

Cox & Kings (India)

26 November 2018

Reuters: COKI.NS; Bloomberg: COXK IN

Major Transactions Over; Focus Shifts To Travel & Hotel Businesses

We had an interaction recently with Mr. Ganesh Duvvuri, Investor Relations Manager, Cox and Kings (India) or CK. Mr. Duvvuri pointed out that the company's NBFC business, including forex operations, have been transferred to Cox and Kings Financial Services (CKFS) which will be listed on the stock exchanges separately in the ongoing quarter. Updating on another recently concluded transaction, he said that CK has sold its entire Holidaybreak (education tour) business to the UK-based Midlothain Capital Partners for an enterprise value of GBP467mn. The proceeds from the sale of Holidaybreak will be used to repay outstanding debt. The management says that after the repayment, CK will have nearly Rs17,000mn debt on its balance sheet as of FY19-end. We estimate that nearly 75% of the reported EBITDA for FY18 can be attributed to CK's travel and hotel businesses, equating to approximately Rs660mn. The company continues to see traction in its travel and hotel businesses, which it expects to grow between 10%-12% and 25%, respectively.

CKFS stock to list on stock exchanges in 3QFY19: The management hopes to list its NBFC business during the ongoing quarter. It remains upbeat on growth prospects of the unsecured lending for travel/vacations. While the success of the lending business remains to be seen, given the current scenario, we feel that investors will focus more on quality of the loan book rather than its sheer size.

Travel business on growth path: CK plans to intensify its efforts to grow the retail side of its overall travel business. The management expects the sector to grow at 10%+ level over the next few years because of rising disposable income and a change in the lifestyle of Indian middle-class population. Additionally, it hopes to gain traction via its NBFC associate which will finance vacations for CK's customers.

Meninger on track to double its capacity: CK's European hotel (bunk-bed or shared hostel) business is all set to increase its offering from 12,000 beds currently to nearly 25,000 beds by FY22E. The business is operating at 74% occupancy rate and is attracting families seeking value proposition for their hotel stay during vacations.

The CKFS stock currently trades at a P/E of 9.8x FY19E and 7.3x FY20E Bloomberg consensus earnings estimate, respectively.

NOT RATED

Sector: Tourism

CMP: Rs175

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Key Data

Current Shares O/S (mn)	176.6
Mkt Cap (Rsbn/US\$m)	30.9/435.2
52 Wk H / L (Rs)	250/120
Daily Vol. (3M NSE Avg.)	105,373

Price Performance (%)

	1 M	6 M	1 Yr
Cox & Kings	(1.0)	(5.6)	(23.5)
Nifty Index	2.7	(0.1)	1.8

Source: Bloomberg

Y/E March (Rsmn): Consolidated	FY14	FY15	FY16	FY17	FY18
Net sales	23,076	25,691	75,053	71,763	64,506
EBITDA	8,902	10,108	8,217	6,844	9,013
Net profit	3,832	918	507	1,470	3,766
EPS (Rs)	28.07	5.42	2.99	8.32	21.33
EPS growth (%)	0	(80.7)	(44.8)	178.3	156.4
EBITDA margin (%)	38.6	39.3	10.9	9.5	14.0
RoE (%)	14.9	2.8	1.7	4.6	8.8
RoCE (%)	9.8	12.3	11.5	10.2	12.2
Cash conversion cycle	9	35	39	60	90
Total debt/Equity (%)	3.2	1.49	1.71	1.42	1.22

Source: Company, Nirmal Bang Institutional Equities Research

Financial statements

Exhibit 1: Income statement

Y/E March (Rsmn): Consolidated	FY14	FY15	FY16	FY17	FY18
Net sales	23,076	25,691	75,053	71,763	64,506
Total Expenditure	14,174	15,583	66,836	64,919	55,493
EBITDA	8,902	10,108	8,217	6,844	9,013
% growth	-	13.6	(18.7)	(16.7)	31.7
EBITDA margin (%)	38.6	39.3	10.9	9.5	14.0
Depreciation	1,711	1,983	1,485	953	988
EBIT	7,190	8,125	6,732	5,890	8,024
% growth	-	13.0	(17.1)	(12.5)	36.2
EBIT margin (%)	31.2	31.6	9.0	8.2	12.4
Interest cost	3,236	3,244	2,652	2,332	2,802
Interest/other recurring income	2,635	541	814	507	1,899
Non-recurring & Exceptional items	(456)	(3,087)	(3,406)	(109)	(207)
Profit before tax	6,133	2,337	1,487	3,956	6,914
% growth	-	(61.9)	(36.3)	166.0	74.8
Tax	1,643	1,433	1,567	1,722	2,222
Effective tax rate (%)	26.8	61.3	105.4	43.5	32.1
Minority interest	(643)	31	595	(648)	(673)
Share of Associate	(15)	(18)	(9)	(117)	(253)
Net profit	3,832	918	507	1,470	3,766
% growth	-	(76.0)	(44.8)	190.0	156.3
Diluted EPS (Rs)	28.07	5.42	2.99	8.32	21.33
% growth	-	(80.7)	(44.8)	178.3	156.4

