

CMP: INR 144

Rating: BUY

TP: INR 218

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) | 6,772 |
| 52w H/L (INR) | 147 / 142 |
| Avg Daily Vol (in 000') | 63 |

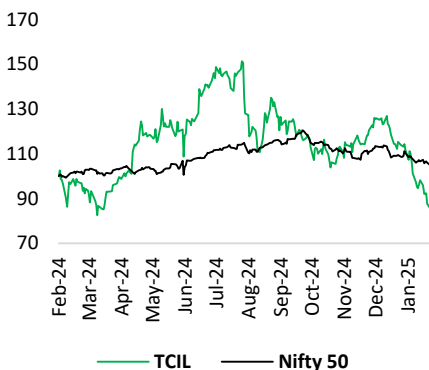
Shareholding Pattern %

(As on December 2024)

| | |
|-----------------|-------|
| Promoters | 63.83 |
| DII | 9.48 |
| FII | 4.38 |
| Public & Others | 22.31 |

| Stock Performance (%) | 1m | 3m | 12m |
|-----------------------|--------|--------|--------|
| TCIL | (25.5) | (23.1) | (16.8) |
| NIFTY 50 | (1.3) | (2.1) | 8.8 |

Thomas Cook vs Nifty 50 Price Chart



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Thomas Cook delivered a lukewarm performance- with top line and EBITA beats paired with a PAT miss. TCIL's revenue grew by 8.86% YoY to INR 2,061 Cr (+2.85% QoQ), beating our estimate of INR 2,009 by 2.59%. OP de-grew by 0.67% YoY to INR 116 Cr (-7.09% QoQ). OPM contracted by 199bps YoY to 6.68% (-170bps QoQ), beating our estimates of INR 108 Cr and 5.38% by 7.11% and 24bps respectively. PAT grew 47.6% YoY to INR 47 Cr (-34.23% QoQ), missing our estimate of INR 69 Cr by 32.38%. DEI de-grew 7% on sales and 74% on EBIT- indicative of the issues this business keeps facing given the restructuring of operations going on. The results were influenced by multiple factors such as lower footfalls due to geopolitical tensions in the region, the one time government subsidy received in Q3FY24 and overlapping technology costs during WeC platform implementation. These muted topline and EBIT performance. Travel Services displayed a 31% EBIT degrowth. This was due to a lower MICE and holiday business share. Some DMS entities also ended up underperforming this quarter due to geopolitical issues and adverse currency movements.

Huge impact of one- offs: In the previous year, there was a large MICE (government) impact, which distorted the results this quarter. These were attributable to the national games held in Goa last year. Excluding this, the consolidated business grew 19%, and had a EBITDA INR 6 Cr lower. There was also a one- time grant for DEI worth INR 13.4 Cr last year which further distorted the performance. However, the Forex retail segment, B2C domestic travel, and DMS (TCI & SITA) displayed an impressive growth showing good consumer sentiment.

Valuation and Outlook: We assign a BUY rating and a TP of INR 218 valued at a SOTP EV/EBIT multiple of 12x the FY27E EBIT of INR 9,364 Cr. We are cautiously optimistic on Thomas Cook in the short term given the choppy global macroeconomic environment, high airfares, and rapid currency swings in ASEAN countries which will impact long haul travel recovery, however, this will be offset by better domestic demand, MICE recovery, and the ongoing uptick in consumption. The budget indicated favorable policies for the company and we believe things will perk up for the company in due time and maintain our long term positive view.

