

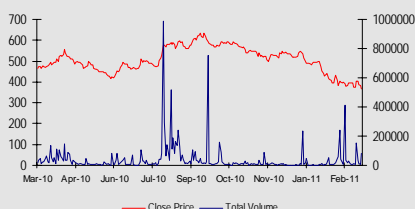
Tours and Travels

CMP **Rs. 371**
Target Price **Rs. 484**

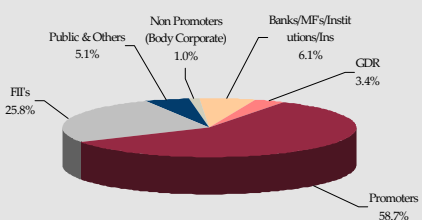
Key Data

Face value (Rs.)	10
Market cap (Rs mn)	25326
Total O/S shares (Rs mn)	68.26
Free Float	41.3%
52 week High/Low	659/359
Avg. Monthly Volume (BSE)	60824
Avg. Monthly volume (NSE)	194633
BSE Code	533144
NSE Code	COX&KINGS
Bloomberg code	COXK IN
Beta	0.90
Date of Incorporation	1950
Last Dividend Declared	10%
Indices	BSE500
FCCB's O/s	N.A.
Warrants O/s	N.A.

One Year Price / Volume Chart



Source: Capitaline

Share Holding Pattern (as on 31st Dec 10)

Source: Company, KJMC Research

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Cox & Kings Ltd

BUY

... marginal impact of Japanese tremors

Japan's powerful earthquake and tsunami last week has caused wide spread damage to the northeastern part of the country. Although it may be too early to ascertain the economic damage, the initial estimates indicate a possible economic damage of \$100-120 billion. The near-term disruption to economic activity is expected to be significant, resulting in an immediate drop in GDP. But in the longer term, recovery efforts will lead to growth in GDP.

Tourism industry is directly driven by the growth in GDP. Discretionary spending on leisure tourism is more during economic prosperity and drops significantly during economic downturn. Since the near term outlook for Japan is not positive the tourism industry of Japan is expected to take a hit for atleast first two quarters of FY12.

Impact on C&K

C&K has only outbound operations in Japan which contributed 9% of the FY10 total revenue on consolidated basis. For FY11, a 10% y-o-y growth is expected in the revenues from Japan. In FY12 a major drop in revenue from Japan is expected since it will take atleast two quarters for the country's economy to stabilize. Tourism in the country will pick up only from third quarter of FY12 resulting in loss of two quarters of revenue.

Global diversification protects business

Since C&K's exposure to Japan is not very significant, the expected drop in revenue in FY12 will not severely impact the total consolidated revenue.

Global diversification of business protects C&K from getting adversely impacted when ever a calamity strikes a particular country or a region. C&K has subsidiaries in 10 countries and its business is spread across 4 continents consequently removing dependence on any particular region.

Thus we believe the C&K's business is intact and no significant degrowth is expected in the business due to calamity in Japan.

Valuation

At CMP of Rs 371, the stock is available at P/E of 17.5x and 15.5x of its FY11E and FY12E earnings of Rs 21.3 and Rs 23.9 respectively.

We maintain **BUY** recommendation with a marginal reduction in our target price to Rs. 484 (from Rs. 510) which translates into 30% upside from CMP. The target price is 20x FY12E earnings of Rs. 23.9

Consolidated Financial Snapshot

(in Rs. Mn)

Particulars	FY10	FY11E	FY12E	FY13E
Net Income from Operations	3,991.5	4,965.4	5,803.0	6,907.2
Y-O-Y Growth	39.1%	24.4%	16.9%	19.0%
EBIDTA	1,864.4	2,269.6	2,637.9	3,233.1
EBIDTA margin (%)	46.7%	45.7%	45.5%	46.8%
PAT	1338.5	1451.0	1632.3	2102.8
PAT Margins (%)	33.5%	29.2%	28.1%	30.4%
Equity Capital (mn)	629.2	682.6	682.6	682.6
EPS (Rs)	21.3	21.3	23.9	30.8
ROE (%)	25.8%	14.1%	12.4%	14.0%
P/E (x)	17.4	17.5	15.5	12.0

Source: Company, KJMC Research

Change in assumptions

Particulars	FY12E		FY13E	
	Revised	Initial	Revised	Initial
Japan revenue growth (y-o-y)	-50%	8%	15%	8%
Japan revenue	197.6	426.8	227.2	460.9

Source: Company, KJMC Research

We assume that due to the wide spread damage caused by earthquake and tsunami, it will take at least two quarters for the economy to stabilize. Japan's tourism industry will pick up only from the Q3FY12 resulting in 50% loss in revenues from Japan. We also assume that Japan revenue growth in FY13 will be higher than initially estimated due to lower base in FY12.

