

Strong turnaround in performance across all segments and profitability as well

CMP: INR 105

Rating: BUY

Target Price: INR 207

Stock Info

BSE	500413
NSE	THOMASCOOK
Bloomberg	TC:IN
Reuters	THOM.NS
Sector	Tour, Travel Related Services
Face Value (INR)	1
Equity Capital (INR Mn)	470
Mkt Cap (INR Mn)	49,270
52w H/L (INR)	117/52
Avg Daily Vol (in 000')	1,120

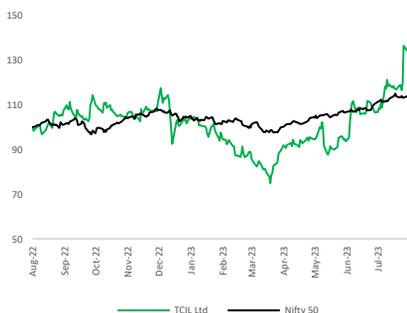
Shareholding Pattern %

(As March 2023)

Promoters	72.34
DII	9.02
FII	0.47
Public & Others	18.18

Stock Performance (%)	1m	3m	12m
TCIL	36.5	56.9	48.0
NIFTY 50	0.53	9.97	10.7

Thomas Cook vs Nifty 50 Price Chart



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Thomas Cook India's (TCIL) Q1 performance was a beat on all fronts supported by good volume growth in the travel and leisure business across Thomas Cook India, SOTC, and Sterling, with better cost management. Income from operations grew by 94.53% YoY to INR 18,990 Mn (up 44.6% QoQ) vs our estimate of INR 16,075 Mn. The EBITDA grew by 242.36% YoY to INR 1,240 Mn (up 242.93% QoQ), vs our estimate of INR 871 Mn. EBITDA Margin expanded by 282bps YoY to 6.53% (up 378bps QoQ), vs our estimate of 5.35%. The PAT stood at INR 709 Mn (vs INR -58 Mn YoY, vs INR -107 Mn QoQ), above our estimates of INR 371 Mn. **Q2 and Q3 are expected to be stronger as the travel business, hospitality, and forex businesses continue to see volumes with the onset of vacations and the festive season.**

Cost reductions coupled with Debt reduction: The costs have significantly come down, reaching a level it will sustain and the company has managed to reduce debt by INR 780 Mn between the months of March and June. Current debt balance stands at INR 3,130 Mn which has reduced from INR 5,080 Mn levels at the beginning of the pandemic.

Recovery in volumes: The growth in revenue was primarily driven by the growth in retail business where the recovery was close to 110% to the pre-pandemic levels. The corporate volumes were subdued in Q1 and Q4 of FY23 and came back strong in Q1FY24 with about 90% recovery. The education segment of the retail business also saw volume growth of 22% YoY. Acquiring a large no. of marquee clients in retail, telecom, consulting, infrastructure, and manufacturing sectors, adding close to about \$15 million to \$18 million of annualized volumes to the corporate foreign exchange business.

Growing customer base & bookings: Between SOTC and Thomas Cook, the company had roughly about 18,000 customers who traveled with them to Europe and the company expects to end the year with close to about 25,000 customers. One of the three vendors that provide service to the government for the G20 and have completed close to 37 events with 4-5 more events happening in Sept 2023, which will see some high volumes on government business, large movement of about 6,500 people on Khelo India, with about 325 inbound delegate groups coming in.

Valuation and Outlook: This quarter saw a stellar recovery across all the segments, the company has a strong order book, signaling robust Q2 & Q3. We expect rapid top-line growth and margin expansion across all businesses given all the investments and business development initiatives taken. We have a BUY call on the stock with a target price of INR 207 (Valued at SOTP EV/EBIT multiple of 12x based on the FY26E EBIT of INR 6550 Mn). At CMP, the company trades 13.5x FY26E EPS and 4.8x FY26 EV/EBITDA. This indicates an upside of 97% from the CMP of INR 105.

