

Meininger drives growth...

Cox and Kings reported a positive set of Q4FY19 numbers. Even post adjustment to education division sale related exceptional gains, the company reported PAT higher than our estimates. Revenues came in at ₹ 452 crore (broadly in line with I-direct estimate of ₹ 457.1 crore), increasing 15.4% YoY on a like-to-like basis. EBITDA margins came in at 42.4% with absolute EBITDA at ₹ 191.7 crore (above I-direct estimate of ₹ 121.8 crore). During the quarter, the sale of the education division was concluded. The financials comprise an exceptional gain of ₹ 1311.7 crore (gross), which is related to the same. Adjusted for exceptional gains, PAT was at ₹ 28.3 crore (vs. I-direct estimates of ₹ 7.4 crore).

International leisure business improves

During FY19, the company's leisure international revenues increased 23% YoY mainly on the back of improving domestic spend and higher growth in foreign tourist arrival. On the other hand, domestic leisure segment got impacted, to some extent, with disruption in the airline industry. This, in turn, led to annual growth of 5.8% YoY only. Going forward, with improved tourism measures by the government and improved purchasing power, we expect domestic leisure business to continue to outperform in coming years. Hence, we expect leisure revenues to grow at a CAGR of 7-8% in FY19-21E.

Meininger continues to report traction led by expansion

Bed capacity addition (up 25% YoY in FY19) along with improved occupancy has led the company to report 31.7% YoY increase in Meininger revenues in FY19. During the quarter, the company added 1600 beds in Munich and Budapest leading to total addition of 3800 beds in FY19. The company is on track to add bed capacity with total bed capacity of 14250 beds as of March 2019. In coming years, C&K plans to have a bed capacity of 25,000 by end of FY22 (i.e. a CAGR of 21% in FY19-22). As a result, we expect Meininger revenues to drive a substantial part of growth in the international business.

Valuation & Outlook

We expect leisure revenues to grow at 7-8% CAGR in FY19-21E mainly led by improving domestic spend and higher growth in foreign tourist arrivals. The company is adding bed capacity at Meininger at 21% CAGR in FY19-22E. This is also expected to drive revenue growth, going forward. However, a slowdown in European regions remains a key concern in the near term, accounting for ~33% of revenues. Hence, we continue to maintain our HOLD rating on the stock with a revised target price of ₹ 95/share (i.e. @5x FY21 EPS). Utilisation of sales proceeds of education division remains a key catalyst for stock re-rating, going forward.



Stock Data

Particulars	Amount
Market Capitalization	₹ 1606.2 Crore
Total Debt (FY19)	₹ 2964.5 Crore
Cash and Investments (FY19)	₹ 1857.8 Crore
EV	₹ 2712.9 Crore
52 week H/L	235 / 130
Equity capital	₹ 88.3 Crore
Face value	₹ 5

Key Highlights

- Leisure India's performance to improve, going forward
- Expect 5-6% growth in the international leisure segment with flatish margins
- Meininger to continue to drive growth, going forward, with long-term bed capacity target of 25000 by FY22E from 14250 beds at present

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Key Financial Summary*

Key Financials	FY17	FY18	FY19	FY20E	FY21E	CAGR (FY19-21E)
Net Sales	2179	1700	2007	2093	2288	6.8%
EBITDA	681	722	630	715	791	12.0%
EBITDA (%)	31.2	42.5	31.4	34.2	34.6	
PAT	-7	310	292	290	336	7.3%
EPS (₹)	-0.4	17.6	16.5	16.5	19.0	
EV/EBITDA	4.9	5.4	4.4	2.8	2.2	
RoNW (%)	-0.3	9.7	7.6	7.0	7.6	
RoCE (%)	7.0	8.5	7.7	9.1	9.5	

