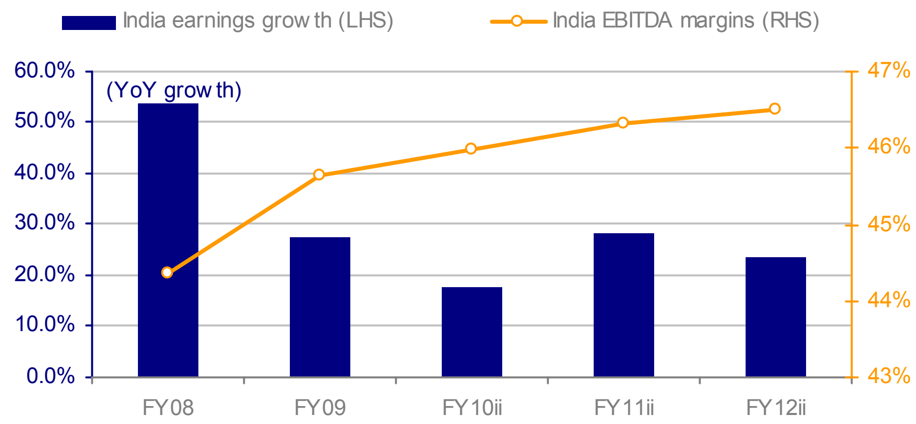
Commissions from airlines are the primary source of travel agents' revenues. This business model is now under threat, as airlines have capped agents' commissions. Organised tour operators, on the other hand, rely on margins they make on selling tour packages, and not on commissions. As a result, organised tour operators stand to gain the most at the expense of the unorganised sector.

Figure 5: C&K has grown at 1.3-1.6x the industry's rate of growth—a reflection of the rising market share of organised tour operators



Source: Company, Ministry of Tourism, IIFL Research

Figure 6: We estimate 23% profit CAGR during FY09-12ii in India; EBITDA margin expansion driven mainly by slower growth in personnel costs (borne by franchisees)



Source: Company, IIFL Research

Growth to come through franchise model

Expansion of reach through an increase in the number of outlets will remain the main growth driver for C&K in India. C&K prefers to maintain an asset-light model; hence, it will mainly grow through franchisee outlets. The franchise model involves minimal outlay on the part of the company, and franchisees are remunerated based on the business generated by them. The company already has 50 franchisee outlets and plans to add 150 more in the next two years, mainly in Tier II and Tier III cities.

Luxury train to tap demand from premium inbound tourists

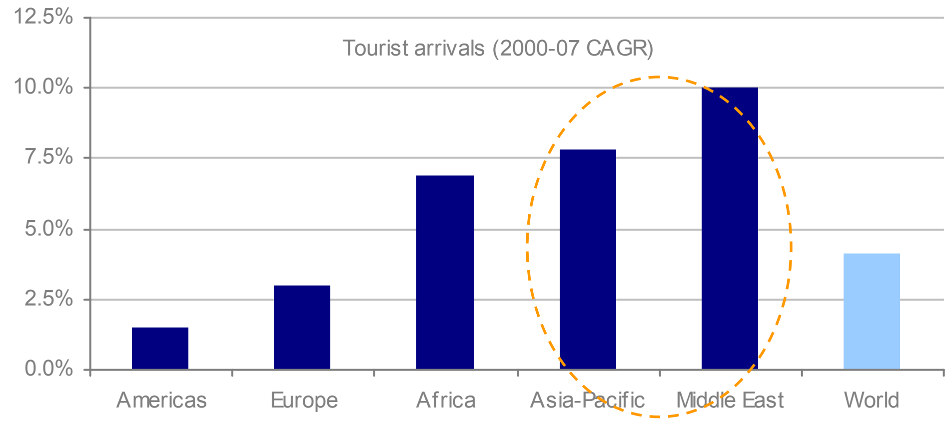
In a bid to strengthen its position as India's leading ground-handler, the company proposes to launch a luxury train, *Maharajas' Express*, in 1QFY11. The train is a JV with IRCTC (Indian Railways Catering and Tourism Corporation) and will be positioned as a 'premium-luxury' train (charge US$800 per night per person). The train will run between Mumbai and Kolkata, via Delhi. The route should prove to be very attractive, since over half of all foreign tourists coming to India visit four primary destinations—Delhi, Rajasthan, Uttar Pradesh and West Bengal.

