

Surpassed expectations; beat on all fronts. Strong results in off season

CMP: INR 142

Rating: BUY

Target Price: INR 210

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)	6,680
52w H/L (INR)	142/ 52
Avg Daily Vol (in 000')	727

Shareholding Pattern %

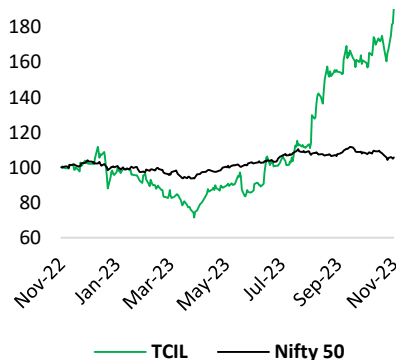
(As on September 2023)

Promoters	72.34
DII	8.14
FII	0.57
Public & Others	18.95

Stock Performance (%) 1m 3m 12m

TCIL	18.9	72.4	91.3
NIFTY 50	(2.6)	(2.0)	5.8

Thomas Cook vs Nifty 50 Price Chart



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TCIL's revenue was up 50.86% YoY to INR 1,843 Cr (-2.93% QoQ), beating our estimate of INR 1,466 Cr by 26%. EBITDA grew 138.77% YoY to INR 131 Cr (-16.62% QoQ), beating our estimate of INR 73 Cr by 79%. EBITDA Margin expanded 261bps YoY to 7.09% (-125bps QoQ), beating our estimate of 4.97% by 212bps. PAT was INR 52 Cr (-27.34% QoQ), beating our estimate of INR 16 Cr by 2.28x. **The company has posted a very healthy performance owing to continuous business developments across all verticals. Q1 and Q3 are generally seasonally stronger, whereas Q2 and Q4 are weaker, with Q4 being an investment quarter.**

Sterling expansion: Despite it being an off-season, the resort business displayed steady, profitable growth. Currently, there are 5-6 more resorts in the pipeline, and by the year should close at 52 resorts. Expansion is taking place in an asset-light mode in destinations that Indians frequent, where the company has a competitive advantage like South India.

Potential in the holiday business: The holiday business has recovered for the most part except for long-haul travel which is ~60% of the pre-pandemic level. The current GM in this business is 15-16% which is up 250bps from pre-pandemic levels. This can still grow 50-100bps from cost rationalization initiatives. The EBIT level should also see an expansion of 150-200bps over the next 12 months from the current 3.5% as the company starts to enjoy economies of scale. The international DMS business saw the fastest recovery. The international MICE business is growing at 15-25%. Rejection rates for Schengen visas have come down significantly from their 16-18% peak, and travelers can now book French visas 6 months before travel.

Revenue mix of the travel business: MICE 31%, corporate travel 2%, DMS 46%, long haul holidays 19%, and short haul holidays 6%, with ~5% intersegment eliminations. Corporate travel is only 2% of revenues recognized but 29% of throughput since they only recognize revenues and not top-line sales. This helps cultivate other relationships in forex, MICE, and B2C leisure.

Valuation and Outlook: FY24 is a year of recovery as the first normal year in a post-COVID environment. The investments made into technology and cost restructuring initiatives have translated into broad-based profitable growth for all verticals. We assign a TP of INR 210 valued at a combined Sum Of The Parts (SOTP) EV/EBIT multiple of 12x based on the FY26E EBIT of INR 745 Cr. This indicates an upside of 48% from the CMP of INR 142, and a 'Buy' rating.

INR Cr	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenue	1,888	5,048	7,517	9,233	10,993	12,666
YoY	137.52%	167.32%	48.92%	22.84%	19.05%	15.22%
Operating Profit (Ex- OI)	-188	178	352	462	592	692
Operating Margin	-9.93%	3.52%	4.68%	5.00%	5.39%	5.46%
EBITDA (Including OI)	-130	241	502	646	812	945
EBITDA Margin	-6.87%	4.78%	6.68%	7.00%	7.39%	7.46%
EBIT	-258	117	374	510	668	793
EBIT Margin	-13.68%	2.33%	4.98%	5.53%	6.08%	6.26%
PAT	-254	10	211	309	417	498
YoY	-13.99%	-104.08%	1932.32%	46.55%	34.87%	19.66%
EPS (INR)	-6.92	0.10	4.26	6.24	8.41	10.07
YoY	0.97%	-101.40%	4303.70%	46.55%	34.87%	19.66%
P/E (x)	-20.53	1469.33	33.37	22.77	16.88	14.11
P/B (x)	3.46	4.12	3.58	3.10	2.62	2.20
EV/EBITDA (x)	-52.13	27.89	12.22	8.83	6.04	4.56
EV/EBIT (x)	-26.17	57.36	16.41	11.18	7.34	5.43
D/E (x)	0.43	0.39	0.35	0.32	0.31	0.30
RONW	-15.34%	0.62%	11.29%	14.32%	16.31%	16.43%
ROCE	-10.92%	5.04%	14.85%	17.93%	19.97%	20.12%

