

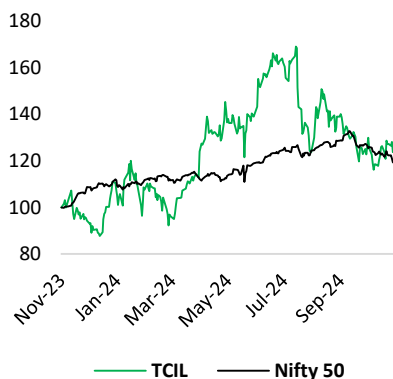
**CMP: INR 197**
**Rating: BUY**
**TP: INR 284**
**Stock Info**

BSE	500413
NSE	THOMASCOOK
Bloomberg	TC:IN
Reuters	THOM.NS
Sector	Tour, Travel Related Services
Face Value (INR)	1
Equity Capital (INR cr)	47.04
Mkt Cap (INR cr)	9,298
52w H/L (INR)	264/ 135
Avg Daily Vol (in 000')	1,437

**Shareholding Pattern %**
*(As on September 2024)*

Promoters	63.83
DII	9.84
FII	3.58
Public & Others	22.75

Stock Performance (%)	1m	3m	12m
TCIL	3.9	2.6	27.5
NIFTY 50	(6.4)	(2.5)	21.0

**Thomas Cook vs Nifty 50 Price Chart**

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Thomas Cook is expected to see double digit top line growth as the company sees its first normal year post- covid. Travel remains subdued in Q2 on account of seasonality as is seen with the sequential de growth in revenues. The improving cost structure will also reflect in margins for the year. Revenue was up 8.7% YoY to INR 2004 Cr (-4.85% QoQ), missing our estimate of INR 2,067 Cr. EBITDA grew 21.04% YoY to INR 125 Cr (-8.52% QoQ), above our estimate of INR 123 Cr. EBITDA Margin grew by 63bps YoY to 6.21% (-25bps QoQ), above our estimate of 5.95%. PAT grew 39.73% YoY to INR 72 Cr (-1.6% QoQ), above our estimate of INR 65 Cr.

**Travel and Related Services:** Revenue grew 11% YoY. B2C contributed 24%, while B2B accounted for 76%. Gross margins varied by segment, with holidays (14-15%), destination management services (15-17%), MICE (8-9%), and corporate travel (4-5%). They entered partnerships with Malaysia Aviation Group and Cricket Australia, undertook strategic expansions with six new outlets, and launched AI-powered and self-service digital platforms. There was strong demand for short-haul and domestic travel. DMS showed impressive performance, especially in South East Asia and the USA.

**Guidance: 1) Travel Business:** 5% EBIT margin for the full year and 12-15% top-line growth in the MICE segment. B2C travel is expected to recover to 85-90% driven by strong demand in short-haul and domestic travel (long-haul recovery expected to be gradual). **2) Forex Business:** Maintained guidance of 45% EBIT margin with revenue growth of 8-10% and EBIT growth of 12-15% in Q3. Strong performance expected in the retail forex sector (expansion of the prepaid card portfolio) and digital innovations. **3) Sterling Resorts:** Q3 is expected to be robust due to holiday season demand. **4) DEI:** Expecting better performance during peak season, buoyed by new partnerships and political stabilization.

**Valuation and Outlook:** There is sustained demand in leisure travel, especially for short-haul and domestic trips, which is a major tailwind. The company does face some headwinds from geopolitical issues, particularly in the Middle East, but benefits from a diversified geographic presence help mitigate that risk. We assign a TP of INR 284 valued at a SOTP EV/EBIT multiple of 12x the FY27E EBIT of INR 994 Cr, yielding an upside of 44%, and maintain our 'BUY' rating.