Middle East and South-East Asia are the fastest-growing markets

C&K Dubai offers both outbound and inbound services to leisure travellers. The Middle East is estimated to witness the highest growth in tourist arrivals among all regions of the world during the next decade—according to industry estimates, tourist traffic in this region will register 7.2% CAGR over the period 2007-2020. While inbound business will be the main growth driver, the company also plans to expand its outbound target segment to include Arab travellers, in addition to the captive markets of non-resident Indians living in the Middle East.

C&K's Singapore subsidiary currently aids visa-processing functions for the Indian consulate in Singapore. The company plans to extend its reach to new centres, supporting visa and passport processing services. In addition, the company aims to grow into a full-fledged destination-management services company for locations in East Asia (including Thailand, Malaysia and Singapore).

Figure 7: The Middle East and Asia are among the most favoured tourism destinations in the world, supporting robust growth for ground-handlers



Source: WTTC, IIFL Research

C&K Singapore comprises mainly the operations of Quoppro Global, which C&K acquired in FY09 to further vertically integrate its tourism services business. Quoppro provides visa-processing services for diplomatic missions (mainly embassies) across the world. Currently, the company offers visa management services in five destinations.

Figure 8: C&K currently offers visa management services in five countries

Country of operation	Service
Singapore	Visa and passport services to India from Singapore
India	Visa services to Malaysia from India
India	Visa services to Singapore from India
Dubai	Visa services to Dubai from India
UK	Accredited to lodge visa applications
Greece	Visa to India from Greece (began from Sep 2009)

Source: Company, IIFL Research

We estimate that the subsidiaries in Dubai and Singapore will together register ~30% CAGR during FY09-12ii, given the robust industry growth expectation, coupled with the nascent stage at which C&K's presence is in these regions.

Developed markets to support stable top-line growth

According to C&K's management, in developed markets, Cox and Kings' subsidiaries (C&K UK, C&K Japan) and the recently-acquired companies (East India Travel Co in USA and Tempo in Australia), have registered market-beating growth during the past two years. In the UK and USA, growth was driven by the company's focus on niche segments. In Tempo and C&K Japan, growth was driven by an aggressive focus on expansion of distribution networks in Australia and Japan, respectively.

Most overseas subsidiaries focus on niche areas

Most of C&K's outbound travel-oriented subsidiaries cater to niche target segments (mainly in the UK and the USA). In the UK, they sell mainly luxury tour packages to wealthy retirees; while in the US, they sell premium luxury packages. In each of these countries, the company has 3-4 competitors. In Australia and Japan, the company's business is oriented towards the mass-market segment, which is dominated by a handful of large players. As a pure-play tour operator, C&K faces competition from a large number of peers in these markets.

Figure 9: Recent acquisitions will add to growth in the near term

Company	Geography	Acquisition amount	1-yr fwd PE
Tempo	Australia	A$28m	9x
East India Travel Co.	USA	US$22m	13x

Source: Company, IIFL Research

Synergies from acquisition of tour operators in developed markets will drive earnings growth

We reckon the company's growth in FY10 has been driven by acquisitions (East India Travel Co, USA and Tempo, Australia acquired in 2008). These acquisitions, we estimate, will together contribute ~16% of consolidated EBITDA during FY10. Apart from expanding its reach through organic growth, the company plans to sharpen its focus on key efforts to improve efficiencies. C&K will boost synergies from acquisitions through better discounts on purchases. This should lead to higher tourist traffic in several key destinations.

Acquisitions to add to scale advantages

Post the acquisition and merger of its subsidiaries in Australia and the US, management believes that the scale of purchases in many regions (mainly Europe, Middle East and India, which are key destinations for most of its subsidiaries) presents significant opportunity to support lower cost of buying. The company will centralise its purchasing activities for all its subsidiaries buying into each region. This will be handled by the newly-formed 'Centralised Buying Group' (CBG).

