

Cox & Kings Ltd.

Sensex 38279
Nifty 11552

Key Stock Data

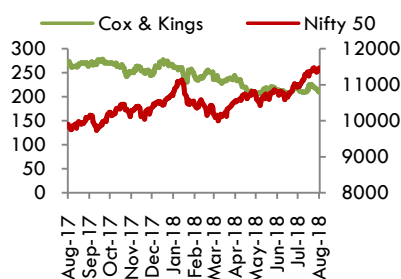
CMP ₹220.7/-
Market Cap (₹Cr) ₹3906
52W High/Low ₹287/198
Shares o/s (Cr) 17.7

Bloomberg COXK:IN
NSE Code COX&KINGS
BSE Code 533144

Shareholding Pattern

Promoters 49.34%
FIIs & DIs 40.58%
Public 10.08%

Comparison Chart



YEAR	FY18	FY19E	FY20E
Revenue	2,399.00	2,632.41	2,908.81
% Growth	10.1%	9.7%	10.5%
EBITDA*	885.0	979.3	1,090.8
OPM(%)	36.9%	37.2%	37.5%
PAT (excl. Exceptional)	390.0	428.3	482.9
EPS (excl. Exceptional)	22.1	24.2	27.3
PE	10.0	9.1	8.1
EV/EBITDA	7	6.2	5.5

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Summary

Cox & Kings recently declared its financial results for Q1FY19. The growth was driven by strong growth in International and Menninger businesses. International business constant currency grew by ~8-10% across the geographies. Segment wise results: Leisure India, Leisure International, Education and Menninger reported revenue growth of 6%, 22.6%, 13.3% & 41.1% respectively.

Financials

- Reported sales for consolidated operations on the basis of IndAS for Q1FY19 stood at ₹2171crs; a growth of 14.1%. According to IGAAP revenues (continuing operations) for Q1 grew by 16% to ₹817crs. vs. ₹706crs. Strong revenue growth mainly driven by 41% yoy growth in Meininger business. International business grew at a constant currency rate of ~8-10% across the geographies.
- EBITDA (including forex impact) on IndAS basis from consolidated operations for Q1FY19 stood at ₹297.9crs, which declined by 20.2% yoy. The EBITDA (excluding forex impact) from continued consolidated operations according to IGAAP grew by 15% in Q1FY19 at ₹389crs. vs. ₹339crs. in Q1FY18. IGAAP EBITDA margins excluding forex impact was at 47.6% vs. 48%.
- Cox and Kings Financial Service (CKFSL), a wholly owned subsidiary has received NBFC license from RBI. The company has applied to RBI for transfer of AD-II license to Cox & Kings Financial Service Ltd. Strong brand presence will enable CKFSL to grow at a faster pace.
- The company reported gross debt of ₹3881crs and net debt stood at ₹2329 crs. In Q1 gross debt reduced by ₹110 crs. The company intent to reduce debt of ₹500crs by FY19. Depreciation increased by 40.9% yoy and by 9% qoq basis. This was mainly on account of capex in Education business.
- Other income increased by 21.8% on account of investment and treasury income. Employees cost increased by 19.4% yoy. Capex for FY19 would be around ₹150 - ₹170crs. Finance cost decreased by 32% qoq basis due to onetime MTM gain of ₹7 crs and refinancing of loan. Management sees reduction in interest rate going ahead.
- The net revenues from standalone operations on IndAS basis for Q1FY19 stood at ₹989.6crs, which translates into agrowth of 8.4% Y-O-Y from Q1FY18 (₹912.7crs). The EBITDA from standalone operations for Q1FY19 increased by 6.7% to ₹144.3crs. The EBITDA margins for Q1FY19 stood at 14.4% vs. 14.7% in Q1FY18.
- Management stated that it continues to gain market share in the Indian B2C travel segment. B2C segment contributed 28% in Q1. It has improved by 2-3% yoy. FY2019 would be a year of strong revenue growth.