INR Cr	FY23	FY24	FY25E	FY26E	FY27E
Revenue	5,048	7,299	8,534	9,956	11,436
YoY	167.32%	44.61%	16.91%	16.67%	14.87%
Operating Profit (Ex- OI)	178	435	527	656	805
Operating Margin	3.52%	5.97%	6.17%	6.59%	7.04%
EBITDA (Including OI)	241	572	698	855	1,033
EBITDA Margin	4.78%	7.83%	8.17%	8.59%	9.04%
EBIT	117	444	567	720	895
EBIT Margin	2.33%	6.08%	6.64%	7.24%	7.83%
PAT	10	271	340	446	564
YoY	-104.08%	2514.62%	25.25%	31.23%	26.61%
EPS (INR)	0.10	5.51	6.86	9.00	11.39
YoY	-101.40%	5597.90%	24.53%	31.23%	26.61%
P/E (x)	2038.44	35.78	28.73	21.89	17.29
P/B (x)	5.72	4.56	3.95	3.36	2.81
EV/EBITDA (x)	38.61	16.05	11.83	8.57	6.38
EV/EBIT (x)	79.40	20.66	14.56	10.17	7.36
D/E (x)	0.39	0.27	0.32	0.31	0.30
RONW	0.62%	13.34%	14.49%	16.14%	17.11%
ROCE	5.04%	17.18%	18.31%	19.92%	20.89%

Source: Company Filings &amp; Arihant Capital Research

## FY27E (INR Cr)

Segment	EBIT	EV/ EBIT (x)	EV
Financial Services	240	10	2,402
Travel & Related Services	472	12	5,663
Vacation Ownership & Resort Business/ Leisure Hospitality & Resorts business	224	13	2,916
Digiphoto imaging services	58	15	868
Total	994	12	11,849
Less: Unallocable corporate expenditure	99	12	1,181
<b>Enterprise Value (EV)</b>			<b>10,668</b>
Cash			3,708
Minority Interest			42
Debt			989
Preference Capital			-
Equity Value			13,344
No. Shares (Cr)			47
<b>TP</b>			<b>284</b>
<b>Upside</b>			<b>44%</b>

Source: Company Filings & Arihant Capital Research

**Financial Services:** Revenue grew 8% YoY. There was a 49% YoY increase in overseas education-related business and a 119% QoQ growth in app bookings. Card loads rose by 6% YoY, and the Borderless Prepaid Card was enhanced with the addition of Saudi Riyal and New Zealand Dollar. Digital initiatives were successful, with over 1,350 video KYC-enabled bookings and significant growth in leads and transactions through WhatsApp.

**Leisure Hospitality (Sterling Resorts):** Revenue reached INR 1,196 mn, showing a 22% YoY growth. Sterling Resorts launched five new properties and maintained strong customer satisfaction with 65% of its resorts ranked in the top 5 on TripAdvisor. The business also launched innovative packages such as “What-A-Trip” and the “Corporate Plus” program. Sterling Resorts is focusing on an asset-light model rather than acquiring new members. They exceeded 3,000 room inventory.

**Digiphoto Imaging Services (DEI):** Revenue declined 11% YoY to INR 2,088 mn, impacted by operational challenges in the USA and adverse geopolitical conditions in key markets like the UAE. However, DEI secured 13 partnership renewals and 14 new partnerships across multiple regions, focusing on the Far East for growth.

The company maintained a **cash balance** of INR 18,885 Mn and Sterling Holidays remained debt-free.

The **effective tax rate** is expected to be 32-33%, with no major changes in common expenditures.

