Thomas Cook (India) Ltd — FY 2026 Annual Report Analysis

Annual Report Analysis (Consolidated)

Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	Thomas Cook (India) Ltd is transitioning into a digital-first travel-tech platform, leveraging a dominant market position and an AD-II forex license to drive a 53% touchless transaction rate in corporate travel.	□
2	***Revenue growth remained tepid at 3.18% YoY (8,398 Cr), failing to keep pace with rising operational costs and resulting in a 100bps compression in operating profit margins to 5.00%.***	□
3	***Reported PAT of 220 Cr was heavily supported by a 25.65 Cr exceptional gain from property sales, masking a 13.6% decline in consolidated Profit Before Tax.***	□
4	The balance sheet maintains a conservative leverage profile with a D/E ratio of 0.21x and a CRISIL AA/Stable rating, supported by a substantial cash float of □1,094 Cr.	□
5	***Return on Capital Employed (ROCE) deteriorated from 19% to 15%, signaling that recent capital deployments are currently yield-dilutive rather than accretive.***	□
6	**Cash flow generation remains the primary fundamental strength, with Cash Flow from Operations (CFO) at □643 Cr providing a robust 2.9x coverage of PAT.**	□
7	***Net worth is significantly inflated by a 822.83 Cr land revaluation surplus, which artificially depresses return ratios and obscures the true extent of financial leverage.***	□
8	***Earnings quality is compromised by significant contingent liabilities of 302.42 Cr in disputed tax demands, a figure that exceeds the company's entire annual net profit.***	□
9	***Governance concerns are highlighted by a 17.1 Cr ex-gratia payment to the outgoing Chairman (7.7% of PAT) and a board structure where independence remains below the 50% threshold.***	□
10	***Structural risks persist within foreign subsidiaries, specifically Asian Trails and Desert Adventures, which carry massive negative reserves totaling 3,137.08 Cr.***	□
11	The outlook is centered on the strategic demerger of Sterling Holiday Resorts by FY27, aimed at simplifying the capital structure and eliminating the conglomerate discount.	□
12	**Investment View: ACCUMULATE; the thesis rests on the demerger catalyst and cash conversion strength, with digital forex penetration (currently 21.2%) and margin stability as key monitorables.**	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Operates across Financial Services (Forex), Travel & Related Services, Digital Imaging (DEI), and Resort Management (Sterling Holiday Resorts).
- **Revenue Drivers:** Primarily driven by foreign subsidiaries, with **Asian Trails Holding Limited** contributing 57.60% (□1,288.56 Cr) and **DEI Holdings Limited** contributing 36.15% (□808.64 Cr) of subsidiary revenue.
- **Cost Drivers:** Significant reliance on human capital and technology; **Employee Cost** rose to 14% of **Sales**, driven by a spike in share-based payments (□11.53 Cr) and a □30.10 Cr provision for New Labour Codes.

- **Industry Position:** TCIL is the only non-bank issuer of RuPay, Visa, and Mastercard forex cards in India, maintaining a structural advantage through AD-II licensing and a physical airport footprint.
- **Expansion Plans:** Strategic pivot toward a "Travel-Tech Platform" with a focus on digital decoupling; digital penetration in Forex reached 21.2%.
- **Acquisitions & Restructuring:** Executing a **Composite Scheme of Arrangement** to demerge Sterling Holiday Resorts into a separately listed entity to solve the "conglomerate discount."
- **Capacity Additions:** Focused on digital transformation (TACY Agentic AI, Raahi platform) and resort upgrades; **CWIP** decreased to ₹8.00 Cr as major projects were capitalized.
- **Segment Performance:** Financial Services saw 3.5x booking growth via the TCPay app; Travel segments are shifting toward "Visa-Free" short-haul and "Premium Pilgrimage" (Bhakti/Darshans).
- **Geographical Presence:** High exposure to the Middle East (DEI segment) and Southeast Asia (Asian Trails); management is redirecting demand to Eastbound routes (China/Japan) to mitigate geopolitical risks.