INR Mn	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenue	18,880	50,480	67,050	84,600	99,360	1,16,820
YoY	137.52%	167.32%	32.82%	26.18%	17.45%	17.58%
Operating Profit (Ex- OI)	-1,880	1,780	3,300	4,450	5,970	7,510
Operating Margin	-9.93%	3.52%	4.93%	5.26%	6.01%	6.43%
EBITDA (Including OI)	-1,300	2,410	3,970	5,290	6,960	8,090
EBITDA Margin	-6.87%	4.78%	5.93%	6.26%	7.01%	6.93%
EBIT	-2,580	1,170	2,790	4,250	6,050	7,340
EBIT Margin	-13.68%	2.33%	4.16%	5.02%	6.09%	6.29%
PAT	-2,540	100	1,430	2,500	3,730	4,610
YoY	-13.99%	-104.08%	1281.17%	74.67%	49.30%	23.52%
EPS (INR)	-6.92	0.14	2.89	5.05	7.54	9.32
YoY	0.97%	-101.99%	2005.43%	74.67%	49.30%	23.52%
P/E (x)	-15.18	764.31	35.26	20.19	13.52	10.95
P/B (x)	2.56	2.95	2.65	2.34	1.99	1.68
EV/EBITDA (x)	-39.51	20.65	11.17	7.18	4.84	2.95
EV/EBIT (x)	-19.83	42.47	15.92	8.95	5.56	3.25
D/E (x)	0.43	0.39	0.35	0.32	0.32	0.3
RONW	-15.34%	0.62%	7.92%	12.21%	15.48%	16.11%
ROCE	-10.92%	5.04%	11.42%	15.71%	19.01%	19.73%

Source: Company Filings & Arihant Capital Research

FY26E (INR Mn)

Segment	EBIT	EV/ EBIT (x)	EV
Financial Services	1,100	10	11,010
Travel & Related Services	2,690	12	32,220
Vacation Ownership & Resort Business/ Leisure Hospitality & Resorts business	1,700	13	22,130
Digiphoto imaging services	1,060	15	15,920
Total	6,550	12	81,280
Cash			23,350
Minority Interest			-390
Debt			7,720
Preference Capital			-
Equity Value			97,300
No. Shares (Mn)			470
TP			207
Upside			97%

INR Mn (Consolidated)	Q1FY24	Q4FY23	Q1FY23	Q-o-Q	Y-o-Y
Income From Operations	18,990	13,132	9,762	44.60%	94.53%
Cost of services	14,027	9,343	6,641	50.13%	111.22%
Gross Profit	4,963	3,789	3,121	30.98%	59.02%
Gross Margins	26.13%	28.85%	31.97%	-272bps	-584bps
Employee Cost	2,272	2,013	1,699	12.86%	33.73%
Other Expenses	1,451	1,415	1,060	2.60%	36.91%
Operating Expenses	3,723	3,427	2,759	8.62%	34.95%
EBITDA	1,240	362	362	242.93%	242.36%
EBITDA Margins	6.53%	2.75%	3.71%	378bps	282bps
Other Income	329	107	136	206.81%	141.13%
Depreciation & Amortization	302	299	305	1.00%	-1.02%
EBIT	1,267	170	194	645.24%	554.05%
EBIT Margin	6.56%	1.28%	1.96%	527bps	460bps
Finance costs	259	232	197	11.61%	32%
Exceptional Items	-	-	-20	-	-100%
PBT	1,008	-62	-23	-1737.01%	-4465.37%
Tax Expense	283	46	35	519.04%	701.42%
Effective tax rate %	28.05%	-74.19%	-152.81%	10224bps	18087bps
PAT	725	-107	-58	-776.14%	1242.29%
Share of Associate Income (net of tax)	-16	5	-3	-417.65%	548.00%
Profit for the Period	709	-102	-61	-794.03%	-1264.70%
Profit for the Period margins%	3.67%	-0.77%	-0.62%	444bps	429bps
Non-Controlling Interest	-20	-32	-2	-38.63%	795.45%
Controlling PAT	729	-70	-59	-1139.94%	-1341.91%
Adj PAT (controlling int)	729	-70	-9	-1139.94%	-7995.80%
PAT margin %	3.77%	-0.53%	-0.59%	430bps	437bps
Adj PAT Margins %	3.77%	-0.53%	-0.09%	430bps	387bps
Adj. EPS (INR)- Basic	1.55	-0.15	-0.02	-1139.94%	-7995.80%

