

**CMP: INR 212**

**Rating: BUY**

**TP: INR 294**

**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)	10,125
52w H/L (INR)	228/ 59
Avg Daily Vol (in 000')	1,466

**Shareholding Pattern %**

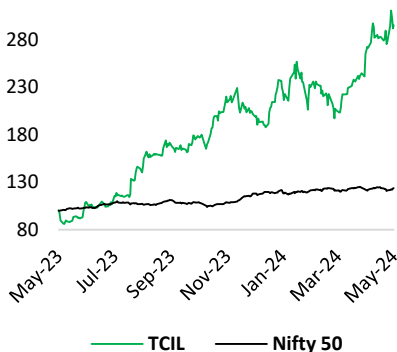
(As on March 2024)

Promoters	63.83
DII	8.64
FII	2.29
Public & Others	25.15

**Stock Performance (%)** 1m 6m 12m

TCIL	9.4	39.5	198.3
NIFTY 50	2.1	13.4	23.6

**Thomas Cook vs Nifty 50 Price Chart**



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TCIL's Q4FY24 Consolidated income from operations was up 26.7% YoY to INR 1,664 cr (-12.11% QoQ) missing our estimate of INR 1,784 cr by 6.74%. EBITDA grew 156.08% YoY to INR 120 Cr (-26.91% QoQ), and EBITDA Margin expanded 364bps YoY to 7.21% (-146bps QoQ), beating our estimates of INR 55 cr and 6.45% by 4.34% and 77bps respectively. PAT grew 668.57% YoY to INR 58 Cr (-35.75% QoQ), which is in line with our estimate of INR 57 Cr.

**Forex business:** They gave up the Bangalore airport location which has shown its impact on low revenues, but much higher EBIT. Retail volumes were up +18% for Q4, despite it being a slow quarter for travel. FX volumes are returning to 2019 levels.

**Travel and travel services:** MICE business volumes remain resilient despite no G20 effect this quarter. Domestic inbound travel is the strongest category for the year, but they are seeing a decent recovery in long-haul travel as well. Travel to and from Europe was poorly affected because of geopolitical issues, however, the Indian inbound business was good due to India's positive image overseas- inbound travel UK, Germany, France, USA, and Australia looked promising this year. The DMS entities faced slowed demand from Asian markets and extreme summers.

**Sterling Hospitality:** The business is now completely debt-free, and has retired the acquisition of long-term membership products.

**Digiphot Entertainment Imaging:** They renewed 34 new contracts and signed 50 new ones. This business is focused on heightening operational efficiency- by expanding to more profitable Asian markets like Indonesia and Malaysia.

**Valuation and Outlook:** We expect a return to normalcy in volumes in FY25, which will lead to the company getting benefits of operating leverage as their cost base has been largely cemented at this level and additional benefits of cross-buying with SOTC. We assign a TP of INR 294 valued at a SOTP EV/EBIT multiple of 12x the FY27E EBIT of INR 1,010 Cr. This yields an upside of 39% from the CMP of INR 212, and a 'Buy' rating.

INR Cr	FY23	FY24	FY25E	FY26E	FY27E
Revenue	5,048	7,299	8,628	10,093	11,743
YoY	167.32%	44.61%	18.21%	16.98%	16.34%
Operating Profit (Ex- OI)	178	435	533	657	811
Operating Margin	3.52%	5.97%	6.17%	6.51%	6.91%
EBITDA (Including OI)	241	572	705	859	1,046
EBITDA Margin	4.78%	7.83%	8.17%	8.51%	8.91%
EBIT	117	444	574	725	908
EBIT Margin	2.33%	6.08%	6.65%	7.18%	7.73%
PAT	10	271	345	449	574
YoY	-104.08%	2514.62%	27.31%	29.96%	27.87%
EPS (INR)	0.10	5.51	6.97	9.06	11.58
YoY	-101.40%	5597.90%	26.59%	29.96%	27.87%
P/E (x)	2193.14	38.49	30.41	23.40	18.30
P/B (x)	6.16	4.91	4.24	3.60	3.01
EV/EBITDA (x)	41.52	17.28	12.64	9.32	6.87
EV/EBIT (x)	85.39	22.25	15.53	11.05	7.91
D/E (x)	0.39	0.27	0.32	0.31	0.30
RONW	0.62%	13.34%	14.69%	16.20%	17.30%
ROCE	5.04%	17.18%	18.51%	19.98%	21.07%

