

Issue Highlights

Industry	Travel & Tourism
Issue Size(in Cr)	584.49 - 610.39
No. Of shares	18,496,640
Price Band (in Rs)	316-330
Offer Date	Nov-18,2009
Close Date	Nov-20,2009
Listing	NSE,BSE
Face Value	10
IPO Grade	CARE IPO Grade"4" (Indicating above average fundamental)

Issue Composition

Fresh Issue	15,450,000
Offer for sale	3,046,640
Employee Reservation	200,000
Public Issue	18,296,640
QIBs	9,148,320
Non Institutional	2,744,496
Retail	6,403,824
Lot Size	20

Book Running Lead Manager

India Infoline Limited

Name of the registrar

Karvy Computershare Pvt. Ltd.

Shareholding Pattern (%)

	Pre-issue	Postissue
Promoters & Promoter Group	84.3	63.6
Selling Shareholders	11	3.4
LehmanBrothersOpportunityLtd	3.9	1.2
DeutscheSecuritiesMauritiusLtd	3.9	1.2
Merill LynchCap Mkts Espana,S.A.,S.V.	3.2	1
Other Non – Promoters	4.7	33
GoldmanSachsInvst(Mauritius)ILtd	3	[•]
Others (incl. Public)	1.7	[•]
Total	100	100

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Business Overview

Incorporated in 1939, Cox and Kings (India) Ltd is one of the India's largest and most recognized tour and travel operators that offers complete travel solutions. The business can broadly be classified into Leisure Travel (Outbound, Inbound & Domestic), Corporate Travel, Forex & Visa Processing – the company 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. Value added services are also provided - customizing travel plans for NRI customers, travel arrangements for Trade Fairs, providing private air charter services, etc.

C&K was amongst the first travel companies in India to be granted a license as an Authorized Dealer – Category II under the new licensing regime. It has over 14 fully owned offices in India across key cities such as Mumbai, New Delhi, Chennai, Bangalore, Kolkata, Ahmedabad, Kochi, Hyderabad, Pune, Goa, Nagpur and Jaipur. The worldwide offices are located in UK, USA, Japan, Russia, Singapore and Dubai. It has associate offices in Germany, Italy, Spain, South Africa, Sweden and Australia. The company is a shareholder member of Radius Inc. (a consortium of leading travel agents around the world) – through 90 Radius members it has a presence across the globe.

Competitive Strengths

- Strong Brand Equity**

It is one of the oldest recognized brands in the Travel & Tourism industry having 250 years of strong base locally & internationally. "Cox & Kings" has been ranked #1 brand in India and ranked 152 amongst Top 1000 Brands in the Asia Pacific region in 2008. It has developed specific brands for its products – Duniya Dekho, Bharat Dekho & FlexiHol. As the tour-operator industry is dependent on brand awareness and recall, the company puts its efforts into providing a consistent high-quality customer experience.
- Global presence & reach**

The company has a global presence with operations in 18 countries besides India. The company's global reach and passion for travel uniquely positions it to offer multiple travel choices and value for its products. In India, the company covers 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). GSAs/PSAs are those agents who sell only Cox's products through an exclusive tie-up.
- Product offerings**

The company serves as an integrated provider of all travel and travel related products and caters to all the travel needs of Indian and international travelers. It has not only become a 'One Stop Shop' for all travel requirements, but it has also developed customized products like Duniya Dekho for Outbound Travel, Bharat Dekho for Inbound Travel and FlexiHol for Flexible Individual Travellers (FIT). The company is in the process of rolling out a pan- India luxury train under the brand 'Maharajas' Express' through a JV with IRCTC (Indian Railway Catering and Tourism Corporation). It also offers outsourcing of visa processing services for diplomatic missions.

Business Strategy

- Acquisitions**

The company endeavors to propel its growth by identifying opportunities both organically and inorganically. This will help them to add more customers each year and better their service standards by providing customers with a wide choice of products and flexibility to meet their changing needs. The company's strategy is to focus on up-market long haul tour operators whose product offerings include the Indian subcontinent and who complement companies existing worldwide product portfolio.