2. MANAGEMENT COMMENTARY & OUTLOOK

- Management is executing a fundamental strategic shift from a conglomerate to specialized entities via the demerger of **Sterling Holiday Resorts Limited (SHRL)** to decouple capital-intensive hospitality from high-velocity travel/forex businesses.
- The capital structure is being "right-sized" through a 4:1 share consolidation and a capital reduction (face value ₹4 to ₹3) to improve EPS optics and ROE signaling post-demerger.
- Leadership transition marks the end of the Madhavan Menon era, with a shift in tone from "Recovery/ Resilience" to **"Reinvention/AI-Evangelism,"** targeting a "touchless" operational model.
- Growth guidance is centered on digital acquisition, exemplified by the **Blinkit** partnership for 10-minute forex card delivery, moving forex into the "impulse/convenience" category.
- The demand environment is being managed through a "portfolio approach" to geopolitical risk, rapidly redirecting demand from conflict-prone regions (Middle East/North India) to South/West India and Eastbound international routes.
- Corporate travel strategy focuses on operating leverage, achieving a **53% touchless transaction rate** to scale volumes without linear headcount increases.
- Management highlighted the **"Green Carpet"** carbon tracking tool as a key partnership/sticky feature for ESG-conscious MNC clients.
- The long-term vision is to transform TCIL into a pure-play "Indian Traveler's Wallet" (Forex + Travel) with a tech-led, asset-light cost structure.
- **Management Tone:** The tone is highly strategic and valuation-sensitive, characterized by sophisticated accounting maneuvers and a clear focus on digital efficiency. However, the approval of a ₹17.1 Cr ex-gratia payment to the outgoing Chairman during a year of declining consolidated PBT suggests a management culture that prioritizes executive rewards over minority shareholder alignment, creating a "yellow flag" despite operational agility.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Sales -	8,398.00	8,140.00
Sales Growth %	3.18	11.51
Expenses -	7,971.00	7,662.00
Manufacturing Cost %	0.00	75.00
Employee Cost %	14.00	13.00
Other Cost %	81.00	6.00
Operating Profit	428.00	478.00
OPM %	5.00	6.00
Other Income -	157.00	141.00
Exceptional items	-6.00	-5.00
Other income normal	163.00	146.00
Interest	95.00	95.00
Depreciation	160.00	142.00
Profit before tax	330.00	382.00
Tax %	33.00	32.00
Net Profit -	220.00	258.00
Minority share	-2.00	-4.00
Exceptional items AT	-4.00	-3.00
Profit excl Excep	224.00	262.00
Profit for PE	223.00	257.00
Profit for EPS	219.00	254.00
Profit Growth %	-13.00	-1.00
EPS in Rs	4.65	5.41
Dividend Payout %	11.00	8.00

Balance Sheet (□Crores)

Line Item	Mar 2026	Mar 2025
Equity Capital	47.00	47.00
Reserves	2,499.00	2,213.00
Borrowings -	539.00	465.00
Long term Borrowings	55.00	99.00
Short term Borrowings	222.00	141.00
Lease Liabilities	262.00	225.00
Preference Capital	0.00	0.00
Other Borrowings	0.00	0.00
Other Liabilities -	4,813.00	4,303.00
Non controlling int	-23.00	-23.00
Trade Payables	2,814.00	2,508.00
Advance from Customers	0.00	754.00
Other liability items	2,021.00	1,064.00
Total Liabilities	7,899.00	7,028.00
Fixed Assets -	3,149.00	2,809.00
Land	0.00	766.00
Building	0.00	1,047.00
Plant Machinery	0.00	32.00
Equipments	0.00	21.00
Computers	0.00	169.00
Furniture n fittings	0.00	186.00
Vehicles	0.00	62.00
Intangible Assets	1,410.00	1,239.00
Other fixed assets	0.00	226.00
Gross Block	0.00	3,748.00
Accumulated Depreciation	0.00	939.00
CWIP	8.00	93.00
Investments	287.00	134.00
Other Assets -	4,455.00	3,992.00
Inventories	50.00	36.00
Trade receivables -	663.00	632.00
Receivables over 6m	0.00	120.00
Receivables under 6m	0.00	564.00
Prov for Doubtful	0.00	-53.00
Cash Equivalents	1,094.00	1,004.00
Loans n Advances	522.00	528.00

Line Item	Mar 2026	Mar 2025
Other asset items	2,126.00	1,792.00
Total Assets	7,899.00	7,028.00

Cash Flow Statement (□Crores)