Source: Company Filings & Arianth Capital Research

Segment Wise (INR Mn)	Q1FY24	Q4FY23	Q1FY23	Q-o-Q	Y-o-Y
Segment Revenue					
Financial Services	916	651	479	40.78%	91.03%
Travel & Related Services	14,689	9,510	6,750	54.46%	117.60%
Leisure Hospitality & Resorts	1,153	847	1,025	36.21%	12.48%
Digiphoto Imaging Services	2,232	2,125	1,507	5.03%	48.15%
Total Segment Revenue	18,990	13,132	9,762	44.60%	94.53%
Segment EBIT					
Financial Services	428	196	112	117.87%	283.77%
Travel & Related Services	504	10	-178	4942.00%	-383.10%
Leisure Hospitality & Resorts	381	173	324	120.74%	17.52%
Digiphoto Imaging Services	110	51	106	115.75%	3.40%
Total Segment Results	1423	430	364	231.01%	291.28%
Segment Wise EBIT margin					
Financial Services	46.72%	30.19%	23.26%	1653bps	2347bps
Travel & Related Services	3.43%	0.11%	-2.64%	333bps	607bps
Leisure Hospitality & Resorts	33.04%	20.39%	31.62%	1265bps	142bps
Digiphoto Imaging Services	4.91%	2.39%	7.04%	252bps	-213bps
Total EBIT as a % of sales	7.49%	3.27%	3.72%	422bps	377bps
Other intersegment common expenditure	156	260	170	-39.95%	-8.18%

Source: Company Filings & Arianth Capital Research

Q1FY24 Concall highlights:

- **Forex-** Strong Retail growth of 38% YoY and turnover growth of 60% YoY. New Card issuance grew by 61% QoQ and 53% YoY. The company launched Study Buddy Card (targeting the overseas education segment) in partnership with Mastercard and Visa.
- Collaborated with State Bank of India (SBI) to import and distribute Saudi Riyals (SAR) for Haj travelers.
- **Travel & Related Services-** Corporate travel turnover grew by 25% YoY, supported by an increase of 29% in the ticket size YoY. Acquired 13 new accounts across sectors like Automobile, Battery, Footwear & Apparel, Manufacturing, Technology, Banking & Finance, Engineering, Chemicals, etc.
- **Leisure travel** saw sales growth of 208% QoQ and 137% YoY. Introduced new destinations like Azerbaijan, Georgia and Kazakhstan; enhanced domestic portfolio and introduced new products for Odisha, Uttar Pradesh and Gujarat.
- Released India Holiday Report - reiterating high positive consumer sentiment and strong resurgence of holidays.
- **MICE** registered a growth of 139% YoY. Managed over 180 groups - including sizeable movements of between 100 to 1200 delegates across Thailand, Abu Dhabi, Iceland, Switzerland, Maldives, France, Italy, Dubai, Denmark, Australia, Qatar; also, various domestic locations including Lucknow, Pune, Bengaluru.
- **DMS** business segment saw a growth of 53% YoY.
- **Leisure Hospitality (Sterling Resorts)** generated the highest PBT ever this quarter at 147% growth QoQ and 27% growth YoY
- Occupancy sustained at 74% for Q1 FY24 Vs Q1 FY23, despite higher capacity due to the addition of 8 resorts. New resorts launched in Q1 FY24: Panchgani and Shimla.
- Membership business saw a growth of 68% in Q1FY24 from 44% in Q1FY23.
- **Digiphoto Entertainment Imaging Ltd** signed 11 new partnerships across various geographies viz. the Rainforest Café and Hard Rock (Canada), Loopagoon (Saudi Arabia), Modesh World (UAE), The Standard Maldives, Kailasha - The Snow Park (India), Van Gogh Event (Singapore), Wahoo Waterpark, Bali Safari, Taman Safari Bogor and Taman Safari Prigen (Indonesia).
- **The Dubai Balloon-** The Dubai Balloon will be the highest observatory point on The Palm, offering visitors the opportunity to marvel at the complete shape and architecture of The Palm Islands from the skies. This will be a first-of-a-kind tethered helium balloon in the U.A.E
- **Company expects the EBIT margins to improve for the Digiphoto business going forward from 5% in current quarter to 8-9% in the future with sustainability.**