Source: Company Filings & Arihant Capital Research

## FY27E (INR Cr)

Segment	EBIT	EV/ EBIT (x)	EV
Financial Services	197	10	1,967
Travel & Related Services	450	12	5,399
Vacation Ownership & Resort Business/ Leisure Hospitality & Resorts business	260	13	3,378
Digiphoto imaging services	103	15	1,552
Total	1,010	12	12,296
Less: Unallocable corporate expenditure	102	12	1,239
<b>Enterprise Value (EV)</b>			<b>11,056</b>
Cash			3,820
Minority Interest			43
Debt			994
Preference Capital			-
Equity Value			13,839
No. Shares (Cr)			47
<b>TP</b>			<b>294</b>
<b>Upside</b>			<b>39%</b>

Source: Company Filings & Arianth Capital Research

- **The DMS business** is 41% of turnover in Q4 and is now a contributor to the bottom line, though some geographies are still struggling.
- **Forex retail volumes** are up significantly this quarter, though the elections caused a drop in wholesale volumes- which is not their key focus category. Going forward, the retail business will display double-digit growth in the range of 10-12%, with a GM improvement of 20bps overall, but 25bps in retail.
- **CAPEX** for the year was INR 104Cr- most of which went toward digitization of the DEI business (INR 10-15 Cr went toward Sterling's room enhancement and repair).
- The B2B **travel business** is currently growing 15-20% ahead of the B2C business.
- The overall travel business can see a **mid-teen double-digit growth**.
- **Sterling has already reached 30-35% margins** as per industry standards, and they are considering greenfield initiatives in FY26.
- **Interest cost** comprises INR 5.5cr of real interest, INR 6.6 cr of lease interest, and the balance s bank charges on things like payment gateways which are entirely volume-related.
- **The effective tax rate** for this year is expected to persist into the future.

INR Cr (Consolidated)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
<b>Income From Operations</b>	<b>1,664</b>	<b>1,893</b>	<b>1,313</b>	<b>-12.11%</b>	<b>26.70%</b>
Cost of services	1,167	1,382	934	-15.57%	24.93%
Employee benefits expense	248	254	201	-2.47%	23.28%
Other expenses	157	140	141	12.50%	11.16%
<b>Operating Profit</b>	<b>91</b>	<b>116</b>	<b>36</b>	<b>-21.69%</b>	<b>152.35%</b>
<i>Operating Margin</i>	<i>5.48%</i>	<i>6.15%</i>	<i>2.75%</i>	<i>-67bps</i>	<i>273bps</i>
Other Income	29	48	11	-39.66%	168.66%
<b>EBITDA</b>	<b>120</b>	<b>164</b>	<b>47</b>	<b>-26.91%</b>	<b>156.08%</b>
<i>EBITDA margin</i>	<i>7.21%</i>	<i>8.67%</i>	<i>3.57%</i>	<i>-146bps</i>	<i>364bps</i>
Depreciation & Amortization	33	33	30	-1.21%	9.78%
<b>EBIT</b>	<b>87</b>	<b>131</b>	<b>17</b>	<b>-33.44%</b>	<b>413.22%</b>
<i>EBIT Margin</i>	<i>5.15%</i>	<i>6.75%</i>	<i>1.28%</i>	<i>-160bps</i>	<i>387bps</i>
Finance costs	26	24	23	9.64%	14%
<b>PBT</b>	<b>61</b>	<b>107</b>	<b>-6</b>	<b>-43.18%</b>	<b>-1082.83%</b>
Tax Expense	4	17	5	-75.42%	-7.56%
<i>Effective tax rate %</i>	<i>6.95%</i>	<i>16.07%</i>	<i>-73.93%</i>	<i>-912bps</i>	<i>8088bps</i>
<b>PAT</b>	<b>56</b>	<b>90</b>	<b>-11</b>	<b>-37.01%</b>	<b>525.79%</b>
Share of Associate Income	2	1	1	93.18%	233.99%
<b>Profit for the Period</b>	<b>58</b>	<b>91</b>	<b>-10</b>	<b>-35.75%</b>	<b>-668.57%</b>
<i>PAT margin %</i>	<i>3.44%</i>	<i>4.66%</i>	<i>-0.77%</i>	<i>-123bps</i>	<i>421bps</i>
<b>EPS (INR)- Basic</b>	<b>1.22</b>	<b>1.77</b>	<b>-0.15</b>	<b>-31.07%</b>	<b>-913.33%</b>