Source: Company, ICICI Direct Research

Note: *FY19-21E excludes forex and education business

Exhibit 1: Variance Analysis

	Q4FY19	Q4FY19E	Q4FY18	YoY (%)	Q3FY19	QoQ (%)	Comments
Total Operating Income	452.4	457.1	391.9	15.4	498.7	-9.3	On a like-to-like basis, revenues grew 25% YoY mainly led by Meininger (up 36% YoY to ₹180 crore) while leisure segment grew 21% YoY
Other Income	-4.7	12.0	14.2	NA	23.0	NA	
Employee Expenses	125.7	148.5	71.6	75.4	163.4	-23.1	
Advertisement expense	0.0	0.0	0.0	NA	0.0	NA	
Other expenses	135.0	186.8	195.0	-30.8	216.7	-37.7	
EBITDA	191.7	121.8	125.3	53.0	118.6	61.7	Higher marketing expenses, expansion and delays in launch of hotels in Meininger led to a miss in EBITDA margins during the quarter
EBITDA Margin (%)	42.4	26.6	32.0	1042 bps	23.8	1860 bps	
Interest	56.7	68.1	81.2	-30.1	72.3	-21.6	
Depreciation	33.8	21.3	11.1	204.9	20.9	62.0	
Less: Exceptional Items	-1,016.4	0.0	27.6	-3,778.5	-90.8	NA	
PBT	1,112.8	44.4	19.6	5,586.4	139.1	700.0	
Total Tax	19.3	21.3	56.2	-65.6	24.2	-20.1	
Reported PAT	1,085.9	7.4	-53.3	-2,137.2	131.7	724.4	
Adjusted PAT	87.1	7.4	-105.0	-183.0	56.7	53.6	

Source: Company, ICICI Direct Research

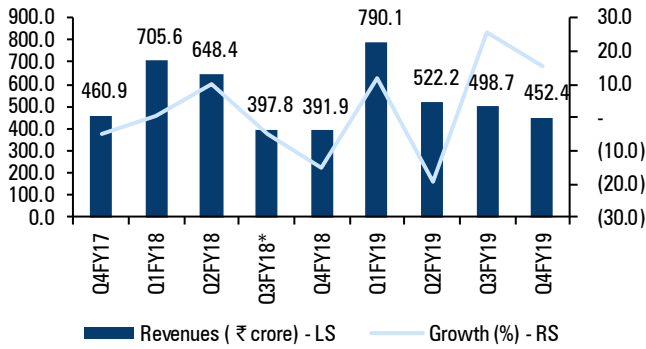
Exhibit 2: Change in estimates

(₹ Crore)	FY20E			FY21E			Comments
	Old	New	% Change	Old	New	% Change	
Revenue	2,941.1	2,093.2	-28.8	NA	2,288.3	NA	With the sale of Meininger business and transfer of financials business, we adjust the revenues for FY20E accordingly
EBITDA	1,125.5	715.2	-36.5	NA	790.7	NA	
EBITDA Margin (%)	38.3	34.2	-410 bps	NA	34.6	NA	Margins to remain under stress due to general slowdown in European region and the sale of high margin business
PAT	266.7	290.4	8.9	NA	335.9	NA	We assume debt repayment of ₹ 2000 crore for FY20. This may lead to saving in interest cost for FY21E and improve profitability
EPS (₹)	15.1	16.5	8.9	NA	19.0	NA	