There are some initial signs of success with centralised buying for some of its purchases in Europe and Asia. In these regions, the company managed to reduce costs by 15-40%, thanks to its scale. The company estimates that in large destinations such as Europe purchasing through CBG can be increased from ~US$12m during FY09 to US$30m in FY10, solely from Tempo's incremental business. Over the next three years, key beneficiaries of this initiative will be C&K India (EBIDTA margin expansion of 100-200bps), C&K UK (200-300bps) and C&K's Australian subsidiary Tempo (300-400bps).

USA to benefit from filling the product suite gap

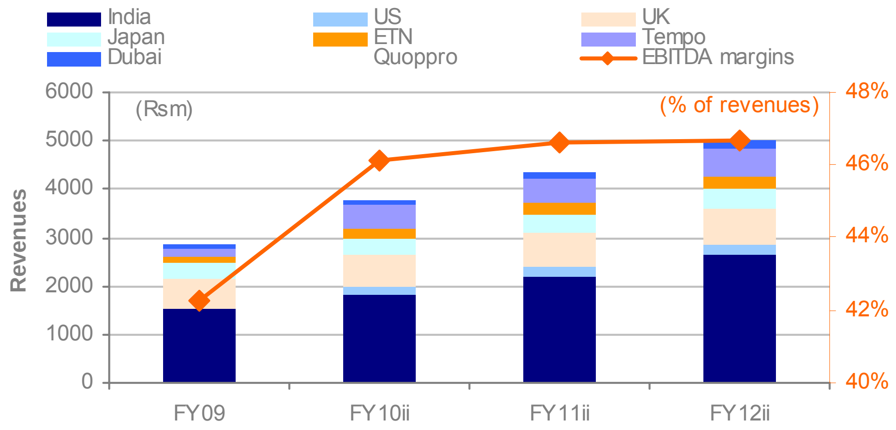
So far, East India has traditionally catered mainly to outbound visits from the USA to Africa, Latin America, Asia and the Middle East. As Europe accounts for about a third of all visits of outbound tourist traffic from the USA, this market has not been tapped well by East India. C&K's strong product offerings in this segment should boost bookings significantly.

Furthermore, C&K USA has sold only 'flexible individual travellers' (FIT) products. The company now proposes to launch select group luxury tour packages as well, for its clients in the USA. In addition to volume growth from its traditional client base, management expects to deliver more than 20% YoY growth in passenger volumes during FY10 and FY11. This will stem from the group's ability to leverage its 'Luxury Escape' product suite.

Acquisitions and organic growth in emerging markets, we estimate, will drive 24% revenue CAGR during FY09-12ii, for the consolidated entity.

Integration of higher-margin acquisitions, centralised buying initiatives and low marketing costs, we reckon, will expand EBIDTA margin by ~400bps during FY09-12ii.

Figure 10: India will remain the main driver of topline growth



Source: Company, IIFL Research

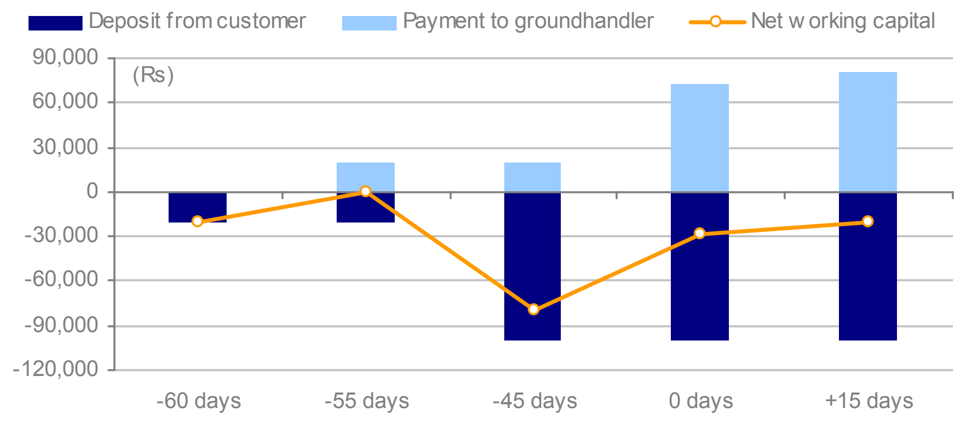
Limited working-capital requirement

The working capital requirement for tour operators catering to individual customers is low, whereas for corporate customers it is high.

