



Cox and Kings (India) Ltd., a global tour operator having presence in India, Middle East and South East Asia is entering the capital market on Wednesday, the 18th November, 2009 with a public issue of 184,96,640 equity shares of Rs. 10 each, in the price band of Rs. 316 to Rs. 330 per share. The issue consists a fresh issue of 154,50,000. equity shares, while offer for sale is of 30,46,640 equity shares of Rs. 10 each. The company proposes to list its shares on NSE and BSE.

The object of the issue is for repayment of loans of Rs. 129.60 crores, acquisitions and other strategic initiatives of Rs. 150 crores, investment in overseas subsidiaries of Rs. 62.50 crores and investment in corporate office and upgradation of existing operations for Rs. 60 crores

Business Profile:

Incorporated in 1939, Cox and Kings (India) Ltd is one of the India’s largest tour and travel operator. Company design travel packages for both individuals and groups for their domestic and international travel.The company is engaged in three main verticals of leisure travel, corporate travel and Forex. Cox and Kings is one of the oldest and most reputed names in the travel business and has evolved during a period of more than 250 years and has created a brand name across the globe. Within Leisure the vertical is further sub divided into Inbound travel, Outbound travel and domestic travel

Verticals of buisness

- ❖ The inbound travel enables tour operators from across the world on providing destination services for tourists travelling to Indian subcontinent. This involves providing ground tour management services like hotel booking, event planning, airline bookings, car, rail, private air charter and excursion planning, conference management etc.
- ❖ The outbound and domestic segment includes packaged holidays in India and abroad. The holidays abroad are in the nature of holidays which are escorted tours as well as for free individual travelers.
- ❖ The domestic holidays include pilgrimage tours, weekend breaks, activity holidays, spa holidays, budget holidays and the like. The other products under the domestic vertical target tourists that are coming to India or organizing conferences, meetings and exhibitions.
- ❖ Cox and Kings also happens to be one of the leading forex dealers within the country and has also entered the business of providing travel insurance.



Details of IPO:-

Bidding Opens	18-11-09
Bidding Closes	20-11-09
Price Band	Rs 316-Rs 330
Minimum Bid Size	20
Issue Size	1,84,96,640 Equity Shares
Employee Reservation	Upto 2,00,000 Equity Shares
QIB Book	Upto 91,48,320 shares
Retail Book	Not less than 64,03,824 Equity shares
HNI Book	Not less than 27,44,496 Equity Shares
Book Running lead managers	India Infoline Limited



Investment Rationale :

Cox and Kings already has subsidiaries in Dubai, UK, Japan, and Singapore. The company plans to set up a new subsidiary in Malaysia. The sum earmarked for investments would be utilized in these subsidiaries and setting up of the Malaysian subsidiary. In addition to this a sum of Rs.51 million would be spent in the subsidiary in USA

The company's strong brand image, wide geographical reach, synergies of operations and the economies of scale it enjoys are positives

Right now there are 14 branches cum shops located within India and Cox and Kings plans to segregate the branches from the shops and then set up an additional 30 shops in various cities across India. The shops act as point of sale for retail customers.

Key risks

- The company operates in countries other than India which exposes its revenues to currency fluctuations vis a vis the Rupee (in which a majority of its costs are denominated)
- Company operates in a competitive and highly fragmented market and faces stiff competition from other players and also from the un-organized sector
- Travel and tourism industry is highly cyclical in nature and sensitive to changes in economic growth

CARE Ratings:

CARE has assigned an **IPO Grade 4** to Cox and Kings (India) Ltd IPO. This means as per CARE, company has **above average fundamentals**. CARE assigns IPO gradings on a scale of 5 to 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals

How the capital raised by IPO will be used?

- Repayment of Loans;
- Acquisitions & Other Strategic Initiatives;
- Investment in Overseas Subsidiaries;
- Investment in Corporate Office & Upgrading our existing Operations;
- General Corporate Purposes;
- Meeting Fresh Issue related Expenses



Valuation:

The offer price of Rs 316-330 discounts the C&K's likely FY-10 per share earnings by 22-23 times on post-offer equity base. The company's superior growth rates, high operating margin in this business and the likely scarcity premium for the business do offer room for premium valuations. Over the last three years, C&K has grown its revenues and profits at a compounded annual growth rate of about 66 per cent and 80 per cent, respectively. In the same period, it managed to expand its operating profit margin by 10 percentage points to 42 per cent.

Conclusion

The demand for tourism in India is expected to increase in the coming times. As world economy rebounds business tour, holiday travel is going to amplify significantly. As an emerging economy India, tourism is just 6% of the GDP as compared to 9% for the world. Thus the domestic and inbound market offers a vast scope for all the operators to expand revenues. The long term investors can invest in the IPO.



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