

Stock Note

# Thomas Cook (India) Ltd.

July 17, 2023





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Tourism	Rs. 77	Buy in Rs. 75-79 band and add more on dips in Rs.64-68 band	Rs. 85	Rs. 96	2 -3 quarters

HDFC Scrip Code	THOCOO
BSE Code	500413
NSE Code	THOMASCOOK
Bloomberg	TC IN
CMP (July 14, 2023)	77
Equity Capital (RsCr)	47
Face Value (Rs)	1
Equity Share O/S (Cr)	47
Market Cap (RsCr)	3410
Book Value (Rs)	37
Avg. 52 Wk Volumes (in '000s)	537
52 Week High	87
52 Week Low	52.5

Share holding Pattern % (March, 2023)	
Promoters	72.34
Institutions	9.80
Non Institutions	17.86
Total	100.0



\* Refer at the end for explanation on Risk Ratings

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### Our Take:

Thomas Cook (India) Limited was incorporated in 1978 and listed in 1983. It is one of the oldest travel and travel-related financial services company, with a heritage that is 141 years old. The company provides a wide array of customised services to the meet the needs of travellers worldwide, categorised under four verticals: Travel and Travel-Related Services, Financial Services, Leisure Hospitality & Digital Imaging Services.

Today, TCIL has expanded its services around the globe with a strong focus on the APAC region. There are 18 brands under the Thomas Cook umbrella, in 28 countries across five continents.

**Travel and Travel-Related Services:** The Group's customer-centric model led by innovation and omnichannel presence offers unique solutions that deliver a delightful experience. The travel products extend from B2B to B2C customers, across domestic and international leisure travel, corporate travel, MICE and destination management service. With reliance on its scale and wide presence, TCIL has been curating travel experiences based on the evolving needs of the customers in the post-pandemic world.

**Financial Services** - TCIL is the leading omni-channel Forex provider in the country, with a strong physical distribution network and reliable Digital Forex Centre.

**Leisure Hospitality and Resorts:** Sterling Holiday Resorts Limited is a leading leisure hospitality company in India offering a choice of resorts, hotels and retreats. Sterling has a unique hybrid model of business aimed at varied customer segments: with a FIT or hotel vertical and a membership vertical.

**Digipho Entertainment Imaging (DEI):** DEI is a market leader in digital imaging and offers the finest quality imaging services and solutions.

### Valuation & Recommendation:

Over the years, TCIL has completed multiple acquisitions (Quess, Sterling, Kuoni, and DEI), and it did restructuring in FY19 with divestment of Quess and consolidation of multiple entities. However, it couldn't reap the complete benefits of the same with the outbreak of Covid pandemic. TCIL was one of the worst affected companies by Covid-19 pandemic given the nature of its business. Given the lasting impact of the pandemic, the company's business model underwent a major revamp; combination of measures like reducing branch network,



integrating backend work (eg. merging backend operations of Thomas Cook and SOTC), downsizing (reduced employee count by ~600 vs pre-pandemic) and digitalisation. This helped company log cost savings of about ~Rs 370 cr in FY23. We believe the cost savings will go up further and add to the bottomline once there is 100% recovery in business.

Secular growth in tourism backed by improving disposable income, stable economic growth combined with TCIL's market leading position, customer centric approach, its legacy and brand recall can potentially make TCIL a long term compounding story. With strong recovery across segments over past few quarters, we believe, TCIL is well set to fire on all cylinders. Q1 has historically been one of the better quarters for TCIL, but the last three summers have been very poor due to Covid and other travel curbs. Q1FY24 could be a good quarter after such a gap. **We have valued Thomas Cook (India) on Sum-Of-The-Parts (SOTP) basis to arrive at the bull case fair value of Rs 96 (17x FY25E EPS, 6x FY25E EV/EBITDA) and base case fair value of Rs. 85 (15x FY25E EPS, 5x FY25E EV/EBITDA). Investors can buy the stock in Rs 75-79 band (13.7x FY25E EPS, 4x FY25E EV/EBITDA) and add more on dips in Rs 64-68 band (12x FY25E EPS, 3x FY25E EV/EBITDA).**

### Financial Summary

Particulars (in Rs Cr)	Q4FY23	Q4FY22	YoY-%	Q3FY23	QoQ-%	FY22	FY23P	FY24E	FY25E
Operating Income	1,313	522	152%	1,536	-15%	1,888	5,048	6,642	7,826
EBITDA	36	(8)	-	64	-43%	(187)	178	372	473
RPAT	(7)	(49)	-	19	-	(229)	6	185	265
Diluted EPS (Rs)	(0.15)	(1.40)	-	0.38	-	(5.18)	0.14	3.93	5.63
RoE-%						(12.6)	0.4	10.3	13.4
P/E (x)						(15)	559	20	14
EV/EBITDA						(18)	18	7	4

(Source: Company, HDFC sec)