Source: Company, ICICI Direct Research

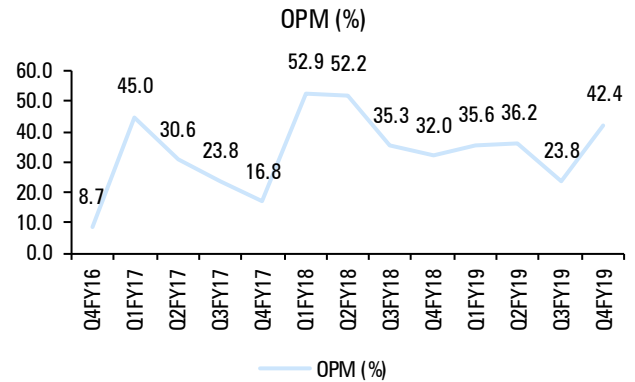
Financial story in charts

Exhibit 3: Quarterly revenue trends



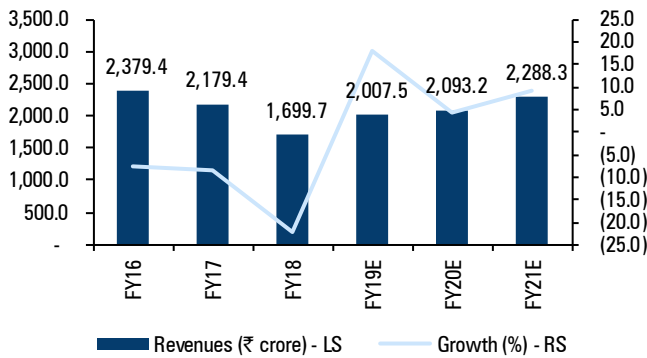
Source: Company, ICICI Direct Research

Exhibit 4: Operating margins profile



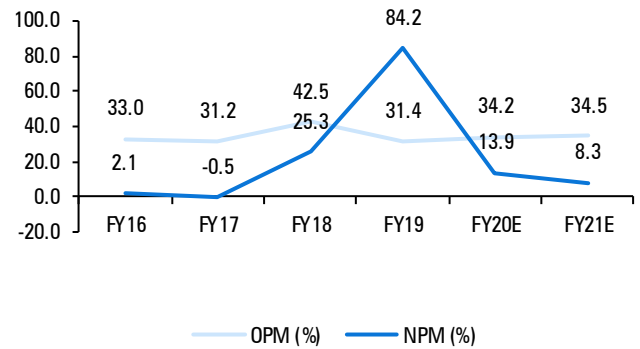
Source: Company, ICICI Direct Research

Exhibit 5: Yearly revenue trends



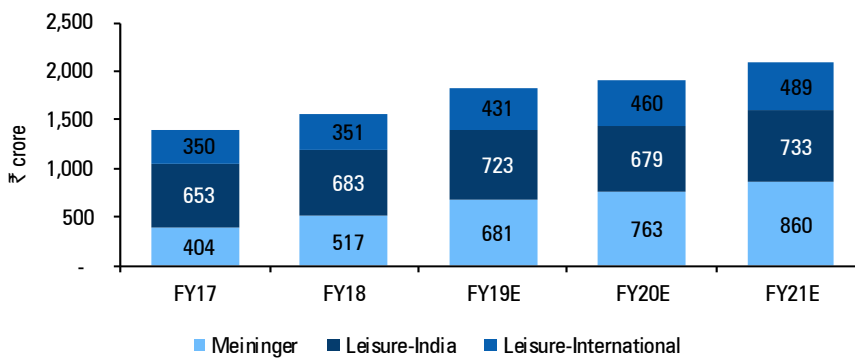
Source: Company, ICICI Direct Research

Exhibit 6: Yearly margin trend



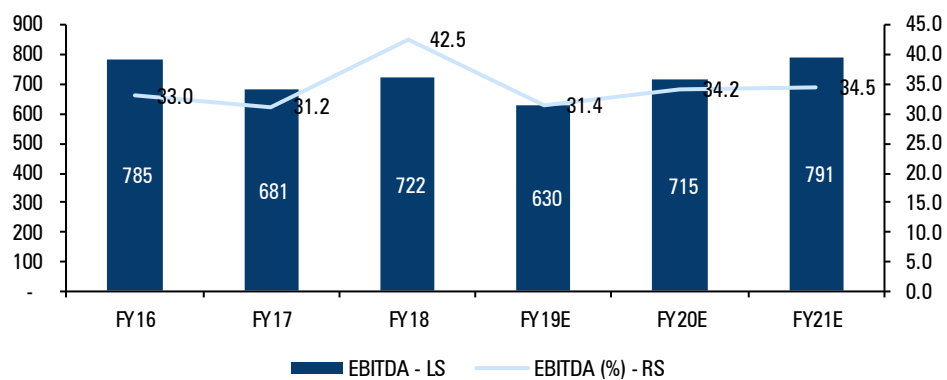
Source: Company, ICICI Direct Research

Exhibit 7: Break-up of revenue



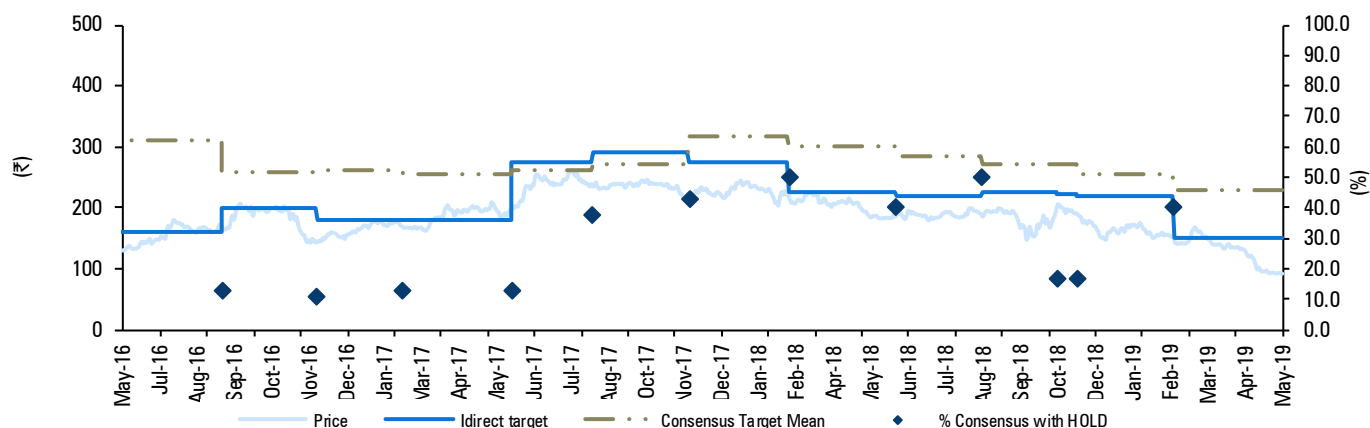
Source: Company, ICICI Direct Research

Exhibit 8: Yearly absolute EBITDA trend



Source: Company, ICICI Direct Research

Exhibit 9: Recommendation History vs. Consensus



Source: Company, ICICI Direct Research, Thomson Reuters

Exhibit 10: Top 10 Shareholders

Rank	Name	Latest Filing Date	% O/S Position (m)	Change (m)
1	Sneh Sadan Traders & Agents Ltd.	10-Apr-19	19%	33.4
2	Sneh Sadan Graphic Services Pvt. Ltd.	9-May-19	19%	33.2
3	Kubber Investments Mauritius Pvt. Ltd.	31-Mar-19	10%	18.3
4	LIZ Investments Pvt. Ltd.	31-Mar-19	10%	17.5
5	Karst Peak Capital Limited	31-Mar-19	6%	9.9
6	Macquarie Investment Management Ltd.	31-Mar-19	4%	7.8
7	Capital Research Global Investors	31-Mar-19	4%	7.5
8	Standford Trading Pvt. Ltd.	31-Mar-19	4%	7.3
9	Kerkar (Urrshila)	31-Mar-19	3%	4.6
10	Kotak Mahindra Asset Management	31-Mar-19	2%	3.9

Source: Company, ICICI Direct Research, Thomson Reuters

Exhibit 11: Recent Activity

Buys			Sells		