Segment Wise (INR Cr)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
<b>Segment Revenue</b>					
Financial Services	69	64	65	6.94%	5.84%
Travel & Related Services	1,254	1,463	951	-14.26%	31.91%
Leisure Hospitality & Resorts	118	124	85	-5.17%	39.21%
Digiphoto Imaging Services	223	241	213	-7.75%	4.79%
<b>Total Segment Revenue</b>	<b>1,664</b>	<b>1,893</b>	<b>1,313</b>	<b>-12.11%</b>	<b>26.70%</b>
<b>Segment Results</b>					
Financial Services	31	21	20	45.95%	56.87%
Travel & Related Services	23	69	1	-65.85%	2256.43%
Leisure Hospitality & Resorts	37	38	17	-3.02%	112.19%
Digiphoto Imaging Services	8	22	5	-64.84%	55.00%
<b>Total Segment Results</b>	<b>99</b>	<b>150</b>	<b>43</b>	<b>-34.15%</b>	<b>129.83%</b>
<b>Segment Wise EBIT</b>					
<b>Financial Services</b>	<b>44.75%</b>	<b>32.79%</b>	<b>30.19%</b>	<b>1196bps</b>	<b>1456bps</b>
<b>Travel &amp; Related Services</b>	<b>1.87%</b>	<b>4.70%</b>	<b>0.10%</b>	<b>-283bps</b>	<b>177bps</b>
<b>Leisure Hospitality &amp; Resorts</b>	<b>31.07%</b>	<b>30.38%</b>	<b>20.38%</b>	<b>69bps</b>	<b>1069bps</b>
<b>Digiphoto Imaging Services</b>	<b>3.54%</b>	<b>9.28%</b>	<b>2.39%</b>	<b>-574bps</b>	<b>115bps</b>
<b>Total EBIT as a % of sales</b>	<b>5.94%</b>	<b>7.92%</b>	<b>3.27%</b>	<b>-199bps</b>	<b>266bps</b>

Source: Company Filings & Arianth 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>8,628</b>	<b>10,093</b>	<b>11,743</b>
Other income	64	136	173	202	235
Cost of sales & services	3,594	5,308	6,126	7,065	8,103
Employee benefit expenses	770	961	1,122	1,211	1,409
Advertisement & promotion expenses	40	-	43	50	59
Inter segment unallocable expenditure	89	63	75	87	102
Other expenses	377	531	730	1,021	1,259
<b>EBITDA</b>	<b>241</b>	<b>572</b>	<b>705</b>	<b>859</b>	<b>1,046</b>
<b>EBITDA Margin</b>	<b>4.72%</b>	<b>7.69%</b>	<b>8.01%</b>	<b>8.35%</b>	<b>8.73%</b>
Depreciation & amortisation expense	124	128	131	135	138
Finance Cost	89	99	135	154	178
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>439</b>	<b>571</b>	<b>730</b>
Cash Tax	16	74	94	122	156
<b>PAT</b>	<b>10</b>	<b>271</b>	<b>345</b>	<b>449</b>	<b>574</b>
EPS after exceptional items:					
Basic (INR)	0.10	5.51	6.97	9.06	11.58
Diluted (INR)	0.13	5.51	6.97	9.06	11.58

**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	2,310	2,708	3,224
Non controlling Interest	-39	-25	-8	15	43
<b>Net Worth</b>	<b>1,675</b>	<b>2,032</b>	<b>2,349</b>	<b>2,769</b>	<b>3,315</b>
Total debt	656	553	752	859	994
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>1,302</b>	<b>1,469</b>	<b>1,675</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>-1,207</b>	<b>-1,564</b>	<b>-1,710</b>
Inventories	30	40	41	53	55
Trade receivables	567	646	788	889	1,063
Cash and cash equivalents	563	617	1,798	2,832	3,820
Other current assets	851	1,191	1,191	1,191	1,191
Trade payables	1,787	2,157	2,394	2,854	3,165
Other current liabilities	793	823	833	843	853
<b>Total assets</b>	<b>2,792</b>	<b>3,086</b>	<b>3,651</b>	<b>4,238</b>	<b>4,989</b>