On average, the company collects payment from individual customers 15-30 days before date of travel. Tour operators make most of their payments to vendors after date of travel—to hotels 15-30 days after date of travel, and to airlines, almost immediately. Therefore, working capital requirement for retail customers is negative. However, corporate customers weigh heavily on working-capital requirements, since collections in this case occur 15-45 days after payment to vendors.

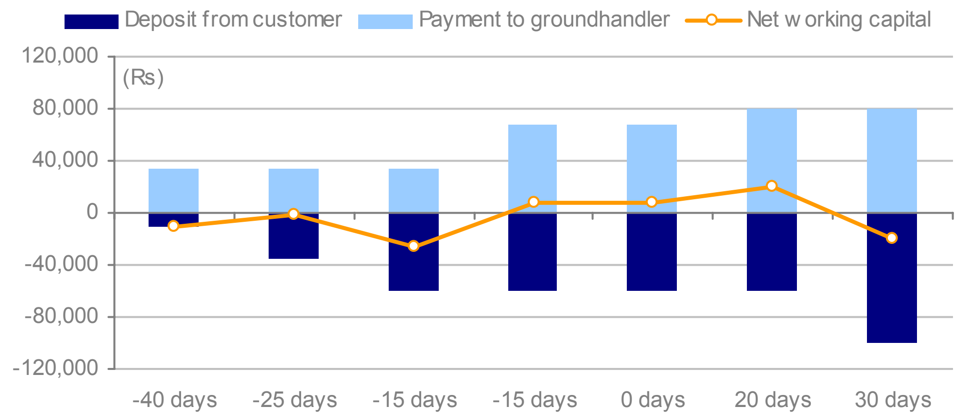
Using an illustrative example of the sale of a tour package to a retail customer and a corporate entity, we highlight the differences in the working capital cycle for retail vs corporate customers.

Figure 11: Retail customers pay upfront and vendor payments are subsequent—thus, tour operators enjoy negative working capital



Source: Company, IIFL Research

Figure 12: Corporate customers pay well after vendor payments—which weighs heavily on working-capital needs of tour operators



Source: Company, IIFL Research

Capex spend limited—inorganically-powered growth

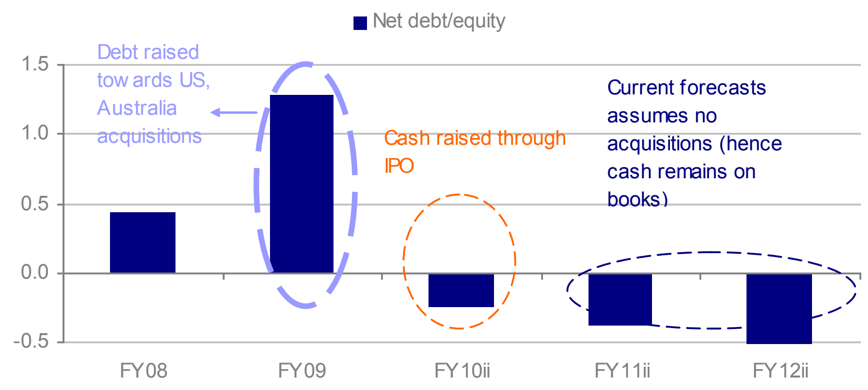
Management is focused on keeping the company's business asset-light, thus keeping capex requirement low. In its India subsidiary, where most of the organic growth comes through franchisees, capex spend is negligible. The main items of capex spend are its investment in increasing the company's presence in the Middle East and South-East Asia, where the company has been ramping up its presence over the past two years. Altogether, we estimate the company will spend Rs250m-350m annually during FY09-12ii.