| INR Cr | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------------|----------|----------|--------|--------|--------|
| Revenue | 5,048 | 7,299 | 8,562 | 10,081 | 11,682 |
| YoY | 167.32% | 44.61% | 17.30% | 17.74% | 15.88% |
| Operating Profit (Ex- OI) | 178 | 435 | 534 | 664 | 816 |
| Operating Margin | 3.52% | 5.97% | 6.24% | 6.59% | 6.98% |
| EBITDA (Including OI) | 241 | 572 | 705 | 866 | 1,050 |
| EBITDA Margin | 4.78% | 7.83% | 8.24% | 8.59% | 8.98% |
| EBIT | 117 | 444 | 574 | 731 | 911 |
| EBIT Margin | 2.33% | 6.08% | 6.71% | 7.26% | 7.80% |
| PAT | 10 | 271 | 345 | 454 | 576 |
| YoY | -104.08% | 2514.62% | 27.42% | 31.31% | 26.95% |
| EPS (INR) | 0.10 | 5.51 | 6.98 | 9.16 | 11.63 |
| YoY | -101.40% | 5597.90% | 26.70% | 31.31% | 26.95% |
| P/E (x) | 2278.50 | 39.99 | 31.56 | 24.04 | 18.93 |
| P/B (x) | 6.40 | 5.10 | 4.41 | 3.73 | 3.12 |
| EV/EBITDA (x) | 43.13 | 17.96 | 13.22 | 9.67 | 7.25 |
| EV/EBIT (x) | 88.70 | 23.12 | 16.24 | 11.45 | 8.35 |
| D/E (x) | 0.39 | 0.27 | 0.32 | 0.31 | 0.30 |
| RONW | 0.62% | 13.34% | 14.70% | 16.35% | 17.33% |
| ROCE | 5.04% | 17.18% | 18.52% | 20.12% | 21.10% |

Source: Company Filings & Arihant Capital Research

FY27E (INR Cr)

| Segment | EBIT | EV/ EBIT (x) | EV |
|--|------|--------------|--------------|
| Financial Services | 189 | 10 | 1,891 |
| Travel & Related Services | 375 | 12 | 4,496 |
| Vacation Ownership & Resort Business/ Leisure Hospitality & Resorts business | 177 | 13 | 2,301 |
| Digiphot imaging services | 45 | 15 | 676 |
| Total | 786 | 12 | 9,364 |
| Less: Unallocable corporate expenditure | 124 | 12 | 1,482 |
| Enterprise Value (EV) | | | 7,882 |
| Cash | | | 3,296 |
| Minority Interest | | | 27 |
| Debt | | | 895 |
| Preference Capital | | | - |
| Equity Value | | | 10,256 |
| No. Shares (Cr) | | | 47 |
| TP | | | 218 |
| Upside | | | 51% |

Source: Company Filings & Arianth Capital Research

Nature trails consolidation: Nature trails (3 resorts) previously a wholly owned subsidiary of Sterling, has now been consolidated with Thomas Cook as it would benefit from better distribution and sales and also aligns better with Thomas Cooks product offering than Sterling's product offering.

DMS entity continues to underperform: The African DMS entity continues to struggle as one of their clients which constitutes 25% of its revenue went bankrupt in May. This usually takes 12-18 months to replace.

Financial Services: Saw good growth and profitability on account of the students forex business.

Currency Fluctuations: They had an INR 6 Cr impact on profitability.

MICE outlook: They have participated in mahakumbh mela and have transported 1,400 passengers- expected to be 2,000 by the end of the event. Cherry blossom season in Japan is also expected to stretch longer than usual, and is expected to result in 2,200 passengers being transported with Thomas cook.

Guidance: Long term guidance of 5% EBIT for the travel segment and double digit growth for Sterling remain intact. Next year long haul volume recovery is expected to be 85-90%.

Change in leadership: Mr. Madhavan Menon announced retirement, with Mr. Mahesh Iyer stepping in to lead.

Recovery in domestic short haul has been strides ahead of long haul due to high air fares, visa issues, limited inventory.