Change in estimates

(in Rs. Mn)

Particulars	FY12E		FY13E	
	Revised	Initial	Revised	Initial
Net Sales	5,803	6,032	6,907	7,141
EBITDA	2,638	2,833	3,233	3,442
EBITDA margins%	45.5%	47.0%	46.8%	48.2%
PAT	1632	1769	2103	2249
PAT margins%	28.1%	29.3%	30.4%	31.5%
EPS	23.9	25.9	30.8	32.9

Source: Company, KJMC Research

Financial Summary

Income Statement - Consolidated

(in Rs. Mn)

Particulars	FY10	FY11E	FY12E	FY13E
Commission & other operating income	3,992	4,965	5,803	6,907
Y-O-Y Growth %	39.1%	24.4%	16.9%	19.0%
Expenses	2,127	2,696	3,165	3,674
Y-O-Y Growth %	28%	27%	17%	16%
Advertisement Cost	357	419	490	566
Employee Cost	994	1,336	1,561	1,824
S G & A	620	759	907	1,056
EBITDA	1,864	2,270	2,638	3,233
Y-O-Y Growth %	53.7%	21.7%	16.2%	22.6%
EBITDA Margin%	46.7%	45.7%	45.5%	46.8%
Other Income	421	509	540	586
Depreciation	151	179	207	230
Interest Costs	270	527	638	585
PBT	1,865	2,073	2,332	3,005
Tax	517	622	700	902
PAT	1,348	1,451	1,632	2,103
Income from Associates	10	0	0	0
Adj. PAT	1,338	1,451	1,632	2,103
Y-O-Y Growth %	113.3%	8.4%	12.5%	28.8%
PAT Margin%	33.5%	29.2%	28.1%	30.4%

Cash Flow Statement- Consolidated

(in Rs. Mn)

Particulars	FY10	FY11E	FY12E	FY13E
Pre-Tax Profit	1,865	2,073	2,332	3,005
Depreciation & Non Cash	151	179	207	230
Interest & others	-87	527	638	585
Chg in W Cap	-833	-1,437	-873	-1,208
Tax Paid	-584	-622	-700	-902
Operating Cash Flow	512	720	1,605	1,709
Capital expenditure	-312	-250	-250	-200
Free Cash Flow	201	470	1,355	1,509
Investments	-3,088	0	0	0
Equity Capital	5,294	3,040	0	0
Loans	1,502	3,597	-698	-698
Dividend	-7	-80	-80	-80
Interest	-296	-527	-638	-585
Net Change in Cash	3,025	6,404	-60	147
Opening Cash Position	618	3,747	10,151	10,091
Closing Cash Position	3,738	10,151	10,091	10,238

Balance Sheet - Consolidated

(in Rs. Mn)

Particulars	FY10	FY11E	FY12E	FY13E
Equity Share Capital	629	683	683	683
Reserves	7,472	11,734	13,287	15,310
Networth	8,101	12,417	13,969	15,992
Loan Funds	5,043	8,640	7,943	7,245
Deferred Tax Liabilities	14	14	14	14
Total Liabilities	13,158	21,070	21,925	23,251
Gross Block	1,337	1,587	1,837	2,037
Less: Acc. Depreciation	615	794	1,001	1,231
Net Block	722	793	836	806
Goodwill on Consolidation	2,175	2,175	2,175	2,175
Capital Work In Progress	204	204	204	204
Investments	2,584	2,584	2,584	2,584
Current Assets	9,565	16,889	17,966	19,609
Inventories	83	96	113	131
Debtors	3,021	3,323	3,883	4,622
Cash & Bank	3,747	10,151	10,091	10,238
Loans & Advances	2,715	3,320	3,880	4,618
Current Liabilities & Prov.	2,113	1,596	1,861	2,148
Net Current Assets	7,452	15,293	16,106	17,461
Total Assets	13,158	21,070	21,925	23,251