IPO proceeds to be used towards debt repayment/acquisitions

The company had 1.3x debt/equity. Debt was ~Rs3,500m as at end-FY09, and we estimate it will increase to Rs4,300m by end-FY10. Most of this debt is long-term in nature and was borrowed to fund the acquisition of Tempo in Australia and East India Company in the US.

Following its IPO in December 2009, the company proposes to use Rs1,300m towards repayment of long-term debt over the course of the year. This will bring down its net D/E to -0.2x by FY11ii. Our estimates assume that cash raised in the IPO remains on C&K's books until the company has made any further acquisitions.

Figure 13: Net debt/equity declines mainly owing to cash raised from IPO



Source: Company, IIFL Research

Exchange fluctuations are a big risk
Apart from the risk of translation losses due to exchange fluctuation, the company could face operational losses due to significant forex fluctuations, in select businesses.

(a) India business is nearly risk-free from forex changes
In India, the company's brochures for outbound tours quote prices in the respective foreign currencies in which the company needs to pay its vendors. Hence, when a customer purchases one of the company's overseas tour packages, the customer pays for it in the respective foreign currency in which the package is denominated (which is also usually the currency in which the company needs to pay its vendors).

The main forex-risk-incurring business of the company is in the forex business itself, where the company maintains a certain inventory of various foreign currencies. The company usually maintains 0.5-1% of the value of forex it sells as inventory. If the company were to book a loss of nearly 100% of the value of this inventory, this loss could potentially impair consolidated earnings by ~3%.

(b) Overseas outbound businesses are exposed to forex risks operationally
In most countries (including UK and Australia), regulations require tour operators to quote prices on their brochures in the resident currency. This price is fixed throughout the period for which the offer lasts. In most of these locations, the company estimates the potential bookings under the offer, for each of its destinations (and therefore in each currency it needs to pay vendors). It then enters into a forward contract for the estimated underlying value of the tour package for that period. If bookings fall short or exceed expectations significantly, and the currency also fluctuates against them in the same timeframe, earnings can be significantly impaired. Profit is made over and above the cost of the package (which represents 5-20% of the underlying value of the package) that can be entirely wiped out by a poorly planned forex hedge.

Our 1-yr price target offers 26% upside
Given that C&K's business includes presence in both emerging and developed markets, we have valued the business based on peer group valuations in each of these markets. Based on this weighted average (40% in developed markets and 60% in emerging markets), we arrive at a 1-yr forward P/E of 21.9x for the stock. Assigning this target multiple to FY12ii EPS gives the stock a 1-yr TP of Rs565, which should give a 26% upside from current levels.

Figure 14: Weighted average of developed and emerging market peers supports a 1-yr fwd PE of 21.9x

		EBITDA	PE		EV/EBITDA	
Company	**Mkt cap (US$ m)**	**Margin (%)**	**FY10**	**FY11**	**FY10**	**FY11**
European peers						
Kuoni*	1,069	4.1	49.8	20.1	9.2	6.5
TUI AG*	1,268	4.6	NM	18.4	6.1	5.3
Thomas Cook (London)*	1,268	5.3	8.6	7.9	4.6	4.4
Average		**4.7**	**29.2**	**15.5**	**6.6**	**5.4**
Asian peers						
Hanatours*	476	9.3	NM	28.2	NM	21.2
Huangshan*	174	33.2	25.3	19.1	25.7	18.1
EMEI Shan*	496	38.2	48.8	33.2	17.8	14.2
Average		**35.7**	**37.0**	**26.1**	**21.8**	**16.1**
Indian peers						
Thomas Cook (India)*	305	30.6	NA	NA	NA	NA
Mahindra Holidays *	802	26.6	30.5	23.7	19.2	15.1
Average		**28.6**	**30.5**	**23.7**	**19.2**	**15.1**

Source: Company, IIFL Research. *based on Bloomberg consensus estimates

Financial summary

Income statement summary (Rs m)