| INR Cr (Consolidated) | Q3FY25 | Q2FY25 | Q3FY24 | Q-o-Q | Y-o-Y |
|-------------------------------------|--------------|--------------|--------------|----------------|----------------|
| Income From Operations | 2,061 | 2,004 | 1,893 | 2.85% | 8.86% |
| Cost of services | 1,517 | 1,471 | 1,382 | 3.08% | 9.70% |
| Employee benefits expense | 257 | 263 | 254 | -2.61% | 0.83% |
| Other expenses | 172 | 145 | 140 | 19.08% | 23.19% |
| Operating Profit | 116 | 125 | 116 | -7.09% | -0.67% |
| Operating Margin | 5.61% | 6.21% | 6.15% | -60bps | -54bps |
| Other Income | 22 | 43 | 48 | -49.30% | -53.89% |
| EBITDA | 138 | 168 | 164 | -18.00% | -16.14% |
| EBITDA margin | 6.68% | 8.38% | 8.67% | -170bps | -199bps |
| Depreciation & Amortization | 37 | 35 | 33 | 6.34% | 11.21% |
| EBIT | 101 | 133 | 131 | -24.19% | -22.95% |
| EBIT Margin | 4.85% | 6.50% | 6.75% | -166bps | -190bps |
| Finance costs | 26 | 24 | 24 | 9.96% | 7% |
| PBT before exceptional items | 75 | 110 | 107 | -31.55% | -29.82% |
| Exceptional Items | -4 | - | - | - | - |
| PBT | 71 | 110 | 107 | -34.94% | -33.29% |
| Tax Expense | 25 | 38 | 17 | -35.23% | 43.27% |
| Effective tax rate % | 34.52% | 34.68% | 16.07% | -15bps | 1845bps |
| PAT | 47 | 72 | 90 | -34.79% | -52.05% |
| Share of Associate Income | 1 | 0 | 1 | 80.00% | -28.41% |
| Profit for the Period | 47 | 72 | 91 | -34.23% | -47.76% |
| PAT margin % | 2.27% | 3.51% | 4.66% | -124bps | -239bps |
| EPS (INR)- Basic | 1.06 | 1.39 | 1.77 | -23.74% | -40.11% |

| Segment Wise (INR Cr) | Q3FY25 | Q2FY25 | Q3FY24 | Q-o-Q | Y-o-Y |
|---------------------------------------|--------------|--------------|--------------|----------------|----------------|
| Segment Revenue | | | | | |
| Financial Services | 74 | 84 | 64 | -11.27% | 15.59% |
| Travel & Related Services | 1,623 | 1,592 | 1,463 | 1.98% | 10.93% |
| Leisure Hospitality & Resorts | 139 | 120 | 124 | 16.16% | 11.77% |
| Digiphoto Imaging Services | 225 | 209 | 241 | 7.59% | -6.97% |
| Total Segment Revenue | 2,061 | 2,004 | 1,893 | 2.85% | 8.86% |
| Segment Results | | | | | |
| Financial Services | 29 | 41 | 21 | -29.58% | 36.48% |
| Travel & Related Services | 47 | 78 | 69 | -39.28% | -31.41% |
| Leisure Hospitality & Resorts | 43 | 30 | 38 | 41.80% | 13.11% |
| Digiphoto Imaging Services | 6 | 7 | 22 | -10.58% | -73.98% |
| Total Segment Results | 124 | 155 | 150 | -19.78% | -17.01% |
| Segment Wise EBIT | | | | | |
| Financial Services | 38.71% | 48.78% | 32.79% | -1007bps | 592bps |
| Travel & Related Services | 2.90% | 4.88% | 4.70% | -197bps | -179bps |
| Leisure Hospitality & Resorts | 30.74% | 25.18% | 30.38% | 556bps | 36bps |
| Digiphoto Imaging Services | 2.60% | 3.12% | 9.28% | -53bps | -669bps |
| Total EBIT as a % of sales | 6.04% | 7.74% | 7.92% | -170bps | -188bps |
| Other intersegment common expenditure | 24 | 22 | 19 | 6.89% | 23.86% |

Source: Company Filings & Arihant Capital Research

Income Statement

| INR Cr | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------------------------|--------------|--------------|--------------|--------------|---------------|
| Revenue from operations | 5,048 | 7,299 | 8,220 | 9,490 | 10,815 |
| Other income | 64 | 136 | 164 | 190 | 216 |
| Cost of sales & services | 3,594 | 5,308 | 6,001 | 6,738 | 7,571 |
| Employee benefit expenses | 770 | 961 | 1,028 | 1,139 | 1,298 |
| Advertisement & promotion expenses | 40 | - | 41 | 47 | 54 |
| Inter segment unallocable expenditure | 89 | 63 | 95 | 109 | 124 |
| Other expenses | 377 | 531 | 605 | 937 | 1,177 |
| EBITDA | 241 | 572 | 615 | 709 | 808 |
| EBITDA Margin | 4.72% | 7.69% | 7.34% | 7.33% | 7.32% |
| Depreciation & amortisation expense | 124 | 128 | 139 | 143 | 146 |
| Finance Cost | 89 | 99 | 95 | 105 | 116 |
| Profit/ Loss from associates | 1 | 0 | 1 | 1 | 1 |
| Exceptional Items | -2 | - | -4 | - | - |
| PBT after exceptional Items | 27 | 345 | 379 | 463 | 546 |
| Cash Tax | 16 | 74 | 98 | 116 | 137 |
| PAT | 10 | 271 | 280 | 347 | 410 |
| EPS after exceptional items: | | | | | |
| Basic (INR) | 0.10 | 5.51 | 5.66 | 7.01 | 8.27 |
| Diluted (INR) | 0.13 | 5.51 | 5.74 | 7.01 | 8.27 |