### Segmental Mix

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
	<b>Revenue (in Rs cr)</b>															
Financial Services	81.2	75.9	71.0	64.6	23.7	32.6	24.3	27.7	15.0	24.6	32.7	38.1	47.9	63.9	69.5	65.1
<i>% of net sales</i>	4%	4%	4%	6%	28%	28%	10%	8%	5%	7%	4%	7%	5%	5%	5%	5%
Travel & Related Services	2039.0	1429.0	1410.1	864.8	35.0	29.0	96.2	188.7	158.9	153.6	463.7	270.9	675.0	899.3	1117.9	951.0
<i>% of net sales</i>	88%	84%	82%	79%	41%	25%	41%	53%	55%	47%	62%	52%	69%	74%	78%	72%
Vacation Ownership & Resorts Business	78.8	55.4	75.3	57.6	18.1	17.1	51.1	85.3	41.5	61.8	95.3	72.2	102.5	78.2	103.0	84.7
<i>% of net sales</i>	3%	3%	4%	5%	21%	15%	22%	24%	14%	19%	13%	14%	11%	6%	7%	6%
Digiphot imaging services	117.9	138.4	170.7	102.9	8.2	37.4	64.8	55.7	72.7	90.1	156.4	140.9	150.7	180.5	140.9	212.5
<i>% of net sales</i>	5%	8%	10%	9%	10%	32%	27%	16%	25%	27%	21%	27%	15%	15%	10%	16%
<b>Total Segment Revenue</b>	<b>2316.9</b>	<b>1698.8</b>	<b>1727.0</b>	<b>1089.9</b>	<b>85.1</b>	<b>116.1</b>	<b>236.5</b>	<b>357.3</b>	<b>288.0</b>	<b>330.1</b>	<b>748.1</b>	<b>522.1</b>	<b>976.2</b>	<b>1221.9</b>	<b>1431.3</b>	<b>1313.2</b>



	EBIT (in Rs cr)															
Financial Services	35.6	25.6	20.7	14.0	-0.2	9.7	1.0	3.6	-10.6	-2.7	4.6	5.5	11.2	20.5	21.1	19.6
EBIT margin	44%	34%	29%	22%	-1%	30%	4%	13%	-70%	-11%	14%	14%	23%	32%	30%	30%
Travel & Related Services	63.4	34.5	36.1	3.6	-93.0	-80.4	-73.1	-64.8	-84.5	-84.7	-35.5	-46.5	-17.8	3.4	21.8	1.0
EBIT margin	3%	2%	3%	0%	-265%	-278%	-76%	-34%	-53%	-55%	-8%	-17%	-3%	0%	2%	0%
Vacation Ownership & Resorts Business	-4.7	-19.0	-3.1	-1.4	-14.4	-13.3	2.6	32.7	3.1	10.6	25.8	0.0	32.4	4.4	25.0	17.3
EBIT margin	-6%	-34%	-4%	-2%	-79%	-77%	5%	38%	7%	17%	27%	0%	32%	6%	24%	20%
Digiphoto imaging services	1.5	4.3	8.6	-18.2	-17.3	-11.1	-7.7	-13.3	-11.0	-10.8	7.4	8.0	10.6	9.0	21.8	5.1
EBIT margin	1%	3%	5%	-18%	-210%	-30%	-12%	-24%	-15%	-12%	5%	6%	7%	5%	15%	2%

### Key Triggers

#### Financial Services

TCIL has positioned itself as ‘India ka Forex Specialist’. It is the largest non- bank foreign exchange provider in India. It has 3 types of products: Multicurrency cards (can hold up to 9 currencies), single currency cards (used by 70mn + merchants), and currency notes. TCIL’s forex business today serves over 1 million retail customers annually, via its website, FXNOW (m-app and corporate booking tool), call centre, and 100+ Forex stores located across 65 metros, tier 2-4 cities/towns pan India. The business also serves 1000+ corporate clients, 1 million+ active Forex prepaid card users and over 1 Lakh students studying overseas using fees and other remittance services of the Company. Thomas Cook operates 29 counters at leading airports in India, Sri Lanka and Mauritius. The company’s Forex business has expanded its digital penetration with a unique B2B online platform – on boarding over 2300 Fx MATE partners since its inception during the pandemic.

Key initiatives undertaken by the company to scale its Forex Business:

**New Launches:** Launched visa multicurrency card to offer customers the option of both Master card and Visa multi-currency cards. Card issuance saw a steady recovery doubling the volumes compared to last year.

**Digital Initiatives:** Coupled with the strong presence in the offline space, company’s digital initiatives ensure that there is a seamless integration and convergence of services across the spectrum that it operates in. The Initiatives include, launch of Fx Mate, Digital Interface, Document Management System, Digital Campaigns and many more.

**Fx mate:** Offering an entire array of foreign exchange services empowering B2B partners enabling TCIL to reach a wider audience. The company has on boarded 1,500+ partners under this programme and the transactions have doubled to 11,600

**Virtual Branch:** Providing customers easy access to sales staff (operating remotely), thereby ensuring a seamless customer experience



**Document Management Systems:** was introduced and implemented to ensure that all transaction related data are stored digitally and can be retrieved for any checks, audits or Inspection.