Net revenue		IndAS			IndAS		
Segment	Q1FY19	Q1FY18	GROWTH (%)	FY18	FY17	GROWTH (%)	
Leisure	1423	1243	14.5%	4180	5115	-18.3%	
Education	466	447	4.3%	1384	1336	3.6%	
Hybrid Hotels	233	168	38.7%	681	526	29.5%	
Others	49	45	8.9%	164	177	-7.6%	

Net revenue		IGAAP			IGAAP		
Segment	Q1FY19	Q1FY18	GROWTH (%)	FY18	FY17	GROWTH (%)	
Leisure	332	305	8.9%	1086	1014	7.10%	
Education	256	226	13.3%	613	589	4.07%	
Hybrid Hotels	182	129	41.1%	517	399	29.57%	
Others	49	45	8.9%	184	177	3.95%	

EBIT	IndAS - EBIT			IndAS - EBIT		
Segment	Q1FY19	Q1FY18	GROWTH (%)	FY18	FY17	GROWTH (%)
Leisure	158	137	15.3%	451	413	9.3%
Education	139	125	11.2%	204	237	-14%
Hybrid Hotels	55	46	19.6%	135	143	-6.1%
Others	1.1	2.2	-50%	-0.4	-17.8	-97.8%

EBIDTA (excl Forex Impact)	IGAAP - EBIDTA			IGAAP - EBIDTA		
Segment	Q1FY19	Q1FY18	GROWTH (%)	FY18	FY17	GROWTH (%)
Leisure	181	156	16%	490	451	8.65%
Education	148	133	11.3%	242	264	-8.33%
Meininger	59	49	20.4%	143	146	-2.05%
Others	1	1	-	10	-10	-200.00%

Segment wise Highlights

Leisure India

- According to IGAAP Leisure – India business posted robust performance amid increasing price offs and advertising spends by the online players.
- Strong revenue growth of 6% yoy driven by strong growth in the retail segment.
- For Q1FY19, IGAAP topline for this segment stood at ₹267crs translating to a topline growth of 6%. Differentiated strategy aiding growth in revenues and operating profit.
- India business EBIDTA (excluding forex impact) grew by 9.9% to ₹156crs. registering a margin expansion of 210 bps to 58.4%.
- There was a decrease in working capital by ₹100 crs for the quarter in the India business and expects further improvement with more focus on retail segment.

Accounts for ~33% of topline in Q1

Grew by ~6% in Q1FY19(IGAAP)

Leisure International

- International business bounced back in Q1FY19 by strong growth in UK, US and Australia. Business in Dubai grew by 8-9% yoy.
- While topline as per IGAAP grew by 23% to ₹65crs in Q1 for the continuing business; EBIDTA was at ₹25 crs vs. ₹14crs in Q1FY19. Strong EBITDA growth in all markets including UK/US and Australia due to cost optimization

Accounts for 8% of topline in Q1.

Grew by 22.6% in Q1FY19 (IGAAP)

Education

- IGAAP topline for this segment grew by 13% to ₹256crs. in Q1. The company reported EBIDTA (excl of forex impact) of ₹148 crs vs. ₹133crs in Q1FY18.
- Seasonally lean quarter due to delayed in Easter holidays. Management expect strong growth going ahead.
- Closing bed in Education business stood at 11064. Volume grew by 3%.
- PGL reported 3% growth in constant currency terms.
- PGL expanded capacity by ~560 beds through Brownfield expansion in Osmington bay and Little Canada and a new centre in Kindilan, Australia.
- De-growth in NST/EST seen due to Easter getting advanced to March 2018. Last year it was in April 2017. Gross revenue declined by 6% in constant currency terms.
- Outlook remains robust, driven by increased capacity, increased bookings from schools as well as increased overseas demand into Dubai and recovered UK market.

