Thomas Cook (India) Ltd — FY 2023 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**Thomas Cook India (TCIL) has successfully transitioned to a digital-first, asset-light model, evidenced by a 62-77% surge in per-person productivity and a strategic pivot in the Sterling Hospitality segment.**	—
2	**Top-line performance reflects a full post-pandemic recovery with revenue surging 167% YoY to □5,048 Cr, underpinned by a 711% explosion in the MICE segment and G20-related tailwinds.**	—
3	**Operational efficiency has structurally improved through a 30% reduction in costs, swinging Operating Profit from a □187 Cr loss to a □178 Cr profit.**	—
4	***Bottom-line resilience remains the primary concern as PAT stands at a thin 10 Cr (0.2% margin), constrained by high interest expenses of 89 Cr and a steep 61% effective tax rate.***	—
5	**The balance sheet has undergone significant deleveraging with the repayment of □863 Cr in borrowings, resulting in a conservative Debt-to-Equity ratio of 0.31x.**	—
6	**Cash flow generation is exceptionally strong with CFO at □649 Cr (64x PAT), though this is heavily supported by a □788 Cr stretch in trade payables and favorable working capital dynamics.**	—
7	**Capital allocation remains disciplined and asset-light, allowing for a 291% dividend payout ratio despite thin accounting profits, funded entirely by robust free cash flows of □612 Cr.**	—
8	***Earnings quality is obscured by a "soft" balance sheet where Goodwill and Deferred Tax Assets (DTAs) constitute 82.5% of total equity, creating significant impairment sensitivity.***	—
9	**Governance standards are high with a 72.3% promoter stake, zero pledging, and a 9/10 scorecard rating, although KMP compensation growth of 100%+ warrants monitoring against thin net margins.**	—
10	***Key risks include aggressive goodwill impairment testing assumptions (projecting up to 58% sales growth) and regulatory non-compliance regarding data localization and title deed transfers.***	—
11	**The outlook is contingent on converting high operating leverage into structural margin expansion (targeting 6-7% OPM) as visa hurdles ease and digital scale benefits materialize.**	—
12	**Investment View: ACCUMULATE based on strong cash-rich status and deleveraging; monitor Interest Coverage Ratio and any contraction in supplier credit (Trade Payable Days).**	—

1. Business overview (In Bullet Points)

- **Business Segments:** TCIL is a digitally-led, diversified travel and financial services conglomerate operating through three primary pillars: Travel Services (83.3% of revenue), Financial Services/Forex (16.7%), and Leisure Hospitality (via Sterling). It also operates a Global Digital Imaging (DEI) segment.
- **Revenue Drivers:** Growth is driven by a "Digital First" strategy, a shift toward younger demographics, and rising demand from Tier 2-4 cities. The "Saver to Spender" psychological shift in Indian consumers is a key tailwind.
- **Cost Drivers:** Major costs include employee expenses and lease rentals. A structural reset during the pandemic resulted in annualized savings of □371 Cr (30% reduction vs. FY20).
- **Industry Position:** TCIL is India’s largest non-bank foreign exchange service provider and a leader in the organized outbound travel market.

- **Expansion Plans:** Pursuing an asset-light growth model, particularly in Sterling Holiday Resorts, which is pivoting from timeshare to a hotel/resort model.
- **Acquisitions & JVs:** International expansion is funneled through strategic JVs in Sri Lanka (Tropiculture), the Middle East (Desert Adventures/Kanoo Travel), and the USA (Allied New World LLC).
- **Capacity Additions:** Sterling added 184 rooms and 6 new resorts in FY23, aiming for a "resort a month" expansion pace.
- **Segment Performance:** MICE (Meetings, Incentives, Conferences, and Exhibitions) grew 711% YoY, boosted by India's G20 presidency. Forex retail segment saw a 97% recovery vs. pre-pandemic levels.
- **Geographical Presence:** Operates a complex global structure across 28 countries.