**Digital Interface:** with the customer was introduced to facilitate foreign exchange transactions without the customer having to step out of his/ her house.

**Digital Payment Gateway:** introduced at the branches to provide convenience to conclude payment for a transaction

**FX-Now:** A digital tool that provides easy access to foreign exchange services. This has made the traditionally time consuming and paperwork heavy process for foreign exchange swift and smooth, at the click of a button. Highly beneficial for corporate travelers.

In FY23, TCIL's Financial Services segment witnessed a 123% YoY growth in revenues. This was driven by 162% YoY growth in overseas education segment. According to RBI, education segment with spends of USD 3.43Bn in FY23, represents approximately 13% of total overseas spends from India. With a strategic intent to expand its market share and address the needs of this high potential segment, TCIL has launched several campaigns mostly geared toward students.

**Study Buddy-** The campaign tapped the growing number of international students by offering prizes by way of flights to their study destinations, and weekly rewards for 3 students every month. Recently, TCIL has launched Study Buddy Card in association with Mastercard and Visa, which has been inbuilt with a range of invaluable advantages including free International Student Identity Card (ISIC), free global sim card, zero mark up on transactions in base currency, comprehensive fraud protection insurance, free card replacement on loss of card, and 24x7-call support.

**#AllAboutStudyingAbroad-** Created with the help of industry experts to address concerns related to overseas education- bought together in the form of videos and blogs. These provide guidance for students going overseas. Information is provided on application process, selection of universities, financial planning, foreign exchange solutions, travel arrangements, accommodation options, and part time jobs.

In FY23, overall retail business grew by 81% YoY with a recovery of 97% vs pre pandemic. The segment has operated at ~33% average EBIT margin over FY16-FY20, and in FY23 EBIT margin stood at 29%. Increasing contribution from high margin retail business, and digital transformation should drive EBIT margin up ~330 bps over near term in our view.



## Travel Segment



### Leisure Travel

The company’s leisure holiday segment has been offering varied holiday and travel experiences to its customers in both the Outbound and well as Domestic space. With an array of packages both group and individual, the group aims to help achieve one’s holiday dreams by curating packages designed to deliver superior and memorable experiences.

The Group’s entities Thomas Cook (India) Limited and SOTC Travel Limited (SOTC) cater to both, group (GIT – Group Inclusive Tour) and individual (FIT - Free Independent Travel) customers, travelling to foreign destinations from India as well as within India.

The Hong Kong entity, Travel Circle International Limited operates as the leading premium tour operator in Hong Kong with a focus on the high-end, niche market of all-inclusive group long haul leisure travel and business travel.

In FY23, leisure travel reported 235% YoY growth in sales; recovery of 42% Vs pre pandemic levels. The management pointed out that the average age of its customers is declining and internet penetration is driving TCIL’s online sales. We expect company to surpass its pre-pandemic highs gradually over next 2-3 years.

### Key trends & opportunities:

**Latent demand for travel:** Customers’ interest and willingness to travel again stands reinforced after easing of restrictions, opening of borders along with the ongoing global vaccination drive.

**Outdoor travel on the rise** – The pandemic has translated into the unveiling of alternative destinations. Demand for outdoor scenic travel, has seen a quicker recovery across the world.



**Flexi travel:** The booking window—the time between the initial search and the travel date—has compressed considerably, which means customers are now focused on convenience and impulse.

**Nonprice factors gaining traction** and have become more important in travel decisions; to respond to these changing consumer behaviours, the company has launched a series of initiatives starting with the “Assured Program” to “Safe Holiday Helpline” to “Doctor on Call 24x7” to the latest being “TravShield” a comprehensive safe travel commitment.

### Destination Management Specialists (DMS)

TCIL operates in the B2B DMS segment both in India and overseas (via subsidiaries). The India inbound business through its decades of invaluable and extensive local knowledge, creativity and expertise, specialises in designing and offering memorable travel experiences. In India, Travel Corporation (India) Limited. (TCI) operates TCIL’s inbound travel business and is one of India’s foremost and largest companies operating in this space. It operates under three brands – SITA, TCI and Distant Frontiers.

The segment has a network of over 1,500 partners which then caters to customers belonging to 100+ nationalities who travel to India, Nepal, Bhutan and Sri Lanka. The UK, Russia, Germany, France and USA are the primary source markets for TCI’s Inbound business. The segment broadly operates across two categories – charter business based out of Goa and leisure. The leisure business is further bifurcated into FIT (Free Independent Travel), group, cruises, incentive and education travel.

The international DMS segment as the name suggests are specialists in catering to the inbound tourism market in various geographies across the globe. The entities under this segment are as follows:

	Asian Trails	APAC
	Desert Adventures	Middle East
	ATM-Australian Tours Management	Australia
	Allied T Pro	North America
	Private Safaris	Eastern Africa
	Private Safaris	Southern Africa



## **MICE**

TCIL's MICE segment has over the years established its dominance in the sector with its proven track record and expertise. Today, TCIL through its brands TCIL & SOTC, is engaged with a diverse set of corporates across industries and remains committed to curating memorable experiences.

