

Stock Update

Thomas Cook (India) Ltd.

October 30, 2023





Thomas Cook (India) Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Tourism	Rs. 124	Buy in Rs. 121-127 band and add more on dips in Rs. 105-111 band	Rs. 138	Rs. 149	2 -3 quarters

HDFC Scrip Code	THOCOO
BSE Code	500413
NSE Code	THOMASCOOK
Bloomberg	TC:IN
CMP (Oct 27, 2023)	124
Equity Capital (RsCr)	47
Face Value (Rs)	1
Equity Share O/S (Cr)	47
Market Cap (RsCr)	5502
Book Value (Rs)	37
Avg. 52 Wk Volumes (in '000s)	562
52 Week High	134
52 Week Low	52

Share holding Pattern % (Sept, 2023)	
Promoters	72.34
Institutions	8.80
Non Institutions	18.86
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.

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 (DMS). 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. We believe the cost savings will go up further and add to the bottomline once there is 100% recovery in business (78% recovery in travel segment in Q1FY24 vs. pre-pandemic).



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. We had initially issued a report on TCIL ([Link](#)) on July 17, 2023, and stock has delivered ~61% returns since then.

With strong recovery across segments over past few quarters, we believe, TCIL is well set to fire on all cylinders. Q1FY24 was a great quarter after 3 pandemic affected Q1s. Given the travel boom being witnessed across tourism and hospitality industry, we expect TCIL's growth momentum to continue. Q2 may not be the best quarter seasonally, but we expect it to be better than the previous many Q2s.

We believe the base case fair value of Rs. 138 (24.5x FY25E EPS, 9.5x FY25E EV/EBITDA) and bull case fair value of Rs. 149 (26.5x FY25E EPS, 11x FY25E EV/EBITDA). Investors can buy the stock in Rs. 121-127 band (22x FY25E EPS, 8.5x FY25E EV/EBITDA) and add more on dips in Rs 105-111 (19x FY25E EPS, 7x FY25E EV/EBITDA) band.

Financial Summary

Particulars (in Rs Cr)	Q1FY24	Q1FY23	YoY-%	Q4FY23	QoQ-%	FY22	FY23	FY24E	FY25E
Operating Income	1,899	976	95%	1,313	45%	1,888	5,048	6,642	7,826
EBITDA	124	36	242%	36	243%	(187)	178	372	473
RPAT	73	(6)		(7)		(229)	6	185	265
Diluted EPS (Rs)	1.56	(0.18)		(0.15)		(5.18)	0.14	3.93	5.63
RoE-%						(12.6)	0.4	10.3	13.4
P/E (x)						(24)	900	32	22
EV/EBITDA						(29)	29	12	8

(Source: Company, HDFC sec)

Segmental Mix

	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
	Revenue (in Rs cr)																
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	91.6
<i>% of net sales</i>	4%	4%	4%	6%	28%	28%	10%	8%	5%	7%	4%	7%	5%	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	1469.0
<i>% of net sales</i>	88%	84%	82%	79%	41%	25%	41%	53%	55%	47%	62%	52%	69%	74%	78%	72%	77%
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	115.3
<i>% of net sales</i>	3%	3%	4%	5%	21%	15%	22%	24%	14%	19%	13%	14%	11%	6%	7%	6%	6%
Digiphoto 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	223.2
<i>% of net sales</i>	5%	8%	10%	9%	10%	32%	27%	16%	25%	27%	21%	27%	15%	15%	10%	16%	12%
Total Segment Revenue	2316.9	1698.8	1727.0	1089.9	85.1	116.1	236.5	357.3	288.0	330.1	748.1	522.1	976.2	1221.9	1431.3	1313.2	1899.1
	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	42.8



EBIT margin	44%	34%	29%	22%	-1%	30%	4%	13%	-70%	-11%	14%	14%	23%	32%	30%	30%	47%
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	50.4
EBIT margin	3%	2%	3%	0%	-265%	-278%	-76%	-34%	-53%	-55%	-8%	-17%	-3%	0%	2%	0%	3%
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	38.1
EBIT margin	-6%	-34%	-4%	-2%	-79%	-77%	5%	38%	7%	17%	27%	0%	32%	6%	24%	20%	33%
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	11.0
EBIT margin	1%	3%	5%	-18%	-210%	-30%	-12%	-24%	-15%	-12%	5%	6%	7%	5%	15%	2%	5%

(Source: Company, HDFC sec)

Q1FY24 result highlights

TCIL reported strong performance in Q1FY24. The growth was primarily driven by Foreign Exchange & Travel Businesses (Thomas Cook and SOTC); Hospitality (Sterling Holidays).

TCIL continues to maintain a strong financial position, with Cash & Bank balances of Rs. 1409 cr as of June 30, 2023.