**Cash Flow**

INR Cr	FY23	FY24	FY25E	FY26E	FY27E
Profit before tax	27	345	439	571	730
Depreciation & amortization	124	128	131	135	138
Tax paid	16	74	94	122	156
Working capital Δ	-481	28	-104	-357	-145
Goodwill Δ	40	9	-	-	-
<b>Operating cash flow</b>	<b>575</b>	<b>362</b>	<b>581</b>	<b>941</b>	<b>857</b>
Capital expenditure	230	324	-381	46	46
<b>Free cash flow</b>	<b>346</b>	<b>37</b>	<b>961</b>	<b>895</b>	<b>811</b>
Equity raised	1	-2	-17	-22	-29
Investments made	170	-65	-	-	-
Other asset purchases	-103	72	-	-	-
Debt financing	-55	-103	199	107	136
Dividends paid	2	28	28	28	28
Other items	17	156	67	82	99
<b>Net Δ in cash</b>	<b>239</b>	<b>54</b>	<b>1,182</b>	<b>1,033</b>	<b>989</b>
<b>Opening cash balance</b>	<b>324</b>	<b>563</b>	<b>617</b>	<b>1,798</b>	<b>2,832</b>
<b>Ending cash balance</b>	<b>563</b>	<b>617</b>	<b>1,798</b>	<b>2,832</b>	<b>3,820</b>

Source: Company Filings &amp; Arianth Capital Research

Ratios	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Matrix (%)</b>					
Revenue	167.32%	44.61%	18.21%	16.98%	16.34%
EBITDA	-286.16%	136.82%	23.32%	21.87%	21.75%
EBIT	-145.44%	278.33%	29.23%	26.26%	25.31%
PBT	-108.33%	1185.17%	27.31%	29.96%	27.87%
PAT	-104.08%	2514.62%	27.31%	29.96%	27.87%
PAT after OCI	-108.25%	1830.00%	-7.68%	29.96%	27.87%
<b>Profitability (%)</b>					
EBITDA Margin	4.72%	7.69%	8.01%	8.35%	8.73%
EBIT Margin	2.30%	5.97%	6.52%	7.04%	7.58%
Net Profit Margin	0.20%	3.65%	3.92%	4.36%	4.79%
Net Profit Margin after OCI	0.38%	5.03%	3.92%	4.36%	4.79%
RoCE	5.04%	17.18%	18.51%	19.98%	21.07%
RoNW	0.62%	13.34%	14.69%	16.20%	17.30%
RoA	0.37%	9.23%	10.25%	11.37%	12.43%
<b>Per Share (INR)</b>					
Basic EPS	0.10	5.51	6.97	9.06	11.58
Diluted EPS	0.09	5.51	6.97	9.06	11.58
DPS	0.00	0.60	0.60	0.60	0.60
Basic Cash EPS	2.71	2.83	2.94	3.05	3.18
Diluted Cash EPS	2.55	2.83	2.94	3.05	3.18
BVPS	34.43	43.21	49.94	58.87	70.47
Sales	110.27	155.17	183.43	214.57	249.64
<b>Valuation (x)</b>					
P/E	2193.14	38.49	30.41	23.40	18.30
P/CEPS	78.16	74.90	72.20	69.39	66.58
P/B	6.16	4.91	4.24	3.60	3.01
P/Sales	1.92	1.37	1.16	0.99	0.85
EV/EBITDA	41.52	17.28	12.64	9.32	6.87
EV/EBIT	85.39	22.25	15.53	11.05	7.91
EV/Sales	1.99	1.35	1.03	0.79	0.61
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	1.53
Quick Ratio	0.77	0.82	1.17	1.33	1.51
Defensive Interval Ratio	148.51	129.79	169.06	188.67	201.40
Cash Ratio	0.22	0.21	0.56	0.77	0.95
<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	2.56	2.56	2.55
Fixed asset turnover	3.91	5.06	6.72	10.26	13.14
Working capital turnover	-4.46	-6.62	-7.15	-6.45	-6.87
<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	4.26	4.71	5.09
Debt Equity	0.39	0.27	0.32	0.31	0.30
Net Debt Equity	0.06	-0.03	-0.45	-0.71	-0.85
Assets to Equity	1.68	1.45	1.43	1.42	1.39
<b>Du Pont</b>					
Tax burden	0.39	0.79	0.79	0.79	0.79
Interest burden	0.23	0.78	0.77	0.79	0.80
EBIT Margin	0.02	0.06	0.07	0.07	0.08
Asset turnover	1.80	2.48	2.56	2.56	2.55
Leverage	1.68	1.45	1.43	1.42	1.39
<b>ROE</b>	<b>0.01</b>	<b>0.13</b>	<b>0.15</b>	<b>0.16</b>	<b>0.17</b>

Source: Company Filings &amp; 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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