In FY23, MICE grew 711% YoY with opening up of the travel activities; 85% recovery Vs pre pandemic. The company was empaneled as event partner for the G20 Summit; 23 events managed across 20 cities. It handled 20,500 customers for Khelo India 2023; managed Digital Yoga Exhibition for Govt. of India; event for ground breaking ceremony for world's first World Health Organization (WHO) Global Centre for Traditional Medicine

## **Business Travel**

TCIL's business travel segment offers a collection of corporate travel solutions designed to achieve maximum cost savings by streamlining travel management. With its expertise and booking tools, the company aims to simplify travel needs and help manage any company's strategic approach to travel. The group offers business travel products and services.

In FY23, Business Travel segment grew by 213% YoY; surpassing pre-pandemic levels for the quarter. It acquired 57 new accounts across sectors like Engineering, IT/ITS, Manufacturing, Media-Entertainment, Telecommunications, Automobiles, Banking & Finance, Consulting, Oil & Gas, Infrastructure, etc. Additionally, over 50% of clients have adopted on the corporate self-booking tool.

## **Vacation Ownership & Resorts Business**

Sterling Holiday Resorts Limited (100% subsidiary of TCIL) which is becoming a hospitality business from what was originally conceived as a timeshare has reported a very robust performance over past few quarters.

The business delivered a strong y-o-y growth and has been recording operating profits for the past several quarters. Resort revenues grew 36%YoY, driven by a ~22% improvement in the Average Room Rate (ARR). Occupancies improved to 61%, up 9% YoY. Sterling continued to focus on leveraging technology to improve internal process efficiencies and enable business. Sterling ONE, its proprietary distribution platform, enables Channel Partners across the length and breadth of the country and employees of corporate clients, to access Sterling inventory in real-time and make reservations at pre-approved rates at the click of a button. This help TCIL recorded an EBIT of Rs 79 cr for FY23 which is a 6x multiple over the pre-pandemic year of FY20 and a growth of ~36% YoY.







As on April 30, 2023 Sterling has 2,447 rooms across 40 resorts, out of which 15 company-owned resorts, 10 leased and 15 management contracts. Sterling Holidays will continue to expand in new destinations in the coming year and focus on expansion with an asset light model.





Existing leased will be converted to management contract as and when they are due for renewal. TCIL plans to add 2-3 properties/quarter over next ~2 years given the favourable outlook for Indian tourism industry.

### Sterling Resorts network

	 Hill Station	 Beach	 Waterfront	 Heritage	 Jungle	 Adventure
<b>North</b>	<ul style="list-style-type: none"> <li>• Mussoorie</li> <li>• Nainital</li> <li>• Kufri</li> <li>• Manali</li> <li>• Chail</li> </ul>		<ul style="list-style-type: none"> <li>• Rishikesh</li> <li>• De Laila Srinagar</li> </ul>	<ul style="list-style-type: none"> <li>• Haridwar</li> </ul>	<ul style="list-style-type: none"> <li>• Corbett</li> <li>• Kanha</li> <li>• Sariska</li> <li>• Padam Pench</li> </ul>	
<b>East</b>	<ul style="list-style-type: none"> <li>• Darjeeling</li> <li>• Gangtok</li> <li>• Kalimpong</li> </ul>			<ul style="list-style-type: none"> <li>• Puri</li> </ul>		
<b>West</b>	<ul style="list-style-type: none"> <li>• Lonavala</li> <li>• Mount Abu</li> </ul>	<ul style="list-style-type: none"> <li>• Goa – Varca</li> <li>• Karwar</li> </ul>			<ul style="list-style-type: none"> <li>• Rudra Gir</li> </ul>	<ul style="list-style-type: none"> <li>• Sajan (NT)</li> <li>• Durshet (NT)</li> <li>• Dabhosa (NT)</li> <li>• Kundalika (NT)</li> </ul>
<b>South</b>	<ul style="list-style-type: none"> <li>• Anaikatti</li> <li>• Munnar</li> <li>• Yelagiri</li> <li>• Yercaud</li> <li>• Ooty – Elk Hill</li> <li>• Ooty – Fern Hill</li> <li>• Kodai – Lake</li> <li>• Kodai - Valley</li> </ul>		<ul style="list-style-type: none"> <li>• Palavelli – Godavari</li> <li>• Alleppey</li> </ul>	<ul style="list-style-type: none"> <li>• Guruvayur</li> <li>• Arunai Anantha</li> <li>• Tiruvannamalai</li> <li>• Madurai</li> </ul>	<ul style="list-style-type: none"> <li>• Thekkady</li> <li>• Wayanad</li> </ul>	

### Digital Imaging Solutions (DEI)

In April 2019, TCIL acquired 51% stake in Dubai based Digiphoto Entertainment Imaging (DEI) at an enterprise value of US \$40.6 Million (Rs 289 cr). Established in 2004, Digiphoto Entertainment Imaging is a technology driven company with offices in Singapore, Dubai, Mumbai, Orlando, Hong Kong and Kuala Lumpur. DEI focuses on imaging solutions for the attractions industry with a robust end-to-end turnkey model by providing equipment, software, talent and operational expertise consultation to its business partners.



