

CMP: INR 171

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)	8,207
52w H/L (INR)	190/ 52
Avg Daily Vol (in 000')	1273

Shareholding Pattern %

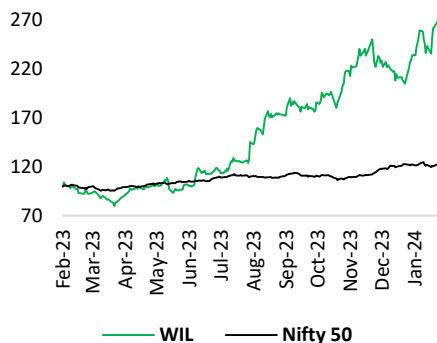
(As on September 2023)

Promoters	63.83
DII	9.27
FII	1.84
Public & Others	25.06

Stock Performance (%) 1m 6m 12m

TCIL	11.2	81.3	159.2
NIFTY 50	1.7	11.6	23.4

Thomas Cook vs Nifty 50 Price Chart



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Thomas Cook displayed a good growth on yearly and quarterly basis but performed below our estimates. TCIL's revenue was up 23% YoY to INR 1,893 Cr (+2.7% QoQ), below our estimate of INR 2,120 Cr by 10.7%. EBITDA grew 82.44% YoY to INR 117 Cr (+13.35% QoQ), below our estimate of INR 155 Cr by -24.77%. EBITDA margin expanded 200bps YoY to 6.16% (+58bps QoQ), below our estimate of 7.3%. PAT was INR 91 Cr (+76.3% QoQ/ +242% YoY), beating our estimate of INR 71 Cr by 27%. Overall, the group delivered a strong performance, with all companies returning to profitability. While some overseas units took longer, domestic units like Thomas Cook, SOTC, TCI, and Sterling have shown good progress.

Forex business: Despite a subdued quarter due to fewer working days, the company maintained EBIT levels compared to the previous year, driven by efficiency improvements and digital expansion. We anticipate the business to sustain a growth rate of 15%-20%, with EBIT margins of 35%-37%.

Travel and travel services: Digital initiatives and common buying factors led to margin improvements, with expectations of gradual expansion over the next quarters. The company anticipates a strong recovery in long-haul holiday bookings and forward bookings, especially in the domestic market. The DMS business witnessed a sharp recovery in both India and overseas markets.

Sterling hospitality: Sterling maintained occupancy levels amidst a 12% increase in room capacities, and remains focused on revenue drivers like room revenues, F&B revenues, and income from managed resorts. With a portfolio of 49 resorts, they continue to add new revenue streams through thematic restaurants and remain optimistic about growth in the hospitality.

Digiphot entertainment imaging: DEI sustained revenue and EBITDA margin growth in Q3, fueled by performances in markets like Greater China and Singapore. Additionally, the company secured new partnerships across the Middle East and Far East regions, with plans for a new cloud-based solution and operations expansions in Saudi Arabia and Vietnam.

Valuation and Outlook: With a focus on the hospitality business and expectations of resolving visa and fair price to align with profitability and expansion goals, the company is performing well and has promising future prospects. We assign a TP of INR 210 valued at a combined SOTP EV/EBIT multiple of 12x based on the FY26E EBIT of INR 745 Cr. This yields an upside of 39% from the CMP of INR 171, and a 'Buy' rating.

INR Cr	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenue	1,888	5,048	7,419	9,110	10,844	12,495
YoY	137.52%	167.32%	46.98%	22.79%	19.03%	15.23%
Operating Profit (Ex- OI)	-188	178	352	465	595	695
Operating Margin	-9.93%	3.52%	4.68%	5.10%	5.48%	5.56%
EBITDA (Including OI)	-130	241	502	647	811	945
EBITDA Margin	-6.87%	4.78%	6.68%	7.10%	7.48%	7.56%
EBIT	-258	117	374	511	668	793
EBIT Margin	-13.68%	2.33%	4.98%	5.61%	6.16%	6.35%
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)	-24.65	1764.24	35.62	24.31	18.02	15.06
P/B (x)	4.16	4.95	3.82	3.31	2.79	2.35
EV/EBITDA (x)	-61.85	29.76	13.12	9.53	6.60	5.04
EV/EBIT (x)	-31.05	61.21	17.62	12.07	8.02	6.00
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
Equity Value			9,901
No. Shares (Cr)			47
TP			210
Upside			48%