Income Statement

INR Mn	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenue from operations	18,880	50,480	67,050	84,600	99,360	1,16,820
Other income	580	640	670	850	990	580
Cost of sales & services	11,930	35,940	48,270	60,060	69,550	81,780
Employee benefit expenses	5,820	7,700	10,060	11,840	12,920	15,190
Advertisement & promotion expenses	220	-	-	-	-	-
Inter segment unallocable expenditure	560	890	340	420	500	580
Other expenses	2,230	4,170	5,080	7,820	10,430	11,770
EBITDA	-1,300	2,410	3,970	5,290	6,960	8,090
EBITDA Margin	-6.66%	4.72%	5.87%	6.20%	6.94%	6.89%
Depreciation & amortisation expense	1,290	1,240	1,190	1,050	910	750
Finance Cost	620	890	860	890	1,050	1,170
Profit/ Loss from associates	10	10	10	10	10	10
Exceptional Items	-30	-20	-20	-20	-20	-20
PBT after exceptional Items	-3,220	270	1,910	3,340	4,990	6,160
Cash Tax	-680	160	480	840	1,260	1,550
PAT	-2,540	100	1,430	2,500	3,730	4,610

Balance Sheet

INR Mn	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Equity Share Capital	440	470	470	470	470	470
Preference Capital	1,330	-	-	-	-	-
Other Equity	15,180	16,660	17,930	20,200	23,650	27,940
Non controlling Interest	-400	-390	-320	-190	-	230
Net Worth	16,550	16,750	18,080	20,480	24,120	28,640
Total debt	7,120	6,560	6,330	6,550	7,720	8,590
Deferred tax liability (net)	-2,930	-2,850	-2,850	-2,850	-2,850	-2,850
Other non current liabilities	7,470	7,460	7,660	8,160	8,760	9,460
Total Liabilities	11,660	11,170	11,130	11,860	13,620	15,200
Net Block	12,330	13,400	10,810	10,260	10,050	9,900
CWIP	50	40	40	40	50	50
Goodwill	10,620	11,020	11,550	12,110	12,690	13,310
Other intangible assets	2,930	1,570	1,670	1,770	1,870	1,970
Investments	3,480	5,190	5,290	5,390	5,490	5,590
Other non current assets	2,060	2,390	2,490	2,590	2,690	2,790
Net Working Capital:	-6,500	-11,310	-13,580	-17,480	-18,440	-24,000
Inventories	220	300	390	470	530	650
Trade receivables	2,350	5,670	4,990	8,470	7,340	11,240
Cash and cash equivalents	3,240	5,630	10,950	17,670	23,350	34,240
Other current assets	5,940	8,510	8,610	8,710	8,810	8,910
Trade payables	9,980	17,870	19,540	27,000	26,890	36,470
Other current liabilities	5,020	7,930	8,030	8,130	8,230	8,330
Total assets	28,210	27,920	29,210	32,340	37,740	43,830

Cash Flow

INR Mn	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Profit before tax	-3,220	270	1,910	3,340	4,990	6,160
Depreciation & amortization	1,290	1,240	1,190	1,050	910	750
Tax paid	-680	160	480	840	1,260	1,550
Working capital Δ	220	-4,810	-2,270	-3,910	-960	-5,560
Goodwill Δ	130	400	530	560	580	610
Operating cash flow	-1,600	5,750	4,350	6,900	5,020	10,310
Capital expenditure	1,230	2,300	-1,400	500	700	600
Free cash flow	-2,830	3,460	5,760	6,400	4,310	9,710
Equity raised	300	290	-70	-130	-190	-230
Investments made	130	1,700	100	100	100	100
Other asset purchases	-690	-1,030	200	200	200	200
Debt financing	30	-550	-240	230	1,160	870
Dividends paid	300	300	190	190	190	190
Other items	-1,440	170	360	720	880	1,020
Net Δ in cash	-3,670	2,390	5,320	6,730	5,680	10,880
Opening cash balance	6,910	3,240	5,630	10,950	17,670	23,350
Ending cash balance	3,240	5,630	10,950	17,670	23,350	34,240