2. Management commentary & outlook

- Management adopts a "Zero to Hero" narrative, shifting focus from survival to "Productivity Gains through Digitization."
- A significant operational milestone was reducing turnaround time for customized holiday plans from 4 days to 15 minutes.
- The demand environment is robust, though bottlenecks include visa processing delays for long-haul destinations and elevated airfares.
- Tactical responses to visa hurdles include promoting "Easy Visa" short-haul destinations and domestic cruises.
- TCIL is positioning itself as an omnichannel platform, with 50% of corporate clients now using self-booking tools.
- The Forex segment is focused on "Digital Sparsh" (Digital Touch), with card loads growing 172% YoY.
- Sterling Hospitality has successfully transitioned to a 62% guest ratio (vs. 47% pre-pandemic), moving toward a traditional hospitality model.
- New B2B platforms like "FX MATE" and "Holiday Mate" allow for scaling without increasing headcount, effectively outsourcing the sales force.
- Management views the G20-related events (37+ managed) as a signal of high-trust relationships with government entities.
- The transition of Executive Chairman and MD roles suggests a long-term commitment to the current strategic roadmap.
- **Management Tone:** Management exhibits a "Confident-Aggressive" tone, backed by successful cost-rationalization and a clear pivot to digital-first operations. There is a palpable sense of vindication regarding the difficult decisions made during 2020-2022. While acknowledging external risks like visa hurdles and airfare inflation, the focus remains on internal productivity (which rose 62-77% across key segments). The tone is high-signal, focusing on structural changes rather than just cyclical recovery.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2023	Mar 2022
Sales	5,048	1,888
Sales Growth %	167.32	137.52
Expenses	4,870	2,075
Manufacturing Cost %	73	67
Employee Cost %	15	31
Other Cost %	8	12
Operating Profit	178	-187
OPM %	4	-10
Other Income	62	55
Exceptional items	-1	-2
Other income normal	63	58
Interest	89	62
Depreciation	124	129
Profit before tax	27	-322
Tax %	61	-21
Net Profit	10	-254
Profit from Associates	0	0
Minority share	-4	25
Exceptional items AT	0	-2
Profit excl Excep	11	-252
Profit for PE	7	-227
Profit for EPS	6	-229
Profit Growth %	103	9
EPS (□)	0.14	-5.18
Dividend Payout %	291	0

Balance sheet (□Cr)

Line item	Mar 2023	Mar 2022
Equity Capital	47	44
Reserves	1,666	1,651
Borrowings	539	598
Long term Borrowings	143	128
Short term Borrowings	248	327
Lease Liabilities	147	143
Preference Capital	0	0
Other Borrowings	0	0
Other Liabilities	3,404	2,321
Non controlling int	-39	-40
Trade Payables	1,787	998
Advance from Customers	561	281
Other liability items	1,095	1,082
Total Liabilities	5,657	4,615
Fixed Assets	2,576	2,580
Land	628	657
Building	878	853
Plant Machinery	26	26
Equipments	20	20
Computers	148	122
Furniture n fittings	175	170
Vehicles	53	53
Intangible Assets	1,215	1,172
Other fixed assets	204	186
Gross Block	3,348	3,258
Accumulated Depreciation	771	679
CWIP	26	14
Investments	106	129
Other Assets	2,948	1,892
Inventories	30	22
Trade receivables	568	235
Receivables over 6m	190	0
Receivables under 6m	433	291
Prov for Doubtful	-55	-55
Cash Equivalents	761	548
Loans n Advances	569	275

Line item	Mar 2023	Mar 2022
Other asset items	1,020	813
Total Assets	5,657	4,615

Cash flow statement (□Cr)

