

Sector: Travel & Tourism

Sensex:	18,289
CMP (Rs):	191
Target price (Rs):	220
Upside (%):	15.2
52 Week h/l (Rs):	249/153
Market cap (Rscr) :	2,607
6m Avg vol ('000Nos):	449
No of o/s shares (mn):	137
FV (Rs):	5
Bloomberg code:	COXK IN
Reuters code:	COKI.BO
BSE code:	533144
NSE code:	COX&KINGS

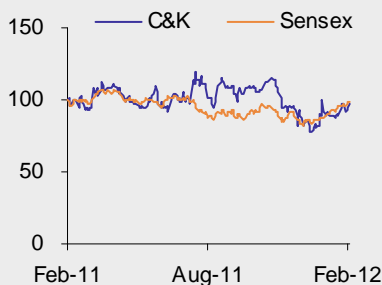
Prices as on 17 Feb, 2012

Shareholding pattern

December '11	(%)
Promoters	58.7
Institutions	27.5
Non promoter corp hold	2.6
Public & others	11.2

Performance rel. to sensex

(%)	1m	3m	1yr
C&K	(1.4)	(19.6)	(3.4)

Share price trend

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Holidaybreak acquisition-one-off PAT impact to reverse in FY13

Cox & Kings (C&K) acquired UK-based Holidaybreak (HBR), an education and activity travel group with market leading positions in UK and other major European markets in late Q2 FY12. Acquisition was made for an EV of US\$730mn in a business that generated ~US\$100mn EBIDTA in FY11 (Oct-Sep). HBR business has a strong seasonality with bulk of profits accruing in H2 (Apr-Sep). For instance, H1 FY11 saw headline pre-tax loss of US\$28mn whereas FY11 posted headline PBT of US\$53mn. Since C&K would consolidate the loss making Oct-Mar period, we expect FY12 PAT to be adversely impacted but situation would reverse with full year consolidation in FY13.

Holidaybreak: resilient model with leadership position

Holidaybreak offers educational and activity-based tours with FY11 group revenues of US\$711mn and EBIDTA of ~14%. It has 4 segments-Education, Hotel breaks, Adventure and Camping with the first two accounting for over ~54% of revenues and 57% of EBIDTA in FY11. Within the education segment, PGL is the leader in outdoor residential trips for students with centres spread across Europe, largely on ownership basis. Acquisition would fortify C&K's revenue mix with the addition of a sturdier education business to the high growth leisure travel business.

India outbound growth to remain robust

Of the nearly 20% of the 13.6mn outbound travelers from India who bought a travel package in 2011, C&K accounts for ~50% share; it expects India outbound to grow at a robust 30% yoy. Over the FY09-12 period, C&K India revenues have probably witnessed a ~26% cagr and we build in a healthy ~22% compounded growth over FY11-14.

Margins to improve, valuation appears attractive: BUY

Q3 FY12 EBIDTA was impacted by HBR merger which has a seasonally lean period in Oct-Mar while higher interest expense took its toll on PAT. However, the impact would reverse from FY13 upon full year consolidation. C&K would drive synergies on both revenue (C&K outbound generates European hotel bookings worth US\$51mn to whom Hotel break bookings can be marketed) and cost fronts through group buying. Expect consolidated margin, return ratios to improve as HBR is fully integrated; valuations at 8.4x EV/E appears attractive. Recommend BUY.

Valuation summary

Y/e 31 March (Rs m)	FY11	FY12E	FY13E	FY14E
Revenues	4,967	15,778	42,427	44,454
yoy growth (%)	24.4	217.6	168.9	4.8
Operating profit	2,301	1,736	6,364	7,780
OPM (%)	46.3	11.0	15.0	17.5
Pre-exceptional PAT	1,160	102	2,837	3,922
Reported PAT	1,291	102	2,837	3,922
yoy growth (%)	(3.6)	(92.1)	2,692.1	38.3
EPS (Rs)	9.5	0.7	20.8	28.7
P/E (x)	20.1	255.3	9.1	6.6
P/BV (x)	2.1	1.1	1.0	0.9
EV/EBITDA (x)	10.8	37.3	10.8	8.4
Debt/Equity (x)	0.7	1.7	1.7	1.4
ROE (%)	12.8	0.6	11.5	14.1
ROCE (%)	13.9	4.5	9.7	11.2