Source: Company Filings & Arihant Capital Research

FY26E (INR Cr)			
Segment	EBIT	EV/ EBIT (x)	EV
Financial Services	176	10	1,760
Travel & Related Services	300	12	3,603
Vacation Ownership & Resort Business/ Leisure Hospitality & Resorts business	166	13	2,164
Digiphoto imaging services	102	15	1,535
Total	745	12	9,061
Less: Unallocable corporate expenditure	77	12	936
Enterprise Value (EV)			8,125
Cash			2,575
Minority Interest			8
Debt			792
Preference Capital			-
Equity Value			9,901
No. Shares (Cr)			47
TP			210
Upside			48%

INR Cr (Consolidated)	Q2FY24	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y
Income From Operations	1,843	1,899	1,222	-2.93%	50.86%
Cost of services	1,356	1,403	878	-3.36%	54.45%
Employee benefits expense	232	227	192	1.99%	20.93%
Other expenses	153	145	111	5.64%	38.04%
Operating Profit	103	124	42	-17.02%	147.05%
<i>Operating Margin</i>	<i>5.58%</i>	<i>6.53%</i>	<i>3.41%</i>	<i>-95bps</i>	<i>217bps</i>
Other Income	28	33	13	-15.11%	112.51%
EBITDA	131	157	55	-16.62%	138.77%
<i>EBITDA margin</i>	<i>7.09%</i>	<i>8.26%</i>	<i>4.48%</i>	<i>-117bps</i>	<i>261bps</i>
Depreciation & Amortization	31	30	31	4.28%	0.27%
EBIT	99	127	23	-21.57%	324.55%
<i>EBIT Margin</i>	<i>5.31%</i>	<i>6.56%</i>	<i>1.89%</i>	<i>-125bps</i>	<i>341bps</i>
Finance costs	23	26	19	-12.07%	23%
PBT	77	101	5	-24.00%	1471.05%
Tax Expense	24	28	5	-14.63%	394.07%
<i>Effective tax rate %</i>	<i>31.52%</i>	<i>28.06%</i>	<i>100.23%</i>	<i>346bps</i>	<i>-6871bps</i>
PAT	52	73	-0	-27.66%	477000.00%
Share of Associate Income	-1	-2	0	-41.36%	-679.27%
Profit for the Period	52	71	0	-27.34%	33573.20%
<i>PAT margin %</i>	<i>2.75%</i>	<i>3.67%</i>	<i>0.01%</i>	<i>-92bps</i>	<i>274bps</i>
EPS (INR)- Basic	1.01	1.57	0.02	-35.67%	4950.00%

Segment Wise (INR Cr)	Q2FY24	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y
Segment Revenue					
Financial Services	78	92	64	-15.32%	21.42%
Travel & Related Services	1,432	1,469	899	-2.48%	59.27%
Leisure Hospitality & Resorts	98	115	78	-14.88%	25.49%
Digiphoto Imaging Services	235	223	181	5.43%	30.36%
Total Segment Revenue	1,843	1,899	1,222	-2.93%	50.86%
Segment Results					
Financial Services	29	43	20	-32.30%	41.49%
Travel & Related Services	50	50	3	-0.81%	1352.09%
Leisure Hospitality & Resorts	24	38	4	-36.30%	456.01%
Digiphoto Imaging Services	13	11	9	19.71%	45.65%
Total Segment Results	116	142	37	-18.20%	212.05%
Segment Wise EBIT					
Financial Services	37.36%	46.72%	32.06%	-937bps	530bps
Travel & Related Services	3.49%	3.43%	0.38%	6bps	311bps
Leisure Hospitality & Resorts	24.72%	33.04%	5.58%	-831bps	1914bps
Digiphoto Imaging Services	5.58%	4.91%	4.99%	66bps	59bps
Total EBIT as a % of Revenue	6.31%	7.49%	3.05%	-118bps	326bps
Other intersegment common expenditure	17	16	14	9.10%	22.53%

Source: Company Filings & Arianth Capital Research

Debt and cash position: The company is currently net debt negative with around INR 12-13,00 Cr of cash on books. Most of this cash comes from the forex business float, customer, and vendor advances, etc. The current free cash is a couple hundred Cr. They aim to become debt-free in the next 2-3 years. The float is managed by investing it in different currencies' fixed deposits and daily swaps are used to manage currency risk and daily cash needs.