Line Item	Mar 2026	Mar 2025
Cash from Operating Activity -	643.00	717.00
Profit from operations	498.00	536.00
Receivables	-35.00	-1.00
Inventory	-14.00	4.00
Payables	306.00	351.00
Loans Advances	0.00	0.00
Other WC items	-75.00	-79.00
Working capital changes	183.00	276.00
Interest paid	0.00	0.00
Direct taxes	-38.00	-94.00
Cash from Investing Activity -	-408.00	-325.00
Fixed assets purchased	-126.00	-117.00
Fixed assets sold	49.00	9.00
Investments purchased	-151.00	0.00
Investments sold	0.00	0.00
Interest received	94.00	56.00
Dividends received	0.00	0.00
Invest in subsidiaries	0.00	0.00
Investment in group cos	-3.00	0.00
Redemp n Canc of Shares	0.00	0.00
Acquisition of companies	0.00	0.00
Other investing items	-271.00	-273.00
Cash from Financing Activity -	-189.00	-183.00
Proceeds from shares	2.00	3.00
Proceeds from debentures	0.00	0.00
Redemption of debentures	0.00	0.00
Proceeds from borrowings	0.00	25.00
Repayment of borrowings	-13.00	-28.00
Interest paid fin	-65.00	-70.00
Dividends paid	-28.00	-33.00
Financial liabilities	-84.00	-80.00
Other financing items	0.00	0.00
Net Cash Flow	46.00	210.00
Free Cash Flow	566.00	609.00
CFO/OP	159.00	170.00

Key Ratios (₹Crores)

Line Item	Mar 2026	Mar 2025
Debtor Days	29.00	28.00
Inventory Days	0.00	0.00
Days Payable	0.00	0.00
Cash Conversion Cycle	29.00	28.00
Working Capital Days	-75.00	-63.00
ROCE %	15.00	19.00

3.2 Financial Analysis Summary

- **Revenue** reached **₹8,398.00 Cr**, representing a modest **3.18% YoY growth** primarily driven by the **Asian Trails Holding Limited** subsidiary contributing **₹1,288.56 Cr** (57.60% of subsidiary revenue), which correlated with a slight increase in **Trade Receivables** to **₹663.00 Cr** on the **Balance Sheet**, though the **Operating Profit** margin compressed from **6.00%** to **5.00%** due to stagnant growth in the DEI Holdings segment (**₹808.64 Cr**).
- **Profit Before Tax** of **₹330.00 Cr** was significantly bolstered by a non-recurring **Other Income** gain of **₹25.65 Cr** from the sale of a Gurugram property, which partially mitigated the **₹30.10 Cr Exceptional Item** provision for the New Labour Code and a **₹4.72 Cr** MTM loss on Quess Corp shares, though the non-cash nature of these provisions helped maintain **Cash from Operating Activity** at **₹643.00 Cr**.
- **Employee Cost** rose to **14%** of **Sales**, driven by a sharp spike in share-based payment expenses from **₹0.04 Cr** to **₹11.53 Cr** following the grant of 6,734,553 ESOP options, a structural increase that contributed to the decline in **Net Profit** to **₹220.00 Cr** and is reflected in the lower **CFO/OP** ratio of **159.00** compared to **170.00** in the prior year.
- **Working Capital** efficiency remains a concern as **Other Financial Assets** on the **Balance Sheet** bloated to **₹1,124.66 Cr**, including restricted funds for prepaid cards, while the company continues to rely heavily on **Trade Payables** of **₹2,814.00 Cr** for operational funding, resulting in a **Working Capital Days** figure of **-75.00**.
- **Total Assets** expanded to **₹7,899.00 Cr**, but asset quality is impacted by heavy encumbrance with **₹3,287.56 Cr** of assets pledged as security and a **Net Worth** inflated by a revaluation of land to **₹899.43 Cr** against a historical cost of only **₹76.60 Cr**, which artificially depresses the **Debt/Equity** ratio of **0.21**.
- **Total Debt** (Borrowings) rose to **₹539.00 Cr** from **₹465.00 Cr**, primarily driven by **Short term Borrowings** increasing to **₹222.00 Cr** to manage liquidity, while the **Cash Flow Statement** shows **Interest paid fin** of **₹65.00 Cr**, which is well-covered by the **Cash Equivalents** balance of **₹1,094.00 Cr**, despite **₹615.81 Cr** of that cash being pledged.
- **ROCE** deteriorated from **19.00%** to **15.00%** (or **25.96%** from **33.99%** per specific subsidiary notes) as **Depreciation** rose to **₹160.00 Cr** following additions to **Fixed Assets** (**₹3,149.00 Cr**), indicating that recent capital allocations and the revalued asset base are not yet yielding proportional increases in **EBIT**, while **ROE** fell to **9.46%**.
- **Free Cash Flow** of **₹566.00 Cr** supported an increased **Dividend Payout %** of **11.00%**, even as the company faced high **Contingent Liabilities** exceeding **₹300 Cr** for tax matters and maintained a significant **Intangible Assets** balance of **₹1,410.00 Cr** on the **Balance Sheet**.
- **Other Financial Assets** grew by **29.7% YoY** to **₹1,124.66 Cr**, significantly outpacing revenue growth, suggesting a buildup of restricted cash or security deposits that are not immediately available for operations, potentially tightening liquidity despite high cash balances.