**DEI's partner attractions include:**

- Tall towers
- Water Parks
- Aquariums
- Theme & Amusement Parks
- Luxury Hotel & Resorts
- Cable Cars
- Animal & Bird Parks
- Snow Parks

The revival of travel, opening up of geographies and DEI's marquee partnerships along with the addition of new clients, have contributed to the stellar performance in FY23. It recorded 72% YoY growth in revenue to Rs 790 cr while EBIT stood at Rs 46 cr in FY23. Strong traction in US and Southeast Asia markets significantly contributed to the growth. Its investment in Zero Based Budgeting (ZBB) has led to savings on onsite labour cost, product and price rationalisation and real estate cost by renegotiations.

In its pursuit to be a technology driven organisation, DEI introduced SaaS as an operating model. It enables the team to serve any attraction worldwide without facing any limitation on resource mobilisation. Innovations such as triggered cameras, 360-photo booths, automated video template creator and AI enabled background removal have immensely helped in providing an improved guest experience.

In FY23,

DEI signed 28 new agreements across various geographies viz. Middle East, India, USA, South East Asia etc. Notable new partnerships were Snow Oman, Sheikh Zayed Grand Mosque, LEGOLAND Malaysia, Trans Snow World Surabaya in Indonesia, Snow Kingdom Hyderabad in India, Museum of Science & Industry, Chicago USA, etc.

Key partnership renewals were Mandai Wildlife Reserve in Singapore, Mövenpick Resort Kuredhivaru in the Maldives and Wild Wadi Waterpark, UAE.



 <p><b>UAE</b></p> <ul style="list-style-type: none"> <li>• Adrenark Adventure Park</li> <li>• Arabian Adventures</li> <li>• At the Top, Burj Khalifa</li> <li>• Atlantis Dubai</li> <li>• Bollywood Parks</li> <li>• Centara Mirage</li> <li>• Dubai Frame</li> <li>• Dubai Miracle Garden</li> <li>• Global Village</li> <li>• IMG Worlds of Adventure</li> <li>• Inside Burj Al Arab</li> <li>• Jumeirah Beach Hotel</li> <li>• KidZania Dubai/Abu Dhabi</li> <li>• LEGOLAND Dubai</li> <li>• MotionGate</li> <li>• National Aquarium Abu Dhabi</li> <li>• Sheikh Zayed Grand Mosque</li> <li>• Ski Dubai</li> <li>• Sky Views Observatory</li> <li>• Snow Pangluna</li> <li>• The View at the Palm</li> <li>• Wild Wadi Waterpark</li> </ul>	 <p><b>Egypt</b></p> <ul style="list-style-type: none"> <li>• Kidania</li> <li>• Ski Egypt</li> <li>• Snow City</li> </ul>	 <p><b>USA</b></p> <ul style="list-style-type: none"> <li>• 360 Chicago</li> <li>• Anaheim</li> <li>• Delta River Boats</li> <li>• Gaylord Hotels</li> <li>• Great Smokey Mountain Wheel</li> <li>• Guffarum</li> <li>• Hard Rock Cafe</li> <li>• Mangro Tropical Cafe</li> <li>• Museum of Science and Industry Chicago</li> <li>• Pittsburgh Zoo &amp; Aquarium</li> <li>• Rock City</li> <li>• The Henry Ford Museum</li> <li>• The Incline Railway</li> </ul>
 <p><b>Thailand</b></p> <ul style="list-style-type: none"> <li>• Andamanda Phuket</li> <li>• Aquaria Central Phuket</li> <li>• Ramayana Waterpark</li> <li>• Vana Nava Waterpark</li> </ul>	 <p><b>DR Congo</b></p> <ul style="list-style-type: none"> <li>• Aqua Splash</li> </ul>	 <p><b>Maldives</b></p> <ul style="list-style-type: none"> <li>• Alla Kothafaru</li> <li>• Anantara Maldives Resorts</li> <li>• Emerald Faarufushi</li> <li>• InterContinental Maldives Maamunagau Resort, an IHG Hotel</li> <li>• JW Marriott Maldives Resort &amp; Spa</li> <li>• Kuda Villingili Resort</li> <li>• Oluveli Beach &amp; Spa</li> <li>• The St. Regis Maldives Vommuli Resort</li> <li>• Sbaroto Maldives Full Moon Resort &amp; Spa</li> <li>• The Westin Maldives Miriandhoo Resort</li> <li>• Taj Exotica Resort &amp; Spa</li> <li>• The Residence Maldives</li> <li>• Velassaru Maldives</li> <li>• W Maldives</li> <li>• Westin Miriandhoo</li> </ul>
	 <p><b>Kuwait</b></p> <ul style="list-style-type: none"> <li>• Kitzania</li> </ul>	
	 <p><b>Kingdom of Saudi Arabia</b></p> <ul style="list-style-type: none"> <li>• Loopagoon Water Park</li> </ul>	
	 <p><b>The Bahamas</b></p> <ul style="list-style-type: none"> <li>• Atlantis Paradise Islands</li> </ul>	