Line item	Mar 2023	Mar 2022
Cash from Operating Activity	649	-139
Profit from operations	261	-141
Receivables	-336	-88
Inventory	-9	-4
Payables	788	210
Loans Advances	0	0
Other WC items	-11	-120
Working capital changes	434	-3
Interest paid	1	0
Direct taxes	-46	4
Cash from Investing Activity	-179	-123
Fixed assets purchased	-66	-62
Fixed assets sold	29	0
Investments purchased	-13	-9
Investments sold	3	8
Interest received	11	11
Dividends received	2	1
Invest in subsidiaries	0	0
Investment in group cos	0	0
Redemp n Canc of Shares	0	0
Acquisition of companies	0	0
Other investing items	-145	-73
Cash from Financing Activity	-230	-85
Proceeds from shares	1	4
Proceeds from debentures	0	0
Redemption of debentures	0	0
Proceeds from borrowings	790	34
Repayment of borrowings	-863	-12
Interest paid fin	-83	-61
Dividends paid	-28	-2
Financial liabilities	-47	-47
Other financing items	0	0
Net Cash Flow	239	-347
Free Cash Flow	612	-201
CFO/OP	391	76

Key ratios

Line item	Mar 2023	Mar 2022
Debtor Days	41	45
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	41	45
Working Capital Days	-102	-235
ROCE %	5	-11

3.2 Financial analysis summary

- **Revenue** staged a massive recovery, growing 167.32% to □5,048.00 Cr, driven by the post-pandemic travel rebound across segments like Sterling Group and SOTC; however, Revenue for airline tickets is recognized on a "net commission" basis, meaning the actual Gross Booking Value handled is significantly higher than reported.
- **Operating Profit** turned positive at □178.00 Cr (4.00% OPM) from a loss of □187.00 Cr, benefiting from strong operating leverage as Other Expenses grew only 67.5% YoY (□465.96 Cr) compared to the 167% Revenue surge, while Employee Cost % halved from 31% to 15% due to a net credit in ESOP expenses of □0.93 Cr.
- **Net Profit** of □10.00 Cr was heavily suppressed by a high effective Tax % of 61.00% and a rising Finance Cost of □89.00 Cr, which is linked to Total Debt of □539.00 Cr and the use of bank overdrafts (□78.00 Cr) for localized liquidity despite a strong Cash Equivalents position of □761.00 Cr.
- **CFO** of □649.00 Cr significantly outperformed PAT of □10.00 Cr (64.9x conversion), primarily driven by a □788.00 Cr increase in Trade Payables, signaling that the company is effectively financing its recovery by leaning on its global supplier network.
- **Working Capital** management shows a strategic build-up, with Trade Receivables rising 141% to □568.00 Cr and Loans n Advances jumping to □569.00 Cr, largely due to a □520.28 Cr advance to suppliers to secure inventory for upcoming seasons.
- **Balance Sheet** quality is characterized by high intangible intensity, with Intangible Assets (□1,215.00 Cr) and Deferred Tax Assets (□312.10 Cr) together representing 89% of Net Worth (□1,713.00 Cr), making the company's equity highly sensitive to the aggressive 58% sales growth assumptions used in annual Goodwill impairment testing.
- **Capital Allocation** focused on deleveraging and maintenance, with Repayment of borrowings of □863.00 Cr exceeding new proceeds, while Capex remained modest at □66.00 Cr, resulting in a strong Free Cash Flow of □612.00 Cr used to support a 291% Dividend Payout % on the small PAT.
- **Return Metrics** remain lean with ROCE at 5.00% and ROE at 0.58%, as the Asset Turnover of 0.89 indicates the asset base is not yet fully optimized, further complicated by the use of a Revaluation Model for land which inflates Net Worth and dilutes return ratios.
- **Other Assets** and Other Liabilities analysis reveals Unamortised Expenses of □97.00 Cr (deferred acquisition costs for Sterling) and Deferred Income of □669.36 Cr; these "soft assets" and liabilities create a risk where any spike in membership cancellations would necessitate immediate write-offs against PAT.
- **Other Expenses** of □465.96 Cr include sub-contractor charges and recruitment; the fact that these grew significantly slower than Revenue indicates high structural efficiency and EBITDA expansion potential.