Investor name	Value (mn)	Shares (mn)	Investor name	Value (mn)	Shares (mn)
Sneh Sadan Traders & Agents Ltd.	58.15	33.38	Waverton Investment Management Ltd.	-2.36	-1.17
The Vanguard Group, Inc.	0.49	0.28	Norges Bank Investment Management (NBIM)	-1.05	-0.44
BlackRock Institutional Trust Company, N.A.	0.04	0.02	Dimensional Fund Advisors, L.P.	-0.38	-0.19
Margetts Fund Management Limited	0.04	0.02	Sneh Sadan Graphic Services Pvt. Ltd.	-0.20	-0.14
Advisory Research, Inc.	0.03	0.02	University of Texas Investment Management Company	-0.20	-0.10

Source: Company, ICICI Direct Research, Thomson Reuters

Exhibit 12: Shareholding Pattern

(in %)	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19
Promoter	49.34	49.34	49.34	49.75	49.75
FII	38.93	39.47	40.00	39.65	39.65
DII	1.76	1.05	1.05	1.07	1.07
Others	9.97	10.14	9.61	9.53	9.53

Source: Company, ICICI Direct Research, Thomson Reuters

Financial summary

Exhibit 13: Profit and Loss Statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Total operating income	1,699.7	2,007.5	2,093.2	2,288.3
Growth (%)	-22.0	18.1	4.3	9.3
Employee Expenses	472	575	624	678
Advertisement expenses	NA	NA	NA	NA
Other expenses	506	802	754	819
Total Operating Expenditure	977.9	1,377.0	1,378.0	1,497.6
EBITDA	721.8	630.5	715.2	790.7
Growth (%)	6.0	-12.7	13.4	10.6
Depreciation	60.0	94.4	33.8	34.9
Interest	237.5	244.9	201.6	201.6
Other Income	50.3	59.1	60.0	60.0
PBT	643.1	1,865.1	539.8	614.2
Profits from Associates	-25.3	-31.4	-40.0	-40.0
Total Tax	188.2	143.9	209.5	238.3
PAT	429.6	1,689.8	290.4	335.9
Growth (%)	NA	NA	-82.8	15.7
EPS (₹)	24.3	95.7	16.5	19.0