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 3: Balance sheet

Y/E March (Rsmn): Consolidated	FY14	FY15	FY16	FY17	FY18
Equity	683	847	847	883	883
Reserves	16,867	24,622	23,193	25,112	31,944
Minority Interest	8,205	7,541	6,393	6,064	10,035
Net worth	25,755	33,010	30,433	32,059	42,862
Accounts payables	5,428	3,966	4,600	3,115	4,202
Other ST liabilities	21,823	17,369	19,010	18,542	19,042
Short-term loans	3,463	1,500	8,422	8,640	16,211
Total current liabilities	30,714	22,835	32,033	30,297	39,455
Long-term loans	47,395	33,065	28,258	25,599	22,858
Other LT liabilities	944	988	2,777	2,016	2,524
Total Equity & Liabilities	104,806	89,898	93,500	89,970	107,699
Gross block	72,864	55,250	49,368	43,095	52,558
Depreciation	8,398	4,033	4,275	4,113	5,178
Net block	64,466	51,218	45,094	38,982	47,380
Other LT assets + WIP	2,339	1,866	2,881	3,376	1,783
Long-term investments	321	324	922	808	1,100
Total Long-term Assets	67,126	53,408	48,896	43,166	50,262
Inventories	199	236	292	199	155
Debtors	11,356	11,805	13,983	18,201	22,416
Cash & ST Investments	13,786	14,057	18,442	16,926	16,396
Other current assets	12,340	10,393	11,888	11,478	18,470
Total current assets	37,681	36,490	44,604	46,804	57,437
Net current assets	37,400	36,210	44,324	46,524	57,157
Total assets	104,806	89,898	93,500	89,970	107,699

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 2: Cash flow

Y/E March (Rsmn): Consolidated	FY14	FY15	FY16	FY17	FY18
PBT	683	847	847	883	883
(Inc./dec. in working capital)	16,867	24,622	23,193	25,112	31,944
Depreciation	8,205	7,541	6,393	6,064	10,035
Other non-cash adjustments	25,755	33,010	30,433	32,059	42,862
Net cash from operations	5,428	3,966	4,600	3,115	4,202
Disposal of fixed assets	21,823	17,369	19,010	18,542	19,042
Capital expenditure (-)	3,463	1,500	8,422	8,640	16,211
Net cash after capex (FCF)	30,714	22,835	32,033	30,297	39,455
Other investing activities	47,395	33,065	28,258	25,599	22,858
Cash from investing activities	944	427	2,215	2,016	2,524
Inc./(dec.) in short-term borrowing	104,806	89,337	92,939	89,970	107,699
Inc./(dec.) in long-term borrowing	72,864	55,250	49,368	43,095	52,558
Inc./(dec.) in preference capital	8,398	4,033	4,275	4,113	5,178
Dividends paid	64,466	51,218	45,094	38,982	47,380
Equity issue/(buyback)	2,339	1,866	2,881	3,376	1,783
Other financing activities	321	324	922	808	1,100
Cash from financial activities	67,126	53,408	48,896	43,166	50,262

Source: Company, Nirmal Bang Institutional Equities Research

Exhibit 4: Key ratios

Y/E March (Rsmn): Consolidated	FY14	FY15	FY16	FY17	FY18
Profitability & return ratios					
EBITDA margin (%)	38.6	39.3	10.9	9.5	14.0
EBIT margin (%)	31.2	31.6	9.0	8.2	12.4
Net profit margin (%)	16.6	3.6	0.7	2.0	5.8
RoE (%)	14.9	2.8	1.7	4.6	8.8
RoCE (%)	9.8	12.3	11.5	10.2	12.2
Cash conversion cycle	9	35	39	60	90
Leverage and FCF ratios					
Net Debt (Cash - Rsmn)	36,751	20,184	17,316	16,505	21,574
Total debt/Equity (%)	3.2	1.5	1.7	1.4	1.2
FCF/Sales (%)	23.5	12.3	5.7	0.8	(15.9)
Valuation ratios					
EV/sales (x)	2.77	3.06	0.71	0.84	0.99
EV/EBITDA (x)	5.54	7.37	5.88	8.24	5.84
P/E (x)	5.71	59.65	60.32	27.73	10.70
P/BV (x)	1.25	2.16	1.28	1.57	1.23

Source: Company, Nirmal Bang Institutional Equities Research

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