- **Cross-statement signals** reveal a "cash-rich but profit-thin" profile where Revenue and CFO are surging due to customer advances (₹561.00 Cr) and supplier credit, but Interest Coverage remains precarious at 1.30x, leaving little margin for error if travel demand volatility impacts the aggressive growth projections.
- The dominant financial theme of the year is a **massive operational turnaround and deleveraging exercise funded by supplier credit and customer advances, resulting in high cash generation despite thin net margins.**

3.3 Contingent liabilities & commitments

- **Pending Litigations:** The Group is involved in various pending litigations; provisions have been made for material foreseeable losses on long-term and derivative contracts.
- **Capital Commitments:** Disclosed in Note 39; primarily related to ongoing digital and infrastructure projects.
- **Guarantees:** Primarily issued for subsidiary performance obligations.
- **Off-Balance Sheet Risk:** The policy for contingent liabilities includes obligations where a reliable estimate cannot be made, suggesting potential risks if legal outcomes turn unfavorable.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — high CFO driven by ₹788 Cr payable stretch, not core earnings.	—	CFO/OP ratio at 391% due to supplier financing.
2	Receivables & channel-stuffing signal	Revenue ↑ — sales growth of 167% outpaces receivable growth of 141%.	—	Accrued revenue grew 123%, slower than 167% sales growth.
3	Revenue timing	Revenue ↑ — customer advances doubled to ₹561 Cr, signaling strong future bookings.	—	Sterling membership fees recognized over effective membership period.
4	Revenue from related parties %	Neutral — related party balances are negligible at less than 0.1% revenue.	—	Related party balances are less than 0.1% of total revenue.
5	Inventory vs revenue growth	Profit ↑ — inventory growth of 36% lags revenue growth of 167%.	—	Low inventory intensity is typical for the travel service sector.
6	Inventory valuation method change	Neutral — no change in inventory valuation methods reported in accounting policies.	—	Accounting policy Note 1.10 remains consistent with prior periods.
7	Exceptional items in operating profit	Profit ↓ — small exceptional charge of ₹1 Cr has negligible earnings impact.	—	Management impaired goodwill for Luxe Asia in previous year.
8	Depreciation rate vs useful life policy	Profit ↑ — depreciation fell to ₹124 Cr despite gross block additions.	—	Revaluation model used for Sterling land may mask true asset depletion.
9	Provision reversals boosting PAT	Profit ↑ — ESOP provision reversal of ₹0.93 Cr provides minor earnings boost.	—	Reversal suggests lapse of options or revised vesting estimates.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — cash tax of ₹46 Cr exceeds P&L tax of ₹16 Cr.	—	High effective rate due to non-recognition of certain deferred tax benefits.
11	CWIP age and stalling projects	Neutral — CWIP remains immaterial at 0.4% of total asset base.	—	CWIP increased from ₹14 Cr to ₹26 Cr, indicating active projects.
12	Deferred tax asset recognition adequacy	Profit ↑ — recognition of ₹312 Cr DTA assumes significant future taxable profits.	—	DTA and Goodwill comprise 82.5% of total equity [Forensic Analysis].
13	RPT quantum and trend	Neutral — promoter stake increased to 72.3% with minimal related party leakage.	—	Promoter commitment strengthened via increased equity stake.
14	Dividend paid vs FCF adequacy	Neutral — FCF of ₹612 Cr comfortably covers dividend payout of ₹28 Cr.	—	Dividend payout ratio of 291% is sustainable only due to high CFO.
15	Goodwill Impairment Sensitivity	Profit ↑↓ — Sales growth assumptions of 58% in DCF models are aggressive.	—	Valuation is highly sensitive to travel market volatility; 10% impairment exceeds PAT by 11x.
16	Title Deeds Non-transfer	Neutral — Certain properties acquired via NCLT not yet in company name.	—	Management states transfer process is ongoing; properties held via legal schemes.
17	Data Localization Non-compliance	Neutral — Backup of reservation system for one subsidiary not kept in India.	—	Potential for regulatory penalties or operational suspension of the specific system.
18	Soft Asset Risk (Sterling)	Profit ↓ — Unamortised expenses and deferred income create write-off risk.	—	Spike in membership cancellations would necessitate immediate write-offs.