Y/e 31 Mar	FY08A	FY09A	FY10ii	FY11ii	FY12ii
Revenue	1,821	2,869	3,849	4,674	5,465
EBITDA	730	1,213	1,776	2,179	2,552
EBIT	666	1,118	1,647	2,023	2,373
Net interest expense	-59	-201	-213	-187	-141
Others	62	67	127	129	130
Profit before tax	669	983	1,560	1,965	2,362
Taxes	-223	-349	-499	-629	-756
Income from associates	-26	-6	-36	-2	41
Net profit	420	627	1,024	1,335	1,647

Cashflow summary (Rs m)

Y/e 31 Mar	FY08A	FY09A	FY10ii	FY11ii	FY12ii
Profit before tax	669	983	1,560	1,965	2,362
Depr. & amortization	64	96	129	157	179
Tax paid	-152	-164	-499	-629	-756
Working capital Δ	-740	-2,017	177	-597	-643
Other operating items	20	143	0	0	0
Operating cashflow	-140	-959	1,367	896	1,142
Capital expenditure	-157	-213	-246	-323	-259
Free cash flow	-297	-1,171	1,121	572	883
Equity raised	20	0	5,623	0	0
Investments	43	-1,155	-1,037	0	0
Debt financing/disposal	435	2,245	-621	-1,650	-446
Dividends paid	-4	-7	-11	-14	-17
Other items	-42	-218	0	0	0
Net change in cash	155	-306	5,075	-1,092	420

Source: Company data, IIFL Research

Balance sheet summary (Rs m)

Y/e 31 Mar	FY08A	FY09A	FY10ii	FY11ii	FY12ii
Cash & equivalents	561	634	5,708	4,617	5,036
Sundry debtors	1,787	2,322	3,093	3,420	3,924
Inventories - trade	41	35	59	67	76
Loans & Advances	1,370	2,622	2,599	3,182	3,748
Fixed assets	554	818	935	1,101	1,181
Intangible assets	102	1,110	2,044	2,044	2,044
Other term assets	478	495	520	520	520
Total assets	**4,892**	**8,036**	**14,959**	**14,951**	**16,530**
Short-term debt	515	866	851	901	954
Sundry creditors	1,912	2,199	1,795	2,102	2,480
Long-term debt/CBs	781	2,676	3,370	1,670	1,170
Other long-term liabs	30	22	22	22	22
Net worth	1,653	2,274	8,922	10,257	11,904
Total liabs & equity	**4,892**	**8,036**	**14,959**	**14,951**	**16,530**

Ratio analysis

Y/e 31 Mar	FY08A	FY09A	FY10ii	FY11ii	FY12ii
Revenue growth (%)	87.8	57.5	34.1	21.4	16.9
Op Ebitda growth (%)	84.8	66.2	46.4	22.7	17.1
Op Ebit growth (%)	84.6	67.7	47.3	22.8	17.3
Op Ebitda margin (%)	40.1	42.3	46.1	46.6	46.7
Op Ebit margin (%)	36.6	39.0	42.8	43.3	43.4
Net profit margin (%)	23.1	21.9	26.6	28.6	30.1
Tax rate (%)	-33.3	-35.5	-32.0	-32.0	-32.0
Net debt/equity (%)	44.5	127.9	-16.7	-19.9	-24.5
Return on equity (%)	25.4	27.6	11.5	13.0	13.8
Return on assets (%)	8.6	7.8	6.8	8.9	10.0
Return on capital employed (%)	22.4	19.1	12.5	15.7	16.9

Source: Company data, IIFL Research

Key to our recommendation structure

BUY - Absolute - Stock expected to give a positive return of over 20% over a 1-year horizon.
SELL - Absolute - Stock expected to fall by more than 10% over a 1-year horizon.

In addition, **Add** and **Reduce** recommendations are based on expected returns relative to a hurdle rate. Investment horizon for **Add** and **Reduce** recommendations is up to a year. We assume the current hurdle rate at 10%, this being the average return on a debt instrument available for investment.

Add - Stock expected to give a return of 0-10% over the hurdle rate, ie a positive return of 10%+.
Reduce - Stock expected to return less than the hurdle rate, ie return of less than 10%.