INR Cr (Consolidated)	Q2FY25	Q1FY25	Q1FY25	Q-o-Q	Y-o-Y
<b>Income From Operations</b>	<b>2,004</b>	<b>2,106</b>	<b>1,843</b>	<b>-4.85%</b>	<b>8.70%</b>
Cost of services	1,471	1,556	1,356	-5.45%	8.53%
Employee benefits expense	263	251	232	4.74%	13.70%
Other expenses	145	162	153	-10.86%	-5.69%
<b>Operating Profit</b>	<b>125</b>	<b>136</b>	<b>103</b>	<b>-8.52%</b>	<b>21.04%</b>
<i>Operating Margin</i>	<i>6.21%</i>	<i>6.46%</i>	<i>5.58%</i>	<i>-25bps</i>	<i>63bps</i>
Other Income	43	28	28	52.84%	55.41%
<b>EBITDA</b>	<b>168</b>	<b>165</b>	<b>131</b>	<b>2.07%</b>	<b>28.37%</b>
<i>EBITDA margin</i>	<i>8.38%</i>	<i>7.81%</i>	<i>7.09%</i>	<i>57bps</i>	<i>128bps</i>
Depreciation & Amortization	35	34	31	2.39%	10.33%
<b>EBIT</b>	<b>133</b>	<b>131</b>	<b>99</b>	<b>1.99%</b>	<b>34.06%</b>
<i>EBIT Margin</i>	<i>6.51%</i>	<i>6.12%</i>	<i>5.31%</i>	<i>39bps</i>	<i>120bps</i>
Finance costs	24	22	23	9.67%	4%
<b>PBT</b>	<b>110</b>	<b>109</b>	<b>77</b>	<b>0.48%</b>	<b>43.03%</b>
Tax Expense	38	36	24	5.32%	57.27%
<i>Effective tax rate %</i>	<i>34.66%</i>	<i>33.06%</i>	<i>31.52%</i>	<i>160bps</i>	<i>314bps</i>
<b>PAT</b>	<b>72</b>	<b>73</b>	<b>52</b>	<b>-1.92%</b>	<b>-136.48%</b>
Share of Associate Income	0	0	-1	191.67%	-136.84%
<b>Profit for the Period</b>	<b>72</b>	<b>73</b>	<b>52</b>	<b>-1.60%</b>	<b>39.67%</b>
<i>PAT margin %</i>	<i>3.52%</i>	<i>3.43%</i>	<i>2.75%</i>	<i>9bps</i>	<i>76bps</i>
<b>EPS (INR)- Basic</b>	<b>1.39</b>	<b>1.62</b>	<b>1.01</b>	<b>-14.20%</b>	<b>37.62%</b>
Segment Wise (INR Cr)	Q2FY25	Q1FY25	Q1FY25	Q-o-Q	Y-o-Y
<b>Segment Revenue</b>					
Financial Services	84	91	78	-7.55%	8.15%
Travel & Related Services	1,592	1,682	1,432	-5.38%	11.11%
Leisure Hospitality & Resorts	120	126	98	-4.85%	21.83%
Digiphot Imaging Services	209	207	235	0.62%	-11.29%
<b>Total Segment Revenue</b>	<b>2,004</b>	<b>2,106</b>	<b>1,843</b>	<b>-4.85%</b>	<b>8.70%</b>
<b>Segment Results</b>					
Financial Services	41	47	29	-12.08%	41.42%
Travel & Related Services	78	65	50	19.61%	55.23%
Leisure Hospitality & Resorts	30	33	24	-8.14%	24.10%
Digiphot Imaging Services	7	7	13	-1.06%	-50.30%
<b>Total Segment Results</b>	<b>155</b>	<b>151</b>	<b>116</b>	<b>2.89%</b>	<b>33.40%</b>
<b>Segment Wise EBIT</b>					
Financial Services	48.85%	51.37%	37.36%	-252bps	1149bps
Travel & Related Services	4.88%	3.86%	3.49%	102bps	139bps
Leisure Hospitality & Resorts	25.18%	26.09%	24.72%	-90bps	46bps
Digiphot Imaging Services	3.12%	3.18%	5.58%	-5bps	-245bps
<b>Total EBIT as a % of sales</b>	<b>7.75%</b>	<b>7.16%</b>	<b>6.31%</b>	<b>58bps</b>	<b>143bps</b>
Other intersegment common expenditure	22	20	17	8.67%	29.55%