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 | 2,248 | 2,550 | 2,911 |
| Non controlling Interest | -39 | -25 | -11 | 6 | 27 |
| Net Worth | 1,675 | 2,032 | 2,284 | 2,603 | 2,985 |
| Total debt | 656 | 553 | 731 | 807 | 895 |
| Deferred tax liability (net) | -285 | -190 | -190 | -190 | -190 |
| Other non current liabilities | 746 | 690 | 740 | 800 | 870 |
| Total Liabilities | 1,117 | 1,054 | 1,281 | 1,417 | 1,576 |
| Net Block | 1,340 | 1,535 | 1,015 | 918 | 817 |
| 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 |
| Net Working Capital: | -1,131 | -1,103 | -1,183 | -1,449 | -1,591 |
| Inventories | 30 | 40 | 39 | 50 | 50 |
| Trade receivables | 567 | 646 | 721 | 857 | 941 |
| Cash and cash equivalents | 563 | 617 | 1,697 | 2,515 | 3,296 |
| Other current assets | 851 | 1,191 | 1,191 | 1,191 | 1,191 |
| Trade payables | 1,787 | 2,157 | 2,301 | 2,704 | 2,920 |
| Other current liabilities | 793 | 823 | 833 | 843 | 853 |
| Total assets | 2,792 | 3,086 | 3,566 | 4,020 | 4,560 |

Cash Flow

| INR Cr | FY23 | FY24 | FY25E | FY26E | FY27E |
|-----------------------------|------------|------------|--------------|--------------|--------------|
| Profit before tax | 27 | 345 | 379 | 463 | 546 |
| Depreciation & amortization | 124 | 128 | 139 | 143 | 146 |
| Tax paid | 16 | 74 | 98 | 116 | 137 |
| Working capital Δ | -481 | 28 | -81 | -266 | -141 |
| Goodwill Δ | 40 | 9 | - | - | - |
| Operating cash flow | 575 | 362 | 500 | 756 | 697 |
| Capital expenditure | 230 | 324 | -381 | 46 | 46 |
| Free cash flow | 346 | 37 | 881 | 710 | 652 |
| Equity raised | 1 | -2 | -14 | -17 | -20 |
| Investments made | 170 | -65 | - | - | - |
| Other asset purchases | -103 | 72 | - | - | - |
| Debt financing | -55 | -103 | 178 | 76 | 88 |
| Dividends paid | 2 | 28 | 28 | 28 | 28 |
| Other items | 17 | 156 | 64 | 77 | 90 |
| Net Δ in cash | 239 | 54 | 1,080 | 818 | 782 |
| Opening cash balance | 324 | 563 | 617 | 1,697 | 2,515 |
| Ending cash balance | 563 | 617 | 1,697 | 2,515 | 3,296 |