Source: Company Filings & Arianth Capital Research

Ratios	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Growth Matrix (%)						
Revenue	137.52%	167.32%	32.82%	26.18%	17.45%	17.58%
EBITDA	-35.94%	-286.16%	64.57%	33.23%	31.48%	16.30%
EBIT	-26.29%	-145.44%	137.40%	52.37%	42.52%	21.35%
PBT	-22.63%	-108.33%	612.95%	74.67%	49.30%	23.52%
PAT	-13.99%	-104.08%	1281.17%	74.67%	49.30%	23.52%
PAT after OCI	6.22%	-108.25%	685.79%	70.26%	47.59%	22.96%
Profitability (%)						
EBITDA Margin	-6.66%	4.72%	5.87%	6.20%	6.94%	6.89%
EBIT Margin	-13.28%	2.30%	4.12%	4.97%	6.03%	6.26%
Net Profit Margin	-13.05%	0.20%	2.11%	2.93%	3.72%	3.93%
Net Profit Margin after OCI	-12.07%	0.38%	2.25%	3.03%	3.81%	4.01%
RoCE	-10.92%	5.04%	11.42%	15.71%	19.01%	19.73%
RoNW	-15.34%	0.62%	7.92%	12.21%	15.48%	16.11%
RoA	-8.41%	0.37%	5.01%	8.13%	10.66%	11.31%
Per Share (INR)						
Basic EPS	-6.92	0.14	2.89	5.05	7.54	9.32
Diluted EPS	-6.42	0.14	2.89	5.05	7.54	9.32
DPS	0.00	0.64	0.40	0.40	0.40	0.40
Basic Cash EPS	3.25	2.64	2.58	2.33	2.09	1.79
Diluted Cash EPS	3.02	2.64	2.58	2.33	2.09	1.79
BVPS	41.03	35.60	38.44	43.55	51.28	60.88
Sales	300.65	239.13	239.13	239.13	239.13	239.13
Valuation (x)						
P/E	-15.18	764.31	35.26	20.19	13.52	10.95
P/CEPS	32.27	39.78	39.48	43.72	48.82	56.91
P/B	2.56	2.95	2.65	2.34	1.99	1.68
P/Sales	0.35	0.44	0.44	0.44	0.44	0.44
EV/EBITDA	-39.51	20.65	11.17	7.18	4.84	2.95
EV/EBIT	-19.83	42.47	15.92	8.95	5.56	3.25
EV/Sales	2.71	1.02	0.66	0.45	0.34	0.20
Dividend Yield	0.00	0.01	0.00	0.00	0.00	0.00
Liquidity (x)						
Current Ratio	0.78	0.78	0.90	1.01	1.14	1.23
Quick Ratio	0.77	0.77	0.89	0.99	1.12	1.21
Defensive Interval Ratio	202.19	148.51	139.42	157.80	153.48	180.67
Cash Ratio	0.22	0.22	0.40	0.50	0.66	0.76
Activity (x)						
Receivables turnover	10.38	12.58	12.58	12.58	12.58	12.58
Inventory turnover	60.91	138.96	138.96	138.96	138.96	138.96
Payables turnover	1.34	2.58	2.58	2.58	2.58	2.58
Total asset turnover	0.63	1.80	2.35	2.75	2.84	2.86
Fixed asset turnover	1.52	3.91	5.52	8.00	9.74	11.65
Working capital turnover	-2.90	-4.46	-4.94	-4.84	-5.39	-4.87
Days						
Receivable days	35.15	29.02	29.02	29.02	29.02	29.02
Inventory days	5.99	2.63	2.63	2.63	2.63	2.63
Cash Conversion cycle						
Payable days	273.21	141.41	141.41	141.41	141.41	141.41
Operating cycle	-232.07	-109.75	-109.75	-109.75	-109.75	-109.75
Leverage (x)						
Interest Coverage	-4.20	1.32	3.24	4.77	5.77	6.30
Debt Equity	0.43	0.39	0.35	0.32	0.32	0.30
Net Debt Equity	0.23	0.06	-0.26	-0.54	-0.65	-0.90
Assets to Equity	1.82	1.68	1.58	1.50	1.45	1.42
Du Pont						
Tax burden	0.79	0.39	0.75	0.75	0.75	0.75
Interest burden	1.25	0.23	0.69	0.79	0.82	0.84
EBIT Margin	-0.14	0.02	0.04	0.05	0.06	0.06
Asset turnover	0.63	1.80	2.35	2.75	2.84	2.86
Leverage	1.82	1.68	1.58	1.50	1.45	1.42
ROE	-0.15	0.01	0.08	0.12	0.15	0.16

Source: Company Filings & Arihant Capital Research

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Stock Rating Scale

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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