Accounts for 31% of topline.

grew by 13.3% in Q1FY19 (IGAAP)

Meininger

- IGAAP representative sales for Menninger were at ₹182 crs in Q1 up by 41.1% YOY. EBITDA also grew by 20.4% to ₹59crs. Menninger's new hotels witnessed good starts and continued to report higher occupancy.
- EBITDA growth of 9% in constant currency terms lower than revenue growth due to upfront costs incurred on the expected 3,000 new bed expansion in the next 3-4 months.
- Expanding the capacity by 40%. New hotel expansion leading to higher costs. Gross revenue grew by 23% in Euro terms. Closing bed stood at 10627 in Q1. Volume grew by 17% yoy.
- Average bed rates growing in high single digits. Average realisation increased by 2-2.5%.
- The company is on right track to achieve its targeted bed addition for Menninger capacity ~15000 beds by FY19. Planning to come up with 3000 bed in next 4 months.

Accounts for 22% of topline.

grew by ~41.1% in Q1FY19 (IGAAP)

Risks

- Persisting weakness in global economy & delay in economic revival.
- Currency risk
- Competitive pricing risk
- Natural calamities
- Terrorism

Valuations

Over the last 1½ years the company has embarked on journey of business restructuring in a bid to consolidate its operations and focus on profitable growth. Some of the key steps taken by the company in the wake of this proposal are: 1) Sale of its online business, 2) Successful ramp up of Dubai business aiding the legacy international growth, 3) Investing in Menninger expansion to garner higher market share of poshtels business blooming globally. 4) We believe this demerger of its forex business will help strengthen the balance sheet & be value accretive for the shareholders.

We believe this is a transformational phase for the company. The restructuring of the business and putting up key capacities in their key growth engines will help drive better profitability a few quarters down the line. While this year the business has been hit by unforeseen economic & geopolitical issues we expect the business to clock healthy growth over the next 3 to 4 years. **At the CMP of ₹220.7/- the stock trades at an EV/EBIDTA of 6.2x & 5.5x for FY19E & FY20E respectively. Two quarters ago we had advised investors to partially book profit at ₹235/- This stock is a high beta stock and the company is currently in an investment mode. While the growth engines are in place reported performance is and will remain volatile given that forex movement blurs inherit performance. We advise investors with a high-risk appetite and long - term investment horizon to HOLD the stock.**

Standalone Financials

(₹ Cr.)

	Q1FY19	Q1FY18	VAR [%]	Q4FY18	VAR [%]	FY18
Income from Operations	989.6	912.7	8.4%	550.3	80%	2,595.3
Other Operating Income	13.4	6.4	108.4%	11.4	18%	27.5
Total Operating Income	1,003.0	919.1	9.1%	561.7	79%	2,622.7
Other Income	32.1	28.2	13.6%	31.6	1%	119.2
TOTAL INCOME	1,035.1	947.3	9.3%	593.3	74%	2,741.9
Cost Of Tours	736.5	667.1	10.4%	387.4	90%	1,889.0
<i>Cost Of Tours % to TOI</i>	<i>73.4%</i>	<i>72.6%</i>		<i>69.0%</i>		<i>72.0%</i>
Employee Benefits Expense	50.6	43.9	15.2%	49.3	3%	184.8
<i>Employee Benefits Expense % to TOI</i>	<i>5.0%</i>	<i>4.8%</i>		<i>8.8%</i>		<i>7.0%</i>
Other Expenses	71.6	72.8	-1.6%	95.5	-25%	252.1
<i>Other Expenses % to TOI</i>	<i>7.1%</i>	<i>7.9%</i>		<i>17.0%</i>		<i>9.6%</i>
TOTAL EXPENDITURE	858.7	783.9	9.5%	532.1	61%	2,326.0
EBIDTA	144.3	135.2	6.7%	29.6	388%	296.7
<i>EBIDTA Margin %</i>	<i>14.4%</i>	<i>14.7%</i>		<i>5.3%</i>		<i>11.3%</i>
Finance Costs	35.0	21.0	66.4%	33.3	5%	105.0
PBDT	141.4	142.5	-0.8%	27.9	407%	310.9
Depreciation & Ammortization Expense	8.6	6.7	28.0%	9.4	-9%	30.9
Exceptional Item	0.0	0.0	#DIV/0!	0.0	#DIV/0!	0.0
PBT	132.8	135.8	-2.2%	18.5	618%	280.0
Tax Expense	41.6	47.4	-12.2%	13.0	220%	104.0
<i>Tax Rate %</i>	<i>31.3%</i>	<i>34.9%</i>		<i>70.3%</i>		<i>37.1%</i>
Reported Profit After Tax	91.3	88.4	3.2%	5.5	1559%	176.1
Extra-ordinary Items			-		-	0.0
Adjusted Profit After Extra-ordinary item	91.3	88.4	3.2%	5.5	1559%	176.1
Basic:						
EPS	5.17	5.01	3.2%	0.31	1559%	9.97
Equity	88.28	88.28		88.28		88.28
Face Value	5.00	5.00		5.00		5.00