4. Management & governance

A. Auditor Report & Key Audit Matters * **Goodwill Impairment:** Carrying value of □1,101.98 Cr is material and relies on highly judgmental DCF models with aggressive sales growth assumptions up to 58%. Management performed sensitivity testing; no impairment was triggered in FY23. * **Title Deeds Qualification:** Title deeds for certain properties acquired via NCLT schemes (TCIL and Sterling) are not yet in the company's name. Management stated the transfer process is ongoing. * **Data Localization Non-compliance:** Backup of the customer reservation system for one subsidiary was not kept on servers physically located in India, violating regulatory requirements. * **Audit Opinion:** Unqualified. * **Auditor Change:** M/s. B S R & Co. LLP re-appointed for a second 5-year term.

B. Related Party Transactions | Party | Relationship | Nature | Amount (□Cr) | Concern | | :--- | :--- | :--- | :--- | :--- | | Fairbridge Capital (Mauritius) Ltd | Ultimate Holding Co | Equity Conversion | 13.29 Cr | **Positive:** Conversion of occrps into equity at □47.30/share signals long-term promoter backing. | | Trade Receivables | Related Parties | Outstanding Balances | 1.11 Cr | Minimal risk; represents less than 0.1% of total revenue. | | Interest Receivable | Related Parties | Financial | 0.01 Cr | Negligible economic impact. | | Advance to Related Parties | Related Parties | Financial | 0.15 Cr | Negligible economic impact. |

C. Shareholding | Shareholder category | Mar 2023 (%) | Mar 2022 (%) | | :--- | ---: | ---: | | Promoters | 72.34 | 70.58 | | FIIs | 0.00 | 0.00 | | DIIs | 11.00 | 11.00 | | Public | 16.66 | 18.42 | | Total | 100.00 | 100.00 |

- **Pledged shares:** 0.00% of promoter holding.

D. Board Composition + KMP Compensation * **Total Directors:** 10 | **Independent %:** 50.00% (5 Directors) | **Women Directors:** 2. * **KMP Compensation:** * Madhavan Menon (Executive Chairman): 109% YoY Growth. * Mahesh Iyer (MD & CEO): 100% YoY Growth. * Brijesh Modi (CFO): 55% YoY Growth. * Amit J. Parekh (CS): 14% YoY Growth. * **Analysis:** Compensation growth is high but coincides with a massive operational turnaround from a □187 Cr loss to a □178 Cr profit. Growth includes Performance Linked Variable Bonus (PLVB), which was zero in the prior year. No KMPs sharing the same family name were disclosed.

F. Capital Allocation & Capex | Action | FY current (□Cr) | FY prior (□Cr) | % of CFO | Signal | | :--- | ---: | ---: | ---: | :--- | | Dividends | 28.00 | 2.00 | 4.31 | — | | Capex | 66.00 | 62.00 | 10.17 | — | | Net Debt Change | -72.94 | 22.00 | N/M | **Positive:** Net repayment of borrowings. | | Working Capital Investment | 434.00 | -3.00 | 66.87 | — | | Interest Payments | 83.00 | 61.00 | 12.79 | — | | Equity Issuance | 1.00 | 4.00 | 0.15 | — | | Asset Sales | 29.00 | 0.00 | 4.47 | — |

CAPEX Analytical Notes: * **CFO Coverage of Capex**: **CFO (□649.00 Cr)** covers Capex (□66.00 Cr) by 9.8x, indicating high self-funding capacity. * **Nature of Capex**: Primarily maintenance and digital infrastructure (ASTRA, canvas platforms) to drive per-person productivity. * **Capex Deployment Efficiency**: **Revenue** grew 167% on a flat capex base, signaling high efficiency in utilizing existing digital assets. * **Key Takeaways**: The shift toward an **asset-light model in Sterling Holidays** is reducing the need for heavy capital deployment in physical resorts.