Card Issuance: They are now the #1 prepaid card issuer in India by volume.

DEI's robust quarter: Recoveries were led by China, Hong Kong, and Macau. They have renewed many new agreements across Dubai, Maldives, etc.

Income Statement

INR Cr	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenue from operations	1,888	5,048	7,517	9,233	10,993	12,666
Other income	58	64	150	185	220	253
Cost of sales & services	1,193	3,594	5,562	6,556	7,695	8,740
Employee benefit expenses	582	770	977	1,200	1,319	1,520
Advertisement & promotion expenses	22	40	38	46	55	63
Inter segment unallocable expenditure	56	89	68	74	77	89
Other expenses	223	377	520	896	1,255	1,563
EBITDA	-130	241	502	646	812	945
EBITDA Margin	-6.66%	4.72%	6.55%	6.86%	7.24%	7.32%
Depreciation & amortisation expense	129	124	128	136	144	152
Finance Cost	62	89	89	94	108	124
Profit/ Loss from associates	1	1	-4	-4	-4	-4
Exceptional Items	-3	-2	-	-	-	-
PBT after exceptional Items	-322	27	282	413	557	666
Cash Tax	-68	16	71	104	140	168
PAT	-254	10	211	309	417	498
OCI	19	9	-	-	-	-
Total comprehensive income	-235	19	211	309	417	498
EPS after exceptional items:						
Basic (INR)	-6.92	0.10	4.26	6.24	8.41	10.07
Diluted (INR)	-6.34	0.13	4.26	6.24	8.41	10.07

Balance Sheet

INR Cr	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Equity Share Capital	44	47	47	47	47	47
Preference Capital	133	-	-	-	-	-
Other Equity	1,518	1,666	1,848	2,122	2,499	2,953
Non controlling Interest	-40	-39	-28	-13	8	33
Net Worth	1,655	1,675	1,866	2,156	2,554	3,033
Total debt	712	656	653	690	792	910
Deferred tax liability (net)	-293	-285	-285	-285	-285	-285
Other non current liabilities	747	746	766	816	876	946
Total Liabilities	1,166	1,117	1,134	1,221	1,382	1,571
Net Block	1,233	1,340	1,169	1,137	1,098	1,051
CWIP	5	4	4	5	5	5
Goodwill	1,062	1,102	1,112	1,122	1,132	1,142
Other intangible assets	293	157	167	177	187	197
Investments	348	519	529	539	549	559
Other non current assets	206	239	249	259	269	279
Net Working Capital:	-650	-1,131	-1,391	-1,510	-1,878	-1,941
Inventories	22	30	50	44	66	59
Trade receivables	235	567	1,286	991	1,720	1,403
Cash and cash equivalents	324	563	1,163	1,649	2,575	3,313
Other current assets	594	851	861	871	881	891
Trade payables	998	1,787	2,785	2,603	3,722	3,462
Other current liabilities	502	793	803	813	823	833
Total assets	2,821	2,792	3,000	3,377	3,936	4,604

Cash Flow

INR Cr	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Profit before tax	-322	27	282	413	557	666
Depreciation & amortization	129	124	128	136	144	152
Tax paid	-68	16	71	104	140	168
Working capital Δ	22	-481	-260	-118	-368	-63
Goodwill Δ	13	40	10	10	10	10
Operating cash flow	-160	575	589	553	918	703
Capital expenditure	123	230	-43	105	105	105
Free cash flow	-283	346	632	449	813	598
Equity raised	32	1	-11	-15	-21	-25
Investments made	13	170	10	10	10	10
Other asset purchases	-69	-103	20	20	20	20
Debt financing	3	-55	-3	37	102	118
Dividends paid	31	2	19	19	19	19
Other items	-144	17	31	65	81	95
Net Δ in cash	-367	239	600	486	926	738
Opening cash balance	691	324	563	1,163	1,649	2,575
Ending cash balance	324	563	1,163	1,649	2,575	3,313