Travel Services: Leisure Travel: Sales growth of 137% YoY. MICE: managed over 180 groups (100 - 1200 delegates); 16 events for G20 Summit; 6500 customers for Khelo India. Corporate Travel turnover grew by 25% YoY; acquired 13 accounts. Travel Corporation (India) Limited: 260% (3.6x) growth in turnover YoY. Overseas DMS units registered a significant 43% growth in trading volumes YoY.

Forex: Overseas Education: 22% YoY. New prepaid card issuance: grew by 61% QoQ; 53% YoY. Card loads grew by 68% QoQ; 54% YoY. Launched Study Buddy Card in partnership with Mastercard and Visa.

Hospitality (Sterling Holidays): Occupancy sustained at 74% for Q1 FY24 Vs Q1 FY23, despite higher capacity due to the addition of 8 resorts. Guest ratio increased to 62% Vs 55% in Q1FY23 driven by non-member guest. New resorts launched in Q1FY24: Panchgani and Shimla.

Digital Imaging Solutions (DEI): Q1FY24 saw the addition of 11 new partnerships, renewal of 5 key partnerships, and operational launch of 10 partnerships.

Recent Developments:

TCIL has launched end-to-end forex transactions using WhatsApp. This industry-first initiative is very simple to use - customers simply need to add Thomas Cook Forex as a enable customers to view live rates, buy and sell forex, send money abroad to their family or for overseas education fee remittances and manage their transactions - both from the comfort of their home, and while travelling overseas.



To seize this significant and growing opportunity in outbound travel, TCIL has partnered with NPCI (National Payments Corporation of India) launch a pioneering RuPay prepaid forex card for Indians travelling to the UAE; technology being enabled by NPCI Certified Partner, CARD91. While the initial phase will focus on the UAE as a pilot destination, a global rollout is planned in a phased manner.

Goa Government has appointed TCIL has an event manager for 37th National Games Goa 2023. The contract value is Rs 117 cr and TCIL will look after accommodation, catering, and transportation.

Re-structuring the enterprise:

Travel:

- Integrated the backend of holiday business at Thomas Cook and SOTC Travel to drive economies of scale by joint contracting and bulk buying.
- At front end, two brands will continue to operate as distinct entities for marketing, sales & distribution. This shall create healthy competition between two brands, while simultaneously enhancing visibility, market share and leadership

Foreign Exchange

- Set up a central team for lead capture to sale, with a seamless handover to the closest retail outlets for last-mile delivery of #Ghar pe Forex – within 2 hours

Sterling Holidays

- Pivoted away from its timeshare business, toward its more asset-light and profitable hotel & resort business
- Merged the vacation ownership team with their existing network
- In FY23, it added 184 rooms and 6 new resorts, and is set to add a resort a month

Tourism offers multi-decadal growth opportunity

According to a recent report by Visa and EY, tourism sector in India is on track to become a trillion-dollar industry by 2047. The driving force behind this growth is expected to be data-driven tourism, with sustainability, emerging technologies, and changing traveller preferences playing significant roles in reshaping the industry.

Sustainable tourism experiences have gained substantial global traction, reaching a market value of USD 180 billion (from USD 2.5 billion). For India, this market is projected to maintain a robust 15% CAGR. The country has positioned itself as a proponent of sustainable travel, leveraging its G20 presidency to advocate for the development of eco-friendly and responsible tourism practices.



EY-Visa report also anticipates that the digital transformation in the aviation, travel, and tourism sectors will contribute USD 305 billion in value, while redirecting USD 100 billion from traditional industry players to new contenders worldwide.

A pivotal aspect of this transformation revolves around evolving preferences of tourists, particularly influenced by the presence of Generation Z, constituting 24 percent of the global population, with India hosting 27 percent of this demographic.

Furthermore, international tourists visiting India tend to spend 26 times more than domestic tourists, presenting a compelling case for positioning India as a global tourism hub.

TCIL with its Digital First Strategy looks a formidable bet to capture this massive opportunity:

Recognising the emergence of digital technologies and India's burgeoning digital landscape, TCIL pivoted to leverage this momentum. It foresaw a market comprising three main segments: those favouring traditional physical experiences, those embracing a purely digital approach and a third group seeking a hybrid blend of both for their high-value international holidays.

By analysing users' digital footprints and online behaviours of prospective customers, TCIL gleans insights into their interests and preferences. This information is guided for tailored communication strategy, ensuring engagement at the optimal moment with content aligned to their present interests.

The dynamic nature of TCIL's engagement has enabled on-the-fly adjustments and instant delivery of the final itinerary. Expressing interest in the journey, users receive real-time cost estimates and itinerary availability checks. The entire process is transpired online, eliminating delays and back-and-forth communications. A simple click completes the transaction, with requisite documentation promptly dispatched for enhanced convenience. TCIL is equally focused on customer retention, and building a loyal customer base. Accordingly, it has introduced multiple policies, for instance, its "price guarantee" policy not only showcases its dedication to unbeatable value but also reassures its customers that they are making the right choice.