Consolidated Financials

	Q1FY19	Q1FY18	VAR [%]	Q4FY18	VAR [%]	FY18
(₹ Cr.)						
Income from Operations	2,171.3	1,903.2	14.1%	1,575.9	38%	6408.71
Other Operating Income	12.7	4.9	156.8%	16.6	-24%	41.83
Total Operating Income	2,183.9	1,908.1	14.5%	1,592.5	37%	6450.54
Other Income	17.7	14.5	21.8%	15.5	14%	51.51
TOTAL INCOME	2,201.6	1,922.6	14.5%	1,607.9	37%	6502.05
Cost Of Tours	1,366.7	1,202.5	13.6%	1,060.2	29%	4051.25
Cost Of Tours % to TOI	62.6%	63.0%		66.6%		62.80%
Employee Benefits Expense	244.3	204.7	19.4%	175.7	39%	806.32
Employee Benefits Expense % to TOI	11.2%	10.7%		11.0%		12.50%
Other Expenses	275.0	127.7	115.3%	221.0	24%	568.7
Other Expenses % to TOI	12.6%	6.7%		13.9%		8.82%
TOTAL EXPENDITURE	1,886.0	1,535.0	22.9%	1,456.9	29%	5426.27
EBIDTA	297.9	373.1	-20.2%	135.6	120%	1024.27
EBIDTA Margin %	13.6%	19.6%		8.5%		15.88%
Finance Costs	61.3	56.4	8.9%	89.9	-32%	264.84
PBDT	254.3	331.3	-23.3%	61.2	315%	810.94
Depreciation & Ammortization Expense	28.1	19.9	40.9%	25.7	9%	98.83
Exceptional Item	5.2	11.8	-55.9%	4.6	12%	20.74
PBT	221.0	299.6	-26.2%	30.9	615%	691.37
Tax Expense	84.1	88.6	-5.1%	52.4	60%	222.2
Tax Rate %	38.1%	29.6%		169.6%		32.14%
Reported Profit After Tax	136.85	210.95	-35.1%	-21.51	-736%	469.17
Non Controlling Interest	71.1	36.2	96.4%	-	-	67.28
Share of Profit/(Loss) of Associate	0.9	(23.0)	-103.9%	(24.0)	-104%	-25.29
Net Profit after Minority Interest & P/L Asso.Co.	66.6	151.7	-56.1%	(45.5)	-246%	376.6
Other comprehensive income	25.01	6.87		45.02		-23.44
Total Comprehensive Income	91.6	158.6	-42.2%	(0.5)	-20020%	353.2
Basic:						
EPS	3.77	8.59	-56.1%	-2.58	-246%	21.33
Equity	88.28	88.28		88.28		88.28
Face Value	5.00	5.00		5.00		5

Source: Way2Wealth Research

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Disclosure of Interest Statement in Cox & Kings Ltd. as on August 20, 2018

Name of the Security	Cox & Kings Ltd.
Name of the analyst	Shivani Vishwanathan & Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
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