Source: Company Filings & Arihant Capital Research

Ratios	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Growth Matrix (%)						
Revenue	137.52%	167.32%	48.92%	22.84%	19.05%	15.22%
EBITDA	-35.94%	-286.16%	108.13%	28.64%	25.61%	16.42%
EBIT	-26.29%	-145.44%	218.81%	36.35%	30.90%	18.78%
PBT	-22.63%	-108.33%	949.07%	46.55%	34.87%	19.66%
PAT	-13.99%	-104.08%	1932.32%	46.55%	34.87%	19.66%
PAT after OCI	6.22%	-108.25%	987.87%	46.55%	34.87%	19.66%
Profitability (%)						
EBITDA Margin	-6.66%	4.72%	6.55%	6.86%	7.24%	7.32%
EBIT Margin	-13.28%	2.30%	4.88%	5.42%	5.96%	6.14%
Net Profit Margin	-13.05%	0.20%	2.75%	3.28%	3.71%	3.86%
Net Profit Margin after OCI	-12.07%	0.38%	2.75%	3.28%	3.71%	3.86%
RoCE	-10.92%	5.04%	14.85%	17.93%	19.97%	20.12%
RoNW	-15.34%	0.62%	11.29%	14.32%	16.31%	16.43%
RoA	-8.41%	0.37%	7.28%	9.69%	11.39%	11.67%
Per Share (INR)						
Basic EPS	-6.92	0.10	4.26	6.24	8.41	10.07
Diluted EPS	-6.42	0.09	4.26	6.24	8.41	10.07
DPS	0.00	0.00	0.40	0.40	0.40	0.40
Basic Cash EPS	3.25	2.71	2.82	3.02	3.24	3.44
Diluted Cash EPS	3.02	2.55	2.82	3.02	3.24	3.44
BVPS	41.03	34.43	39.68	45.84	54.29	64.49
Sales	50.47	110.27	159.79	196.29	233.69	269.26
Valuation (x)						
P/E	-20.53	1469.33	33.37	22.77	16.88	14.11
P/CEPS	43.64	52.37	50.43	46.95	43.86	41.28
P/B	3.46	4.12	3.58	3.10	2.62	2.20
P/Sales	2.81	1.29	0.89	0.72	0.61	0.53
EV/EBITDA	-52.13	27.89	12.22	8.83	6.04	4.56
EV/EBIT	-26.17	57.36	16.41	11.18	7.34	5.43
EV/Sales	3.58	1.33	0.82	0.62	0.45	0.34
Dividend Yield	0.00	0.00	0.00	0.00	0.00	0.00
Liquidity (x)						
Current Ratio	0.78	0.78	0.94	1.04	1.15	1.32
Quick Ratio	0.77	0.77	0.92	1.03	1.14	1.31
Defensive Interval Ratio	202.19	148.51	168.13	145.78	181.12	170.44
Cash Ratio	0.22	0.22	0.32	0.48	0.57	0.77
Activity (x)						
Receivables turnover	10.38	12.58	8.11	8.11	8.11	8.11
Inventory turnover	60.91	138.96	138.96	138.96	138.96	138.96
Payables turnover	1.34	2.58	2.43	2.43	2.43	2.43
Total asset turnover	0.63	1.80	2.60	2.90	3.01	2.97
Fixed asset turnover	1.52	3.91	5.97	7.98	9.80	11.74
Working capital turnover	-2.90	-4.46	-5.40	-6.12	-5.85	-6.53
Days						
Receivable days	35.15	29.02	45.00	45.00	45.00	45.00
Inventory days	5.99	2.63	2.63	2.63	2.63	2.63
Cash Conversion cycle	41.14	31.65	47.63	47.63	47.63	47.63
Payable days	273.21	141.41	150.00	150.00	150.00	150.00
Operating cycle	-232.07	-109.75	-102.37	-102.37	-102.37	-102.37
Leverage (x)						
Interest Coverage	-4.20	1.32	4.22	5.45	6.21	6.42
Debt Equity	0.43	0.39	0.35	0.32	0.31	0.30
Net Debt Equity	0.23	0.06	-0.27	-0.44	-0.70	-0.79
Assets to Equity	1.82	1.68	1.55	1.48	1.43	1.41
Du Pont						
Tax burden	0.79	0.39	0.75	0.75	0.75	0.75
Interest burden	1.25	0.23	0.75	0.81	0.83	0.84
EBIT Margin	-0.14	0.02	0.05	0.06	0.06	0.06
Asset turnover	0.63	1.80	2.60	2.90	3.01	2.97
Leverage	1.82	1.68	1.55	1.48	1.43	1.41
ROE	-0.15	0.01	0.11	0.14	0.16	0.16

Source: Company Filings & Arianth 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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