Year	Company Acquired	Added services
2006	Clearmine Ltd. (along with it the subsidiary ETN Services Ltd.)	Destination management services for tours to Europe and inbound tours in Europe for other tour operators
2007	Cox & Kings Ltd., UK (along with its subsidiary Cox & Kings Travel Ltd.)	Outbound specialist tour operator that caters to leisure travel market of Europe
2007	Cox & Kings (Japan) Ltd.	Dedicated wholesaler of products and services to other tour operators and offers ground handling capabilities in select geographies
2009	Quopro Global Services Pvt. Ltd.	Visa processing [approvals from Singapore, Athens (Greece) and Hong Kong for outsourcing their visa processing activities to C&K]
2009	Tempo Holidays Pty Ltd., Australia (along with it its subsidiary Tempo Holidays NZ Ltd. in New Zealand)	Significant part of its business is in European countries
2009	East India Travel Company	Selling upmarket tour and travel packages in the US

Objects of the Issue (Rs. Cr.)

Acquisitions & Other Strategic Initiatives	150
Repayment of Loans	129.6
Investments in Overseas Subsidiaries	62.5
Investment in Corporate Office &	60
Upgrading existing operations	
General Corporate Purposes*	[•]
Meeting Fresh Issue related Expenses*	[•]

* To be finalized at the time of filing of Prospectus

- Online arena 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 created their space in the online arena with its websites that primarily offer an additional channel of reaching out to existing and potential customers.

- Focus on Outbound & Ground Handling Capabilities**

There is considerable growth opportunity in the outbound tourism segment in India. A buoyant economy, rise in disposable incomes, coupled with rising aspirations ensures this segment is poised for growth. Also there will be an increase in the number of people opting to travel outside India with travel getting cheaper. The company with their flexible product offering & a comprehensive range of travel contents to the customer with attractive pricing well positions it to exploit this segment.

- Expansion of Product Offerings**

The company continuously evaluates ideas that strategically fit its existing business to expand the products & services being offered to their customers. In this context the company has forayed into the visa processing services and is in the process of rolling out the luxury train 'Maharajas' Express'. The company believes that such initiatives will leverage its growth extensively and will help in increasing its market shares in the business in which it operates.

Industry Outlook

Global tourism industry

Travel & Tourism is currently one of the world's largest economic activities. It is the leading industry in many countries, as well as the fastest growing economic sector in terms of job creation worldwide. Between 1950 and 2004, international tourism receipts increased from US\$2.1bn to US\$623bn; by 2006, the T&T sector accounted for 10.3% of world GDP. In the same year, there were 234mn jobs in the industry, making up 8.2% of total employment worldwide. The rising economic importance of the industry has been fuelled by the large and growing number of international travelers.

Indian tourism industry

Outbound traffic grew ~14% yoy to nearly 8mn in 2007 with Singapore and UAE being the top two destination markets. According to a Nov' 08 Euromonitor report, the potential outbound market size could reach 17mn by 2012 from about 10.7mn in 2008. Domestic tourism in India has increased over the past few years with over 500mn trips taken in 2007, an increase of ~13% yoy. Foreign tourist arrivals also increased 5.6% yoy to 5.4mn in 2008, slower than the 14.3% yoy rise seen in 2007 as global economic slowdown impacted travel. However, measured as a % of GDP, tourism still accounts for just 6% of the economy, much below world average in 2008.

Risks

- Highly competitive and fragmented market**
 Stiff competition from other players operating in this sector and also from the un-organized sector makes it a highly competitive market. This increased competition by both traditional and new players may affect the company's margins.
- Cyclical Industry**
 The Travel and Tours industry is cyclical and sensitive to changes in the economy in general. Adverse developments in the Tour and Travel Industry in India or in the countries where company's subsidiaries are located will have a negative impact on the profitability and financial condition.
- Fluctuations in Exchange Rates**
 Fluctuations in exchange rates have direct impact on their business. Strengthening of rupee may increase the number of outbound tourists from India as foreign tours will become relatively cheaper. However, at the same time it may affect inbound tourism as traveling to India would become relatively expensive.