 <p><b>India</b></p> <ul style="list-style-type: none"> <li>• Gimar Ropeway</li> <li>• Lokanangan</li> <li>• Marine Kingdom</li> <li>• Ramoji Film City</li> <li>• Snow Kingdom</li> <li>• Snow World</li> <li>• Statue of Belief</li> <li>• Wonder La</li> </ul>	 <p><b>Malaysia</b></p> <ul style="list-style-type: none"> <li>• Aquaria KLCC</li> <li>• Club Med Cherating</li> <li>• Getting Cable Car</li> <li>• KL Tower</li> <li>• Komtar</li> <li>• Langkawi Skycab</li> <li>• LEGOLAND Malaysia</li> <li>• Penang Hill</li> <li>• Petronas Twin Towers</li> <li>• Petrocatanz</li> <li>• Skytropolis</li> <li>• Sunway Lagoon</li> </ul>	 <p><b>Indonesia</b></p> <ul style="list-style-type: none"> <li>• Bali Bird Park</li> <li>• Bali Zoo</li> <li>• Holiday Inn</li> <li>• Intercontinental Bali</li> <li>• Jakarta Aquarium</li> <li>• Le Meridien</li> <li>• Manjapa, a Ritz-Carlton Reserve</li> <li>• Solo Safari</li> <li>• Trans Snow World</li> <li>• Trans Studio</li> <li>• Waterboom Bali</li> </ul>
 <p><b>Mauritius</b></p> <ul style="list-style-type: none"> <li>• Heritage Le Telfair Golf &amp; Wellness Resort</li> <li>• JW Marriott Mauritius Resort</li> <li>• Outrigger Mauritius Beach Resort</li> <li>• Shanti Maurice Resort &amp; Spa</li> </ul>	 <p><b>Oman</b></p> <ul style="list-style-type: none"> <li>• Oman Aquarium</li> <li>• Snow Oman</li> </ul>	 <p><b>Macao SAR</b></p> <ul style="list-style-type: none"> <li>• The Venetian Macao</li> <li>• The Parisian Macao</li> <li>• Macao Tower</li> </ul>
 <p><b>Singapore</b></p> <ul style="list-style-type: none"> <li>• Mandai Wildlife Reserve</li> <li>• Marina Bay Sands</li> <li>• Mount Faber Peak</li> <li>• Resorts World Sentosa</li> <li>• S.E.A. Aquarium</li> <li>• Sky Helix</li> <li>• Universal Studios Singapore</li> </ul>	 <p><b>Bangladesh</b></p> <ul style="list-style-type: none"> <li>• Mena Bay Waterpark</li> </ul>	 <p><b>Hong Kong SAR</b></p> <ul style="list-style-type: none"> <li>• Ngong Ping 360</li> </ul>
	 <p><b>South Korea</b></p> <ul style="list-style-type: none"> <li>• LEGOLAND Korea</li> </ul>	 <p><b>China</b></p> <ul style="list-style-type: none"> <li>• Shanghai Disney Resort</li> <li>• Universal Beijing Resort</li> </ul>



## Key Concerns

- Pressure on TCIL's market share, if competition from online travel operators or unorganized low-cost travel agents increases sharply.
- Any slow-down in the economy will lead to lower consumer spending in travel & tourism
- Recurrence of Pandemic like situation or geo political event impacting a large part of the globe could impact demand for travel and other services offered by TCIL.
- Except Digiphoto and Leisure & Hospitality segments, the other segments are yet to reach the pre-Covid levels, suggesting higher competition and/or lower spends in them.
- The corporate structure of TCIL has become complex over time with many segments and companies (67). It needs to rationalize these over time to benefit out of lean and focused approach.
- TCIL seems to have been late starter in digitization / automation and faces competition from a lot of travel portals and platforms.

## Company Overview

Thomas Cook (India) Limited: Set up in 1881, Thomas Cook (India) Limited (TCIL), is the leading omnichannel travel company in the country offering a broad spectrum of services including Foreign Exchange, Corporate Travel, MICE, Leisure Travel, Value Added Services and Visa Services. It operates leading B2C and B2B brands including Thomas Cook, SOTC, TCI, SITA, Asian Trails, Allied TPro, Australian Tours Management, Desert Adventures, Travel Circle International Limited (TCI), Sterling Holiday Resorts Limited, Distant Frontiers, TC Tours, Digiphoto Entertainment Imaging (DEI), Go Vacation, Private Safaris East & South Africa. As one of the largest travel service provider networks headquartered in the Asia-Pacific region, The Thomas Cook India Group spans 28 countries across 5 continents. Fairbridge Capital (Mauritius) Limited, a subsidiary of Fairfax Financial Holdings Limited promotes TCIL.