Source: Company Filings & Arihant Capital Research

| Ratios | FY23 | FY24 | FY25E | FY26E | FY27E |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Growth Matrix (%) | | | | | |
| Revenue | 167.32% | 44.61% | 12.61% | 15.45% | 13.96% |
| EBITDA | -286.16% | 136.82% | 7.60% | 15.29% | 13.90% |
| EBIT | -145.44% | 278.33% | 7.23% | 18.97% | 16.74% |
| PBT | -108.33% | 1185.17% | 9.80% | 22.22% | 18.01% |
| PAT | -104.08% | 2514.62% | 3.38% | 23.87% | 18.01% |
| PAT after OCI | -108.25% | 1830.00% | -25.03% | 23.87% | 18.01% |
| Profitability (%) | | | | | |
| EBITDA Margin | 4.72% | 7.69% | 7.34% | 7.33% | 7.32% |
| EBIT Margin | 2.30% | 5.97% | 5.68% | 5.85% | 6.00% |
| Net Profit Margin | 0.20% | 3.65% | 3.34% | 3.59% | 3.71% |
| Net Profit Margin after OCI | 0.38% | 5.03% | 3.34% | 3.59% | 3.71% |
| RoCE | 5.04% | 17.18% | 15.79% | 16.61% | 17.05% |
| RoNW | 0.62% | 13.34% | 12.27% | 13.34% | 13.73% |
| RoA | 0.37% | 9.23% | 8.43% | 9.15% | 9.55% |
| Per Share (INR) | | | | | |
| Basic EPS | 0.10 | 5.51 | 5.66 | 7.01 | 8.27 |
| Diluted EPS | 0.09 | 5.51 | 5.66 | 7.01 | 8.27 |
| DPS | 0.00 | 0.60 | 0.60 | 0.60 | 0.60 |
| Basic Cash EPS | 2.71 | 2.83 | 3.07 | 3.18 | 3.29 |
| Diluted Cash EPS | 2.55 | 2.83 | 3.07 | 3.18 | 3.29 |
| BVPS | 34.43 | 43.21 | 48.56 | 55.34 | 63.45 |
| Sales | 110.27 | 155.17 | 174.75 | 201.74 | 229.91 |
| Valuation (x) | | | | | |
| P/E | 1490.03 | 26.15 | 25.44 | 20.54 | 17.40 |
| P/CEPS | 53.10 | 50.89 | 46.84 | 45.25 | 43.79 |
| P/B | 4.18 | 3.33 | 2.97 | 2.60 | 2.27 |
| P/Sales | 1.31 | 0.93 | 0.82 | 0.71 | 0.63 |
| EV/EBITDA | 28.28 | 11.69 | 9.42 | 7.15 | 5.45 |
| EV/EBIT | 58.17 | 15.05 | 12.17 | 8.95 | 6.65 |
| EV/Sales | 1.35 | 0.92 | 0.71 | 0.53 | 0.41 |
| Dividend Yield | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Liquidity (x) | | | | | |
| Current Ratio | 0.78 | 0.84 | 1.16 | 1.30 | 1.45 |
| Quick Ratio | 0.77 | 0.82 | 1.15 | 1.29 | 1.44 |
| Defensive Interval Ratio | 148.51 | 129.79 | 169.51 | 185.74 | 193.95 |
| Cash Ratio | 0.22 | 0.21 | 0.54 | 0.71 | 0.87 |
| Activity (x) | | | | | |
| 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 | 2.47 | 2.50 | 2.52 |
| Fixed asset turnover | 3.91 | 5.06 | 6.42 | 9.76 | 12.38 |
| Working capital turnover | -4.46 | -6.62 | -6.95 | -6.55 | -6.80 |
| Days | | | | | |
| Receivable days | 29.02 | 30.33 | 30.33 | 30.33 | 30.33 |
| Inventory days | 2.63 | 2.43 | 2.43 | 2.43 | 2.43 |
| Cash Conversion cycle | 31.65 | 32.76 | 32.76 | 32.76 | 32.76 |
| Payable days | 141.41 | 135.58 | 135.58 | 135.58 | 135.58 |
| Operating cycle | -109.75 | -102.82 | -102.82 | -102.82 | -102.82 |
| Leverage (x) | | | | | |
| Interest Coverage | 1.32 | 4.48 | 5.01 | 5.40 | 5.68 |
| Debt Equity | 0.39 | 0.27 | 0.32 | 0.31 | 0.30 |
| Net Debt Equity | 0.06 | -0.03 | -0.42 | -0.66 | -0.80 |
| Assets to Equity | 1.68 | 1.45 | 1.46 | 1.46 | 1.44 |
| Du Pont | | | | | |
| Tax burden | 0.39 | 0.79 | 0.74 | 0.75 | 0.75 |
| Interest burden | 0.23 | 0.78 | 0.80 | 0.82 | 0.83 |
| EBIT Margin | 0.02 | 0.06 | 0.06 | 0.06 | 0.06 |
| Asset turnover | 1.80 | 2.48 | 2.47 | 2.50 | 2.52 |
| Leverage | 1.68 | 1.45 | 1.46 | 1.46 | 1.44 |
| ROE | 0.01 | 0.13 | 0.12 | 0.13 | 0.14 |

Source: Company Filings & 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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