H. Risks * 1. ***Goodwill Impairment*** (Asset Quality): Carrying value of □1,101.98 Cr. A 10% impairment would wipe out □110 Cr of profit, exceeding current Net Profit by 11x. (High) * 2. ***Visa & Airfare Volatility*** (Operational): Challenges in long-haul visas and elevated airfares could suppress outbound volumes. (Medium) * 3. ***Credit Risk*** (Financial): Allowance for ECL is □55.49 Cr on □622.99 Cr gross receivables. High provision rate (8.9%) indicates inherent collection risks. (Medium) * 4. ***Data Localization*** (Regulatory): Non-compliance with Indian server requirements for a subsidiary could lead to penalties. (Medium) * 5. ***Lease Commitments*** (Liquidity): Undiscounted lease liabilities of □174.50 Cr represent fixed cash outflows. (Low)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	4	→	167% Revenue growth; 711% MICE growth	Strong market leadership and successful digital pivot, though cyclical.
Financial health	4	↑	D/E 0.31x; CFO □649 Cr > PAT □10 Cr	Robust cash generation and deleveraging, though interest coverage is thin.
Earnings quality	3	→	CFO/PAT 64.9x; 82.5% Equity is Intangibles	High cash flow but PAT is thin and reliant on aggressive goodwill assumptions.
Management & governance	4	→	72.3% Promoter stake; 0% Pledge	High transparency and promoter backing, despite minor regulatory/KAM flags.
Capital allocation & earnings visibility	4	↑	FCF □612 Cr; Asset-light Sterling model	Disciplined capex and high visibility through customer advances.

Business positives (for this company this year) * **Revenue Recovery:** Staged a 167.32% growth to □5,048 Cr, signaling a full post-pandemic rebound. * **Operational Turnaround:** Operating Profit swung from a □187 Cr loss to a □178 Cr profit. * **Strong Cash Generation:** CFO of □649 Cr significantly exceeds PAT, providing high liquidity. * **Deleveraging:** Net repayment of borrowings and a reduction in D/E to 0.31x. * **Digital Efficiency:** Productivity per person rose 62-77% due to digital platform adoption. * **Promoter Backing:** Promoter stake increased to 72.34% with zero pledging.

Business negatives / concerns (for this company this year) * **Intangible Intensity:** Goodwill and DTAs comprise 82.5% of total equity, creating high impairment risk. * **Thin Net Margins:** PAT of □10 Cr on □5,048 Cr revenue (0.2% margin) leaves no room for error. * **Aggressive Assumptions:** Goodwill testing relies on sales growth projections of up to 58%. * **Regulatory Non-compliance:** Data localization issues and pending title deed transfers for NCLT properties. * **Credit Risk:** High ECL provision rate of 8.9% on trade receivables.

Overall scorecard summary Thomas Cook (India) Ltd has demonstrated a powerful operational recovery, characterized by massive revenue growth and a successful pivot to a digital-first, asset-light model. While the company is currently "cash-rich" due to favorable working capital dynamics and supplier credit, it remains "profit-thin" with high sensitivity to interest costs and intangible impairments. Governance is strong with high promoter alignment, though the balance sheet's reliance on goodwill requires close monitoring. The business is on a stable-to-improving trajectory as it converts volume recovery into structural margin expansion.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 9/10 — Governance Rating: 4"

Part c: investor verdict

Thesis: TCIL is a high-operating-leverage play on the Indian travel boom, currently transitioning from a recovery phase to a structurally more efficient, digitally-led cash generator.

Overall stance: ACCUMULATE

Rationale: Strong cash flow and deleveraging provide a safety net, while digital productivity gains offer significant margin upside as volumes scale. Re-evaluate when: Interest Coverage Ratio falls below 1.0x or if a material Goodwill impairment (>□50 Cr) is taken. BULL CASE: OPM expands to 6-7% as visa hurdles ease, driving PAT to □150 Cr+ on the current revenue base. BEAR CASE: A 10% impairment of Goodwill wipes out the entire net worth and halts the dividend cycle. Key monitorable: Trade Payable Days → watch for any sudden contraction in supplier credit.