## **Subsidiaries of Thomas Cook (India) Limited:**

Sterling Holiday Resorts Limited, a wholly owned subsidiary of TCIL, is a leading Indian Leisure Hospitality company with 37 resorts across the country, providing a variety of offerings: Leisure holidays through FIT packages, Meetings & Conferences, Weddings, Reunions, Picnics and Holidays through Memberships. Sterling Holidays also owns 'Nature Trails Resorts Private Limited' – an adventure holiday company that operates retreats at four unique destinations in Maharashtra.



SOTC Travel Limited, a wholly owned subsidiary of TCIL, is a leading omnichannel travel and tourism company active across various travel segments including Leisure Travel, Incentive Travel and Business Travel.

Travel Corporation (India) Limited (TCI), a wholly owned subsidiary of TCIL, is the leading Destination Management Company in India that offers tailor-made travel and related services to India, Nepal, Bhutan and Sri Lanka.

Thomas Cook India Group holds 51% stake in DEI Holdings Limited (DEI), one of the world’s leading imaging solutions and services providers.

### Segmental Mix

	FY19	FY20	FY21	FY22	FY23P
	<b>Revenue (in Rs cr)</b>				
Financial Services	276	293	108	110	246
<i>yoy growth (%)</i>	4%	6%	-63%	2%	123%
<i>% of net sales</i>	4%	4%	14%	6%	5%
Travel & Related Services	6062	5743	349	1047	3643
<i>yoy growth (%)</i>	19%	-5%	-94%	200%	248%
<i>% of net sales</i>	92%	84%	44%	55%	72%
Vacation Ownership & Resorts Business	261	267	172	271	368
<i>yoy growth (%)</i>	-4%	2%	-36%	58%	36%
<i>% of net sales</i>	4%	4%	22%	14%	7%
Digiphoto imaging services	0	530	166	460	790
<i>yoy growth (%)</i>			-69%	177%	72%
<i>% of net sales</i>		8%	21%	24%	16%
	<b>EBIT (in Rs cr)</b>				
Financial Services	84	96	14	-3	72
Travel & Related Services	182	137	-311	-251	8
Vacation Ownership & Resorts Business	-45	-28	8	58	79
Digiphoto imaging services	0	-5	-49	-7	46

(Source: Company, HDFC sec)



## Financials

### Income Statement

Particulars (in Rs Cr)	FY20	FY21	FY22	FY23P	FY24E	FY25E
<b>Net Revenues</b>	<b>6833</b>	<b>795</b>	<b>1888</b>	<b>5048</b>	<b>6642</b>	<b>7826</b>
<b>Growth (%)</b>	<b>3.5</b>	<b>-88.4</b>	<b>137.5</b>	<b>167.3</b>	<b>31.6</b>	<b>17.8</b>
Operating Expenses	6726	1148	2076	4870	6270	7352
<b>EBITDA</b>	<b>106</b>	<b>-353</b>	<b>-187</b>	<b>178</b>	<b>372</b>	<b>473</b>
<b>Growth (%)</b>	<b>29.2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>109.1</b>	<b>27.3</b>
<b>EBITDA Margin (%)</b>	<b>1.6</b>	<b>-44.4</b>	<b>-9.9</b>	<b>3.5</b>	<b>5.6</b>	<b>6.1</b>
Depreciation	151	148	129	124	131	135
Other Income	116	151	58	64	80	86
<b>EBIT</b>	<b>71</b>	<b>-351</b>	<b>-258</b>	<b>117</b>	<b>321</b>	<b>425</b>
Interest expenses	101	62	62	89	84	79
<b>PBT</b>	<b>-69</b>	<b>-416</b>	<b>-323</b>	<b>26</b>	<b>237</b>	<b>346</b>
Tax	-51	-121	-68	16	52	81
<b>PAT</b>	<b>-18</b>	<b>-295</b>	<b>-255</b>	<b>10</b>	<b>185</b>	<b>265</b>
Share of Asso./Minority Int.	17	41	25	-3	0	0
<b>Adj. PAT</b>	<b>-1</b>	<b>-254</b>	<b>-229</b>	<b>6</b>	<b>185</b>	<b>265</b>
<b>Growth (%)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2749.4</b>	<b>43.4</b>
EPS	0.0	-6.7	-5.2	0.1	3.9	5.6