TCIL's approach to customer retention, personalisation and enhancing services is multifaceted, drawing on several strategic elements. To this end, we believe TCIL has championed innovative policies that inspire confidence and value.

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.

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	FY23
Revenue (in Rs cr)					
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%
EBIT (in Rs cr)					
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	FY23	FY24E	FY25E
Net Revenues	6833	795	1888	5048	6642	7826
Growth (%)	3.5	-88.4	137.5	167.3	31.6	17.8
Operating Expenses	6726	1148	2076	4870	6270	7352
EBITDA	106	-353	-187	178	372	473
Growth (%)	29.2	-	-	-	109.1	27.3
EBITDA Margin (%)	1.6	-44.4	-9.9	3.5	5.6	6.1
Depreciation	151	148	129	124	131	135
Other Income	116	151	58	64	80	86
EBIT	71	-351	-258	117	321	425
Interest expenses	101	62	62	89	84	79
PBT	-69	-416	-323	26	237	346
Tax	-51	-121	-68	16	52	81
PAT	-18	-295	-255	10	185	265
Share of Asso./Minority Int.	17	41	25	-3	0	0
Adj. PAT	-1	-254	-229	6	185	265
Growth (%)	-	-	-	-	2749.4	43.4
EPS	0.0	-6.7	-5.2	0.1	3.9	5.6

Balance Sheet

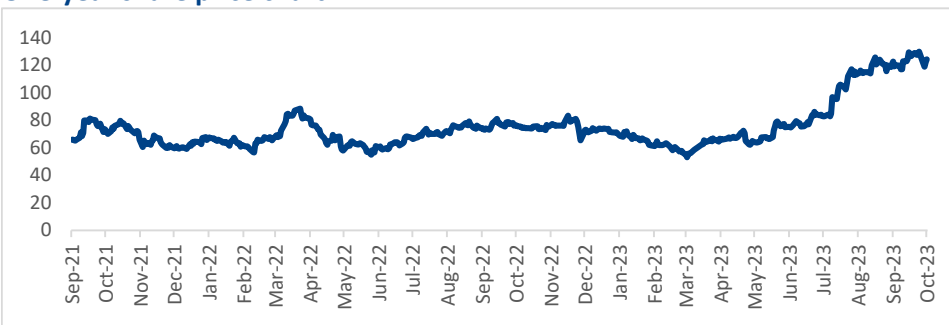
Particulars (in Rs Cr) - As at March	FY20	FY21	FY22	FY23	FY24E	FY25E
SOURCE OF FUNDS						
Share Capital	38	38	44	47	47	47
Reserves	1627	1891	1651	1666	1818	2041
Shareholders' Funds	1664	1929	1695	1713	1865	2088
Minority Interest	30	-13	-40	-39	-39	-39
Total Debt	667	612	598	539	515	467
Net Deferred Taxes	34	28	28	27	27	27
Total Sources of Funds	2395	2556	2281	2240	2368	2543
APPLICATION OF FUNDS						
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
Total Non Current Assets	3361	3322	3334	3337	3472	3554
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
Total Current Assets	2165	1442	1309	2347	3437	4339
Creditors	1419	788	998	1787	2366	2787
Other Current Liab & Provisions	1712	1419	1363	1657	2175	2563
Total Current Liabilities	3131	2208	2362	3443	4541	5350
Net Current Assets	-966	-766	-1053	-1096	-1104	-1011
Total Application of Funds	2395	2556	2281	2240	2368	2543



Cash Flow Statement

Particulars (in Rs Cr)	FY20	FY21	FY22	FY23	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
OPERATING CASH FLOW (a)	120	-581	-139	473	831	774
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
INVESTING CASH FLOW (b)	-184	351	-123	-11	-70	-70
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
FINANCING CASH FLOW (c)	-170	335	-85	-230	-141	-169
NET CASH FLOW (a+b+c)	-234	105	-347	232	620	535

One-year share price chart



Key Ratios

Particulars	FY20	FY21	FY22	FY23	FY24E	FY25E
Profitability Ratios (%)						
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
Solvency Ratio (x)						
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
PER SHARE DATA (Rs)						
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
Turnover Ratios (days)						
Debtor days	35	138	35	29	36	37
Inventory days	1	9	4	2	2	2
Creditors days	86	507	173	101	114	120
Valuation (X)						
P/E				900.1	31.6	22.0
P/BV	2.8	2.4	3.2	3.4	3.1	2.8
EV/EBITDA	47.4	-14.8	-29.3	29.3	12.3	8.4
EV / Revenues	0.7	6.6	2.9	1.0	0.7	0.5
Dividend Yield (%)	0.0	0.0	0.0	0.3	0.6	0.7

(Source: Company, HDFC sec)



HDFC Sec Retail Research Rating description

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 cyclical 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.

Disclosure:

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