Source: Company Filings &amp; Arihant Capital Research

# Income Statement

INR Cr	FY23	FY24	FY25E	FY26E	FY27E
<b>Revenue from operations</b>	<b>5,048</b>	<b>7,299</b>	<b>8,534</b>	<b>9,956</b>	<b>11,436</b>
Other income	64	136	171	199	229
Cost of sales & services	3,594	5,308	6,059	6,969	7,891
Employee benefit expenses	770	961	1,109	1,195	1,372
Advertisement & promotion expenses	40	-	43	50	57
Inter segment unallocable expenditure	89	63	74	86	99
Other expenses	377	531	722	1,000	1,212
<b>EBITDA</b>	<b>241</b>	<b>572</b>	<b>698</b>	<b>855</b>	<b>1,033</b>
<b>EBITDA Margin</b>	<b>4.72%</b>	<b>7.69%</b>	<b>8.01%</b>	<b>8.42%</b>	<b>8.86%</b>
Depreciation & amortisation expense	124	128	131	135	138
Finance Cost	89	99	135	154	177
Profit/ Loss from associates	1	0	0	0	0
Exceptional Items	-2	-	-	-	-
<b>PBT after exceptional Items</b>	<b>27</b>	<b>345</b>	<b>432</b>	<b>567</b>	<b>718</b>
Cash Tax	16	74	92	121	154
<b>PAT</b>	<b>10</b>	<b>271</b>	<b>340</b>	<b>446</b>	<b>564</b>
EPS after exceptional items:					
Basic (INR)	0.10	5.51	6.86	9.00	11.39
Diluted (INR)	0.13	5.51	6.86	9.00	11.39

# Balance Sheet

INR Cr	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	47	47	47	47	47
Preference Capital	-	-	-	-	-
Other Equity	1,666	2,010	2,305	2,700	3,207
Non controlling Interest	-39	-25	-8	14	42
<b>Net Worth</b>	<b>1,675</b>	<b>2,032</b>	<b>2,344</b>	<b>2,761</b>	<b>3,297</b>
Total debt	656	553	750	856	989
Deferred tax liability (net)	-285	-190	-190	-190	-190
Other non current liabilities	746	690	740	800	870
<b>Total Liabilities</b>	<b>1,117</b>	<b>1,054</b>	<b>1,300</b>	<b>1,466</b>	<b>1,669</b>
Net Block	1,340	1,535	1,023	934	842
CWIP	4	5	5	6	6
Goodwill	1,102	1,111	1,111	1,111	1,111
Other intangible assets	157	178	178	178	178
Investments	519	453	453	453	453
Other non current assets	239	289	289	289	289
<b>Net Working Capital:</b>	<b>-1,131</b>	<b>-1,103</b>	<b>-1,174</b>	<b>-1,550</b>	<b>-1,620</b>
Inventories	30	40	40	53	52
Trade recievables	567	646	773	882	1,019
Cash and cash equivalents	563	617	1,758	2,806	3,708
Other current assets	851	1,191	1,191	1,191	1,191
Trade payables	1,787	2,157	2,345	2,833	3,029
Other current liabilities	793	823	833	843	853
<b>Total assets</b>	<b>2,792</b>	<b>3,086</b>	<b>3,644</b>	<b>4,227</b>	<b>4,966</b>

# Cash Flow

INR Cr	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	27	345	432	567	718
Depreciation & amortization	124	128	131	135	138
Tax paid	16	74	92	121	154
Working capital Δ	-481	28	-71	-377	-70
Goodwill Δ	40	9	-	-	-
<b>Operating cash flow</b>	<b>575</b>	<b>362</b>	<b>542</b>	<b>957</b>	<b>772</b>
Capital expenditure	230	324	-381	46	46
<b>Free cash flow</b>	<b>346</b>	<b>37</b>	<b>923</b>	<b>911</b>	<b>727</b>
Equity raised	1	-2	-17	-22	-28
Investments made	170	-65	-	-	-
Other asset purchases	-103	72	-	-	-
Debt financing	-55	-103	197	106	133
Dividends paid	2	28	28	28	28
Other items	17	156	67	82	98
<b>Net Δ in cash</b>	<b>239</b>	<b>54</b>	<b>1,141</b>	<b>1,049</b>	<b>901</b>
<b>Opening cash balance</b>	<b>324</b>	<b>563</b>	<b>617</b>	<b>1,758</b>	<b>2,806</b>
<b>Ending cash balance</b>	<b>563</b>	<b>617</b>	<b>1,758</b>	<b>2,806</b>	<b>3,708</b>