### Balance Sheet

Particulars (in Rs Cr) - As at March	FY20	FY21	FY22	FY23P	FY24E	FY25E
<b>SOURCE OF FUNDS</b>						
Share Capital	38	38	44	47	47	47
Reserves	1627	1891	1651	1666	1818	2041
<b>Shareholders' Funds</b>	<b>1664</b>	<b>1929</b>	<b>1695</b>	<b>1713</b>	<b>1865</b>	<b>2088</b>
Minority Interest	30	-13	-40	-39	-39	-39
Total Debt	667	612	598	539	515	467
Net Deferred Taxes	34	28	28	27	27	27
<b>Total Sources of Funds</b>	<b>2395</b>	<b>2556</b>	<b>2281</b>	<b>2240</b>	<b>2368</b>	<b>2543</b>
<b>APPLICATION OF FUNDS</b>						
Net Block & Goodwill	2708	2630	2588	2598	2538	2473
CWIP	11	4	5	4	4	4
Investments	100	130	129	106	106	106
Other Non-Curr. Assets	542	557	611	628	824	970
<b>Total Non-Current Assets</b>	<b>3361</b>	<b>3322</b>	<b>3334</b>	<b>3337</b>	<b>3472</b>	<b>3554</b>
Inventories	23	18	22	30	36	43
Debtors	474	128	235	568	728	858
Cash & Equivalents	1061	847	548	761	1381	1917
Other Current Assets	607	448	504	988	1292	1522
<b>Total Current Assets</b>	<b>2165</b>	<b>1442</b>	<b>1309</b>	<b>2347</b>	<b>3437</b>	<b>4339</b>
Creditors	1419	788	998	1787	2366	2787
Other Current Liab & Provisions	1712	1419	1363	1657	2175	2563
<b>Total Current Liabilities</b>	<b>3131</b>	<b>2208</b>	<b>2362</b>	<b>3443</b>	<b>4541</b>	<b>5350</b>
Net Current Assets	-966	-766	-1053	-1096	-1104	-1011
<b>Total Application of Funds</b>	<b>2395</b>	<b>2556</b>	<b>2281</b>	<b>2240</b>	<b>2368</b>	<b>2543</b>



## Cash Flow Statement

Particulars (in Rs Cr)	FY20	FY21	FY22	FY23P	FY24E	FY25E
Reported PBT	-69	-416	-322	27	237	346
Non-operating & EO items	71	-8	2	23	14	11
Interest Expenses	79	43	51	89	84	79
Depreciation	151	148	129	124	131	135
Working Capital Change	-38	-394	-3	256	418	285
Tax Paid	-73	46	4	-46	-52	-81
<b>OPERATING CASH FLOW ( a )</b>	<b>120</b>	<b>-581</b>	<b>-139</b>	<b>473</b>	<b>831</b>	<b>774</b>
Capex	-93	-14	-62	-39	-70	-70
Free Cash Flow	28	-595	-201	435	761	704
Investments	50	36	-1	15	0	0
Non-operating income	-141	329	-60	12	0	0
<b>INVESTING CASH FLOW ( b )</b>	<b>-184</b>	<b>351</b>	<b>-123</b>	<b>-11</b>	<b>-70</b>	<b>-70</b>
Debt Issuance / (Repaid)	3	-3	22	-73	-24	-48
Interest Expenses	-99	-61	-61	-83	-84	-79
FCFE	-160	-294	-302	306	653	578
Share Capital Issuance	1	436	4	1	0	0
Dividend	-19	-2	-2	-28	-33	-42
Others	-56	-35	-47	-47	0	0
<b>FINANCING CASH FLOW ( c )</b>	<b>-170</b>	<b>335</b>	<b>-85</b>	<b>-230</b>	<b>-141</b>	<b>-169</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-234</b>	<b>105</b>	<b>-347</b>	<b>232</b>	<b>620</b>	<b>535</b>

## One-year share price chart



## Key Ratios

Particulars	FY20	FY21	FY22	FY23P	FY24E	FY25E
<b>Profitability Ratios (%)</b>						
EBITDA Margin	1.6	-44.4	-9.9	3.5	5.6	6.1
EBIT Margin	1.0	-44.1	-13.7	2.3	4.8	5.4
APAT Margin	0.0	-32.0	-12.1	0.1	2.8	3.4
RoE	0.0	-14.1	-12.6	0.4	10.3	13.4
RoCE	1.2	-14.4	-10.7	5.2	13.9	17.2
<b>Solvency Ratio (x)</b>						
Net Debt/EBITDA	-3.7	0.7	-0.3	-1.2	-2.3	-3.1
Net D/E	-0.2	-0.1	0.0	-0.1	-0.5	-0.7
<b>PER SHARE DATA (Rs)</b>						
EPS	0.0	-6.7	-5.2	0.1	3.9	5.6
CEPS	4.0	-2.8	-2.3	2.8	6.7	8.5
BV	44.0	51.0	38.3	36.4	39.6	44.4
Dividend	0.0	0.0	0.0	0.4	0.7	0.9
<b>Turnover Ratios (days)</b>						
Debtor days	35	138	35	29	36	37
Inventory days	1	9	4	2	2	2
Creditors days	86	507	173	101	114	120
<b>Valuation (X)</b>						
P/E	-	-	-	559.4	19.6	13.7
P/BV	1.8	1.5	2.0	2.1	1.9	1.7
EV/EBITDA	27.9	-8.9	-18.3	17.6	6.7	4.0
EV / Revenues	0.4	4.0	1.8	0.6	0.4	0.2
Dividend Yield (%)	0.0	0.0	0.0	0.5	0.9	1.2

(Source: Company, HDFC sec)



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### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. This stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

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