

### 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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