Source: Company, ICICI Direct Research

Exhibit 15: Balance Sheet				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Liabilities				
Equity Capital	88.3	88.3	88.3	88.3
Reserve and Surplus	3,121.3	3,772.9	4,042.0	4,356.6
Total Shareholders funds	3,209.6	3,861.2	4,130.3	4,444.9
Total Debt	3,906.9	2,964.5	2,964.5	2,964.5
Def Tax Liability	232.4	78.7	82.7	86.7
Total Liabilities	7,348.9	6,904.4	7,177.5	7,496.1
Assets				
Gross Block	3,341.8	1,793.3	1,868.3	1,918.3
Less: Acc Depreciation	1,401.0	1,495.4	1,529.1	1,564.0
Net Block	1,940.8	297.9	339.1	354.2
Capital WIP	47.7	10.0	10.0	10.0
Total Fixed Assets	1,988.5	307.9	349.1	364.2
Goodwill on Cons	2,883.4	1,918.4	1,918.4	1,918.4
Investments	152.6	100.0	100.0	100.0
Def Tax Assets	19.4	13.6	13.6	13.6
Inventory	11.6	4.0	12.2	12.8
Debtors	1,981.7	2,418.7	2,522.1	2,633.2
Loans and Advances	253.2	291.2	276.5	344.1
Cash	1,621.8	1,829.8	2,593.6	2,808.6
Total Current Assets	3,868.3	4,543.7	5,404.4	5,798.7
Total Current Liabilities	2,332.4	1,497.5	1,981.6	2,123.8
Net Current Assets	1,535.9	3,046.2	3,422.8	3,674.9
Misc Exp not W/f	0.0	0.0	0.0	0.0
Application of Funds	7,348.9	6,904.4	7,177.5	7,496.1

Source: Company, ICICI Direct Research

Exhibit 14: Cash Flow Statement				
	₹ crore			
(Year-end March)	FY18	FY19	FY20E	FY21E
Profit after Tax	429.6	1,689.8	290.4	335.9
Add: Depreciation	60.0	94.4	33.8	34.9
(Inc)/dec in Current Assets	-1,031.3	-1,084.5	-62.2	-330.7
Inc/(dec) in CL and Provisions	140.7	-835.0	484.1	142.2
CF from operating activities	-400.9	-135.3	746.1	182.3
(Inc)/dec in Investments	0.0	0.0	0.0	0.0
(Inc)/dec in Fixed Assets	-42.4	1,586.2	-75.0	-50.0
Goodwill on consolidation	-290.9	737.6	0.0	0.0
Others	0.0	0.0	114.0	104.0
CF from investing activities	-333.3	2,323.9	39.0	54.0
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	483.0	-942.4	0.0	0.0
Dividend paid & dividend tax	-21.3	-21.3	-21.3	-21.3
Inc/(dec) in Sec. premium	0.0	0.0	0.0	0.0
Others	201.7	-1,016.9	0.0	0.0
CF from financing activities	663.5	-1,980.6	-21.3	-21.3
Net Cash flow	-70.8	208.0	763.8	215.0
Opening Cash	1,692.6	1,621.8	1,829.8	2,593.6
Closing Cash	1,621.8	1,829.8	2,593.6	2,808.6

Source: Company, ICICI Direct Research

Exhibit 16: Key Ratios				
(Year-end March)	FY18	FY19	FY20E	FY20E
Per share data (₹)				
EPS	24.3	95.7	16.5	19.0
Cash EPS	27.7	101.1	18.4	21.0
BV	181.8	218.8	234.0	251.8
DPS	1.0	1.0	1.0	1.0
Operating Ratios (%)				
EBITDA Margin	42.5	31.4	34.2	34.6
PBT / Total Operating income	-0.5	25.3	84.2	13.9
Asset Turnover	0.2	0.2	0.0	0.0
Debtor Turnover	0.9	0.8	0.8	0.9
Creditor Turnover	4.1	5.1	5.1	5.1
Return Ratios (%)				
RoE	13.4	43.8	7.0	7.6
RoCE	8.1	7.0	8.4	8.9
RoIC	9.9	9.1	12.3	13.2
Valuation Ratios (x)				
P/E	3.8	1.0	5.7	4.9
EV / EBITDA	5.4	4.4	2.8	2.2
EV / Net Sales	2.3	1.4	1.0	0.8
Market Cap / Sales	1.0	0.8	0.8	0.7
Price to Book Value	0.5	0.4	0.4	0.4
Solvency Ratios				
Debt/EBITDA	5.4	4.7	4.1	3.7
Debt / Equity	1.2	0.8	0.7	0.7
Current Ratio	2.4	4.6	3.9	3.9
Quick Ratio	1.7	3.4	2.6	2.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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