Key Ratios - Consolidated

Particulars	FY10	FY11E	FY12E	FY13E
Profitability %				
EBITDAM	46.7%	45.7%	45.5%	46.8%
PAT M	33.5%	29.2%	28.1%	30.4%
ROCE	18.1%	12.2%	11.3%	13.3%
ROE	25.8%	14.1%	12.4%	14.0%
Per Share Data (Rs/share)				
EPS	21.3	21.3	23.9	30.8
CEPS	23.7	23.9	26.9	34.2
BVPS	128.7	181.9	204.6	234.3
DVPS	1.0	1.0	1.0	1.0
Valuations (X)				
PER	17.4	17.5	15.5	12.0
CPER	15.7	15.5	13.8	10.9
P/BV	2.9	2.0	1.8	1.6
EV/Sales	6.2	4.8	4.0	3.2
EV/EBITDA	13.2	10.5	8.8	6.9
Dividend Yield (%)	0.3%	0.3%	0.3%	0.3%
Turnover (X Days)				
Debtor TO	244	244	244	244
Inventory TO	10	12	12	12
Gearing Ratio (X)				
Net Debt/Equity	0.2	-0.1	-0.2	-0.2
Total Debt/Equity	0.6	0.7	0.6	0.5

Source: Company, KJMC Research

Mr. Girish Jain	Executive Director	jaingirish@kjmc.com	2288 5201 (B)
Mr. Suresh Parmar	A.V.P. - Institutional Equities	suresh.parmar@kjmc.com	4094 5551 (D)
Mr. Vipul Sharma	A.V.P. - Institutional Sales	vipul.sharma@kjmc.com	4094 5556 (D)

Recommendation Parameters

Expected returns in absolute terms over a one-year period

Buy	- appreciate more than 20% over a 12- month period
Accumulate	- appreciate 10% to 20% over a 12- month period
Hold / Neutral	- appreciate up to 10% over a 12- month period
Reduce	- depreciate up to 10% over a 12- month period
Sell	- depreciate more than 10% over a 12- month period

KJMC Research Basket

Products	Contains	Frequency
(A) Fundamental Reports		
Company Reports	Initiating Coverage on Company based on Fundamental Research	Time to Time
Company Updates	Quarterly / Event Update on companies covered	Time to Time
Visit Note / Analyst Meet Note / Concall Update	Reports containing management meet, analyst meet & concall update on companies	Time to Time
IPO Note	Reports based on IPO Analyst Meet and Company Fundamentals	Time to Time
Event Report	Reports based on special events such Budget, Monetary policy etc.	Time to Time
Morning Market Compass	Morning Market Compass containing information on Indian & Global Markets, Indices and key company events.	Mon-Fri
(B) Alternative Research		
Dividend Yield Stocks	Reports based on analysis of Dividend Yield.	Time to Time
Alternative Research Note	Investments based on Open Offer, Buy-Back, FPO Arbitrage, IPO/FPO leverage investments.	Time to Time
What's in & What's out	List of companies, Purchase / Sold in particular month by different AMC's.	Monthly
(C) Mutual Funds & IPO's Research		
Daily Performance Report for Liquid & Liquid Plus Funds	Report containing daily, weekly, monthly, half yearly & yearly performance of only Liquid & Liquid Plus plans along with ranking of each fund for Corporates & Institutions.	Mon-Fri
Daily Performance Report for all Debt & Equity Funds	Report containing daily, weekly, monthly, half yearly & yearly performance along with ranking of each fund.	Mon-Fri
Product Notes	Brief Details about different products like Mutual fund, Fixed Deposits, Bonds, IPOs, Insurance & Home Loans.	Time to time

Data Sources: Capitaline, Companies, Bloomberg, Various Websites & publication available on Public domain.

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MCX-Commodity*	:	MCX/TM/CORP/1772
Mutual Fund's AMFI No.	:	ARN - 2386

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