INR Cr (consolidated)	Q3FY24	Q2FY24	Q3FY23	Q-o-Q	Y-o-Y	Q3FY24E	Surprise
Income From Operations	1893	1843	1536	2.69%	23.22%	2120	-10.70%
Cost of Services	1382	1356	1118	1.98%	23.66%	1505	-8.16%
Gross Profit	511	488	418	4.68%	22.06%	615	-16.93%
<i>Gross Margin</i>	<i>26.98%</i>	<i>26.47%</i>	<i>27.23%</i>	<i>51bps</i>	<i>-26bps</i>	<i>29.00%</i>	<i>-202bps</i>
Employee costs	254	232	207	9.81%	22.85%	240	6.00%
Other Expenses	140	153	147	-8.89%	-5.24%	220	-36.44%
EBITDA	117	103	64	13.35%	82.44%	155	-24.77%
<i>EBITDA margin %</i>	<i>6.16%</i>	<i>5.58%</i>	<i>4.16%</i>	<i>58bps</i>	<i>200bps</i>	<i>7.31%</i>	<i>-115bps</i>
Other Income	48	28	26	70.49%	82.87%	30	59%
Depreciation & Amortization	33	31	32	5.21%	2.45%	33	0.30%
EBIT	131	99	58	31.98%	127.47%	152	-13.75%
Finance costs	24	23	28	6.03%	-13.33%	33	-26.97%
PBT	107	77	30	39.69%	258.74%	119	-10.08%
Tax Expense	17	24	3	-29.19%	391.24%	48	-64%
<i>Effective tax rate %</i>	<i>15.98%</i>	<i>31.53%</i>	<i>11.67%</i>	<i>-1555bps</i>	<i>431bps</i>	<i>40.00%</i>	<i>-2402bps</i>
PAT	90	52	26	71.40%	241.23%	71	25.91%
Share of Associate Income net of tax	1	-1	0	-192.63%	370.59%	0	0.00%
Profit for the Period	91	52	27	76.27%	242.14%	71	27.14%
<i>PAT margin %</i>	<i>4.68%</i>	<i>2.75%</i>	<i>1.70%</i>	<i>192bps</i>	<i>298bps</i>	<i>3.32%</i>	<i>135bps</i>

Segment Wise (INR Cr)	Q3FY24	Q2FY24	Q3FY23	Q-o-Q	Y-o-Y
Segment Revenue					
Financial Services	64	78	70	-16.98%	-7.41%
Travel & Related Services	1,463	1,432	1,118	2.14%	30.88%
Leisure Hospitality & Resorts	124	98	103	26.62%	20.69%
Digiphoto Imaging Services	241	235	246	2.59%	-1.85%
Total Segment Revenue	1,893	1,843	1,536	2.70%	23.22%
Segment Results (EBIT)					
Financial Services	21	29	21	-27.13%	0.14%
Travel & Related Services	69	50	22	37.43%	214.84%
Leisure Hospitality & Resorts	38	24	25	55.58%	51.10%
Digiphoto Imaging Services	22	13	22	70.81%	2.89%
Total Segment Results	150	116	90	28.91%	67.27%
Segment Wise EBIT %					
Financial Services	32.79%	37.36%	30.32%	-457bps	247bps
Travel & Related Services	4.70%	3.49%	1.95%	121bps	274bps
Leisure Hospitality & Resorts	30.38%	24.72%	24.26%	566bps	611bps
Digiphoto Imaging Services	9.28%	5.58%	8.86%	371bps	43bps
Total EBIT as a % of sales	7.92%	6.31%	5.84%	161bps	209bps
Other intersegment common expenditure	19	17	32	11.81%	-40.61%

Source: Company Filings & Arianth Capital Research

Q3FY24 Concall Highlights:

Guidance: The company anticipates growth in top-line sales driven by automation, process improvements, and volume-led revenue growth. Despite cost increases, aims to maintain improved gross margins of 200-250 bps across all categories. Looking ahead, expect further margin expansion of 50-100 bps, driven by revenue growth and enhanced profitability of marginally profitable units.

Margins for travel business: The company projected a gross margin expansion of 100-150 bps, achieving 80% of that target. Going forward aims to reach the 6% to 6.5% range for gross margins in the upcoming quarter and fiscal year and the Possibility of increasing 50-100 bps in EBIT.

Avoided Bangalore airport bid: The company opted not to participate in the bid for the Bangalore airport project due to pricing constraints that would have made it unprofitable. This decision impacted the income from operations in the foreign exchange business.