Source: Company, India Infoline Research

Technical View

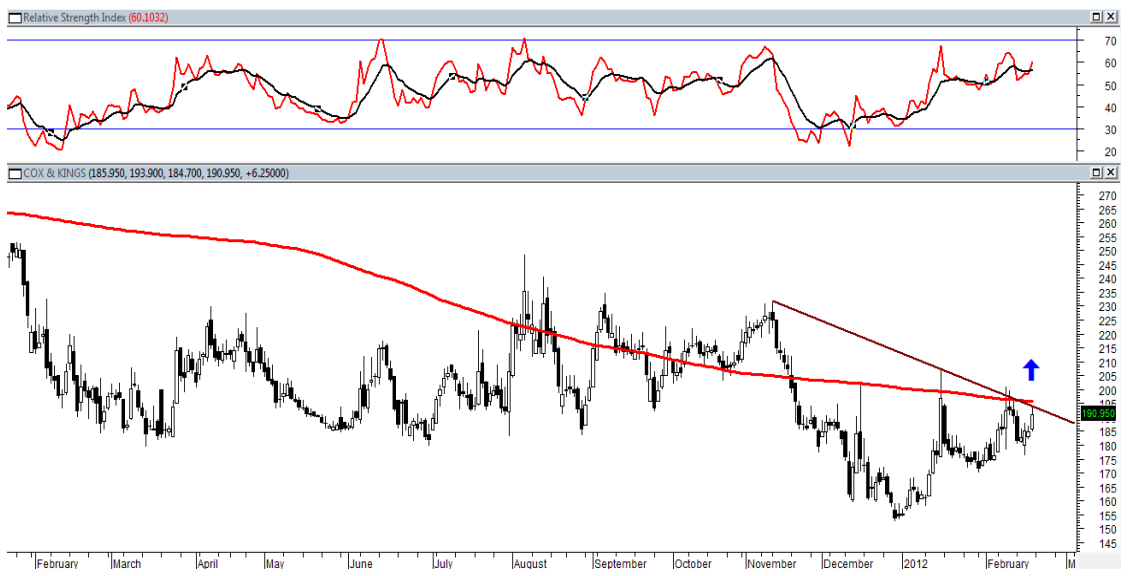
Cox and Kings is a channeling stock with an upward tilt. The stock’s price action is controlled by two parallel trend lines. Shown below is the primary ascending trend line, which connects consecutive higher lows. The stock hit a trough of Rs153 in December 2011. After that, on multiple occasions in January 2012 and February 2012, it bounced back from the primary support line. **Upon reaching the lower trend line, the stock bounces until it reaches the upper trend line. This acts as resistance as well as a profit-taking zone, making the upside potential target of the current pullback to Rs220.**

Prices are not always perfectly contained in a channel; it only shows areas of support and resistance for price targets. So, any kind of decline towards lower ascending trendline, which coincides with 20-DMA (Rs181), is likely to act as a strong support and entry point.

Cox & Kings was in a downward spiral for the last two months of 2011. The intermediate rallies faltered near the long-term bearish resistance line on daily chart (see below). However, recent chart pattern has been encouraging with strength in volumes; the stock is trading close to its 200-DMA, which coincides with neckline of an Inverted Head and Shoulders pattern. Any move above Rs195 (200-DMA) would confirm a breakout from the above mentioned pattern and ignite bullish momentum. Another argument supporting our optimistic view is the positive crossover in the daily RSI.

A move above Rs195 would also result into negation of a bearish pattern, which is considered to be positive. Based on the above mentioned technical observations, we advise accumulating stock at current levels for medium term target of Rs220.

Daily chart of Cox & Kings



Source: Metastock, India Infoline Research

In the year 2011 itself, we have received two reputed awards for being the Best Broker in India.

'Best Equity Broker of the Year' – Bloomberg UTV, 2011

IIFL was awarded the 'Best Equity Broker of the Year' at the recently held Bloomberg UTV Financial Leadership Award, 2011. The award presented by the Hon'ble Finance Minister of India, Shri Pranab Mukherjee. The Bloomberg UTV Financial Leadership Awards acknowledge the extraordinary contribution of India's financial leaders and visionaries from January 2010 to January 2011.

'Best Broker in India' – Finance Asia, 2011

IIFL has been awarded the 'Best Broker in India' by Finance Asia. The award is the result of Finance Asia's annual quest for the best financial services firms across Asia, which culminated in the Country Awards 2011

Other awards



Recommendation parameters for fundamental reports:

Buy – Absolute return of over +10%

Market Performer – Absolute return between -10% to +10%

Sell – Absolute return below -10%

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