Source: Company Filings &amp; Arihant Capital Research

Ratios	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Matrix (%)</b>					
Revenue	167.32%	44.61%	16.91%	16.67%	14.87%
EBITDA	-286.16%	136.82%	22.02%	22.57%	20.85%
EBIT	-145.44%	278.33%	27.55%	27.17%	24.25%
PBT	-108.33%	1185.17%	25.25%	31.23%	26.61%
PAT	-104.08%	2514.62%	25.25%	31.23%	26.61%
PAT after OCI	-108.25%	1830.00%	-9.18%	31.23%	26.61%
<b>Profitability (%)</b>					
EBITDA Margin	4.72%	7.69%	8.01%	8.42%	8.86%
EBIT Margin	2.30%	5.97%	6.51%	7.09%	7.67%
Net Profit Margin	0.20%	3.65%	3.90%	4.39%	4.84%
Net Profit Margin after OCI	0.38%	5.03%	3.90%	4.39%	4.84%
RoCE	5.04%	17.18%	18.31%	19.92%	20.89%
RoNW	0.62%	13.34%	14.49%	16.14%	17.11%
RoA	0.37%	9.23%	10.09%	11.32%	12.27%
<b>Per Share (INR)</b>					
Basic EPS	0.10	5.51	6.86	9.00	11.39
Diluted EPS	0.09	5.51	6.86	9.00	11.39
DPS	0.00	0.60	0.60	0.60	0.60
Basic Cash EPS	2.71	2.83	2.93	3.05	3.18
Diluted Cash EPS	2.55	2.83	2.93	3.05	3.18
BVPS	34.43	43.21	49.82	58.69	70.08
Sales	110.27	155.17	181.42	211.66	243.12
<b>Valuation (x)</b>					
P/E	2038.44	35.78	28.73	21.89	17.29
P/CEPS	72.65	69.61	67.17	64.52	61.97
P/B	5.72	4.56	3.95	3.36	2.81
P/Sales	1.79	1.27	1.09	0.93	0.81
EV/EBITDA	38.61	16.05	11.83	8.57	6.38
EV/EBIT	79.40	20.66	14.56	10.17	7.36
EV/Sales	1.85	1.26	0.97	0.74	0.58
Dividend Yield	0.00	0.00	0.00	0.00	0.00
<b>Liquidity (x)</b>					
Current Ratio	0.78	0.84	1.18	1.34	1.54
Quick Ratio	0.77	0.82	1.17	1.33	1.52
Defensive Interval Ratio	148.51	129.79	168.37	190.13	201.67
Cash Ratio	0.22	0.21	0.55	0.76	0.96
<b>Activity (x)</b>					
Receivables turnover	12.58	12.03	12.03	12.03	12.03
Inventory turnover	138.96	150.44	150.44	150.44	150.44
Payables turnover	2.58	2.69	2.69	2.69	2.69
Total asset turnover	1.80	2.48	2.54	2.53	2.49
Fixed asset turnover	3.91	5.06	6.64	10.12	12.80
Working capital turnover	-4.46	-6.62	-7.27	-6.42	-7.06
<b>Days</b>					
Receivable days	29.02	30.33	30.33	30.33	30.33
Inventory days	2.63	2.43	2.43	2.43	2.43
<b>Cash Conversion cycle</b>	<b>31.65</b>	<b>32.76</b>	<b>32.76</b>	<b>32.76</b>	<b>32.76</b>
Payable days	141.41	135.58	135.58	135.58	135.58
<b>Operating cycle</b>	<b>-109.75</b>	<b>-102.82</b>	<b>-102.82</b>	<b>-102.82</b>	<b>-102.82</b>
<b>Leverage (x)</b>					
Interest Coverage	1.32	4.48	4.21	4.69	5.05
Debt Equity	0.39	0.27	0.32	0.31	0.30
Net Debt Equity	0.06	-0.03	-0.43	-0.71	-0.82
Assets to Equity	1.68	1.45	1.44	1.43	1.39
<b>Du Pont</b>					
Tax burden	0.39	0.79	0.79	0.79	0.79
Interest burden	0.23	0.78	0.76	0.79	0.80
EBIT Margin	0.02	0.06	0.07	0.07	0.08
Asset turnover	1.80	2.48	2.54	2.53	2.49
Leverage	1.68	1.45	1.44	1.43	1.39
<b>ROE</b>	<b>0.01</b>	<b>0.13</b>	<b>0.14</b>	<b>0.16</b>	<b>0.17</b>

Source: Company Filings &amp; Arihant Capital Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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