RBI Policy to benefit TCIL: RBI proposes phasing out FFMC licenses in favor of introducing FX Correspondents (FXCs), and streamlining regulatory processes. FXCs will operate as franchises, reducing the need for separate licenses. Market consolidation is expected in 12-24 months, offering opportunities for the company to leverage distribution footprints and digital expansion. The proposal to open trade transactions up to INR 15 lakhs presents new opportunities for entities traditionally limited to banks.

Minimal capex: The company anticipates minimal capex, primarily focused on technology upgrades and branch expansions in India for the forex and travel businesses. Capex is to be around INR40cr annually, with a significant portion allocated to technology enhancements.

Visa Processing and Fare Prices: Improvements have been noted in visa processing and fare prices, with the US reducing visa processing times and Europe enhancing infrastructure and technology for faster visa processing. While fare prices have decreased, availability of seats at these lower prices remains limited.

Decision to Exit US Business: TCIL has chosen to phase out US operations due to sustained low margins and increased operational costs. This move towards a non-operating model has resulted in a revenue drop but has positively impacted EBIT on the bottom line. The US segment previously contributed \$14-\$15mn annually, representing around 10%-12% of total revenue.

Domestic business: Domestic focus extends to spiritual tourism, adventure, biking, and honeymoon experiences. The recent event on January 22nd is expected to further boost spiritual business. The company is targeting destinations within the domestic circuit that resonate with customer preferences and are witnessing increased demand.

Japan business: In 2023, launched Cherry Blossom Tours in Japan, with 1,250 travelers throughout the year. Currently, have bookings for approximately 1,800 people, indicating a growth of nearly 40% in this business segment.

Outlets: The network between SOTC and Thomas Cook, has close to 200 outlets that the company has owned as well as managed.

Expansion in tier II and III markets: TCIL aims to expand its presence in these regions by adding approximately 10% new distribution channels annually, for the next 2-3 years.

Debt reduction: The company has made progress in debt reduction, decreasing it from INR 491mn in FY22 to INR 100mn by the end of Q3FY24. Additionally, the operating free cash flow for the quarter stands at 28% of the overall revenue.

Income Statement INR Cr	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Revenue from operations	1,888	5,048	7,419	9,110	10,844	12,495
Other income	58	64	148	182	217	250
Cost of sales & services	1,193	3,594	5,490	6,468	7,591	8,622
Employee benefit expenses	582	770	964	1,184	1,301	1,499
Advertisement & promotion expenses	22	40	37	46	54	62
Inter segment unallocable expenditure	56	89	67	73	76	87
Other expenses	223	377	520	875	1,227	1,529
EBITDA	-130	241	502	647	811	945
EBITDA Margin	-6.66%	4.72%	6.55%	6.96%	7.34%	7.41%
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
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	-1,357	-1,504	-1,836	-1,929
Inventories	22	30	49	44	65	59
Trade receivables	235	567	1,262	984	1,689	1,392
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	2,726	2,590	3,648	3,438
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	-226	-147	-332	-93
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 & Arianth Capital Research

Ratios	FY22	FY23	FY24E	FY25E	FY26E	FY27E
Growth Matrix (%)						
Revenue	137.52%	167.32%	46.98%	22.79%	19.03%	15.23%
EBITDA	-35.94%	-286.16%	108.13%	28.64%	25.46%	16.46%
EBIT	-26.29%	-145.44%	218.81%	36.35%	30.70%	18.83%
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%	6.96%	7.34%	7.41%
EBIT Margin	-13.28%	2.30%	4.88%	5.50%	6.04%	6.22%
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	157.72	193.66	230.52	265.62
Valuation (x)						
P/E	-24.65	1764.24	35.62	24.31	18.02	15.06
P/CEPS	52.39	62.88	53.84	50.12	46.82	44.07
P/B	4.16	4.95	3.82	3.31	2.79	2.35
P/Sales	3.38	1.55	1.08	0.88	0.74	0.64
EV/EBITDA	-61.85	29.76	13.12	9.53	6.60	5.04
EV/EBIT	-31.05	61.21	17.62	12.07	8.02	6.00
EV/Sales	4.25	1.60	0.88	0.67	0.49	0.38
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	5.90	7.87	9.66	11.58
Working capital turnover	-2.90	-4.46	-5.47	-6.06	-5.91	-6.48
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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