Outlook

With rising disposable incomes among Indians and a willingness to spend on travel, C&K seems well positioned with its proven track record to provide a customized high quality travel experience to its customers. Inorganic growth through acquisitions and differentiating itself from competitors has helped the company to grow at a decent rate even through the financial crisis. However, the debt on the balance sheet has increased due to higher short-term borrowings for working capital requirements. Although interest coverage has declined in 2009, it has still remained at a comfortable 7.01. Cox & Kings is in an industry which depends on economic growth and so how the financial crisis plays out in the future could be a determining factor.

The company's EBITDA margin on consolidated basis has improved from 42% in Fiscal 2009 to 47% in the June quarter. Its net profit margin, on a consolidated basis, improved from 22% to 41% in the quarter ended June 30, 2009.

Peer Comparison

Particulars	Thomas Cook	Cox&Kings
Face Value	1	10
Equity	21.14	62.92
Mkt. Price	64.1	330
Book Value	5.84	117.26
EPS	1.32	9.98
P/E	48.43	33.08
P/B	10.98	2.81
M.Cap/Sales	5.56	7.07
PAT / Sales	11%	21%
PBIDT / Sales	35%	44%
M.Cap (Cr)	1355	2076

Valuation

The stock trades at a P/BV of Rs.7.00 on the lower side of the band and Rs.6.87 on the higher side of the band of its FY09 book value Rs.48.02. Looking at the post issue valuation, the stock trades at a P/BV of Rs.2.69 on the lower side of the band and Rs.2.81 on the higher side of the band of its post issue book value of Rs.117.26. Considering the P/E valuation, the company is trading at a P/E of 23.90x times on the lower side of the price band and 24.96x times on the higher side of the price band of its consolidated FY09 EPS of Rs.13.22. Looking at post issue valuation, the company is trading at a P/E of 31.68x times on the lower side and 33.08x times on the higher side of its post issue consolidated FY09 EPS of Rs.9.98.

Annexure - II

Profit & Loss

Rs. in Cr.

Particulars	Mar-09	Mar-08	Mar-07	Mar-06	Mar-05
Total Income	293.56	188.31	99.42	65.75	45.52
Total Expenditure	165.58	109.13	56.79	42.90	25.11
Operating profit	127.99	79.179	42.629	22.852	20.408
OPM %	44	42	43	35	45
Interest	20.13	5.91	5.17	3.08	6.64
PBDT	107.85	73.27	37.46	19.78	13.77
Depreciation	9.57	6.37	3.41	1.81	1.42
PBT	98.28	66.89	34.06	17.97	12.35
Tax	34.887	21.746	13.053	7.212	1.71
PAT before EO	63.40	45.15	21.00	10.76	10.64
Extra-ordinary items (net of tax) (Receipt on relinquishment of Tenancy Rights)	0	0.00	0.00	6.57	0.00
PAT after EO	63.40	45.15	21.00	17.33	10.64
Add/(less): Share in Profit/(loss) of associate	-0.63	-2.54	8.73	0.05	-0.53
Net profit	62.77	42.61	29.73	17.38	10.11

Balance Sheet

Rs. in Cr.

Particulars	Mar-09	Mar-08	Mar-07	Mar-06	Mar-05
Net Block	71.46	52.89	14.46	9.09	6.30
Capital Work-in-Progress	10.32	2.54	0.57	4.57	2.48
A. Fixed Assets	81.79	55.43	15.03	13.66	8.78
B. Goodwill on Consolidation	111.02	10.17	9.64	10.05	0.00
C. Deferred Tax Asset	3.94	1.50	1.23	1.29	0.42
D. Investments	45.70	46.46	53.07	19.34	19.07
E. Current assets, loans & advances	607.19	413.26	196.56	170.44	136.16
Total assets	849.64	526.81	275.53	214.78	164.42
F. Liabilities and provisions	621.67	360.88	192.68	161.21	150.50
Net worth	227.97	165.93	82.85	53.57	13.93
Represented by					
a. Share capital	27.93	27.93	5.44	5.44	0.90
b. Reserves and Surplus	200.05	138.01	77.41	48.13	13.03
Total	227.97	165.93	82.85	53.57	13.93

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GOOD	★ ★ ★ ★
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