- **Other Expenses** were impacted by a ₹**30.10 Cr** provision for the New Labour Code and a ₹**4.72 Cr** MTM loss on Quess Corp shares, representing a structural hit to margins and non-operating drag on earnings quality respectively.
- The dominant financial theme of the year is a transition toward a higher-cost structure where **Revenue** growth failed to protect **Operating Profit** margins, leading to a reliance on one-time asset sales and **Balance Sheet** revaluations to mask underlying return compression and operational stagnation.

3.3 Contingent Liabilities & Commitments

- **Tax Litigation Risk:** Total tax-related contingencies (Direct, Indirect, and Luxury Tax) exceed ₹**300 Cr**. This includes ₹**209.47 Cr** in Direct/Indirect tax matters and ₹**92.95 Cr** in Luxury Tax demands specifically relating to the Sterling Group for the period 2012-2018.
- **Regulatory Action:** An Enforcement Directorate (ED) penalty of ₹**6.16 Cr** is currently under appeal in the Madras High Court, following a SAFEMA Tribunal reduction to ₹**3.99 Cr**.
- **Disputed Claims:** Disputed claims from clients and vendors total ₹**67.58 Cr**.
- **Capital Commitments:** The company has outstanding capital commitments of ₹**40.85 Cr**.
- **Provident Fund Uncertainty:** An unquantified contingent liability exists regarding the Supreme Court judgment on PF contributions for past periods; only ₹**0.45 Cr** has been specifically provided.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — high cash conversion	□	PAT □220 Cr, CFO □643 Cr (FY26).	CFO/OP ratio at 159% indicates strong cash generation despite lower net profit.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — receivables growth 4.9% slightly outpaces sales growth of 3.18%.	□	Receivables □663 Cr vs □632 Cr; Sales □8,398 Cr.	Receivable turnover ratio improved to 12.97; inventory is negligible at □0.11 Cr.
3	Revenue timing (unbilled / contract assets)	Revenue ↑↓ — agency model reliance; other financial assets grew 29.7% YoY.	□	Other Financial Assets □1,124.66 Cr vs □867.06 Cr.	Auditor KAM focuses on agency vs principal recognition and restricted prepaid card funds.
4	Revenue from related parties %	Neutral — minimal direct revenue impact; associate revenue contracted by 26.7%.	□	TCI Go Vacation revenue □47.15 Cr vs □64.35 Cr.	Associate contribution is small relative to □8,398 Cr consolidated sales.
5	Inventory vs revenue growth	Neutral — service-based model; inventory remains immaterial to the total balance sheet.	□	Inventory □50 Cr (P&L) vs □0.11 Cr (Notes).	Pure service nature reduces obsolescence risk but increases reliance on human capital.
6	Inventory valuation method change	Neutral — no change in policy; inventory is not a material earnings driver.	□	Inventory at □50 Cr is <1% of total assets.	Accounting policy confirms service nature with negligible physical stock requirements.
7	Exceptional items in operating profit	Profit ↑ — one-time property gain of □25.65 Cr masks core margin pressure.	□	Exceptional gain □25.65 Cr; Labour provision □30.10 Cr.	Aggressive use of exceptional classification to normalize EBITDA despite cash-outflow nature.
8	Depreciation rate vs useful life policy	Profit ↓ — depreciation increased 12.6% despite stagnant sales growth of 3.18%.	□	Depreciation □160 Cr (FY26) vs □142 Cr (FY25).	Increase likely linked to higher asset base from revaluations and IT investments.
9	Provision reversals boosting PAT	Profit ↑ — property sale gain offsets structural hit from new labour codes.	□	Net exceptional items -□6 Cr in P&L.	□30.10 Cr provision for New Labour Code is a significant non-recurring charge.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — cash tax paid significantly lower than P&L tax provision.	□	P&L Tax 33% (□109 Cr); Direct Taxes paid □38 Cr.	Large variance between P&L tax and cash tax suggests significant deferred tax timing.
11	CWIP age and stalling projects	Neutral — CWIP reduced significantly; no evidence of long-term project stalling.	□	CWIP □8 Cr (FY26) vs □93 Cr (FY25).	Reduction in CWIP suggests successful capitalization of ongoing technology or infrastructure projects.
12	Deferred tax asset recognition adequacy	Profit ↑↓ — tax contingencies exceed □300 Cr, posing future liquidity risks.	□	Tax contingencies □209.47 Cr + Luxury tax □92.95 Cr.	Material contingencies relative to PAT; PF liability remains unquantified due to interpretative challenges.
13	RPT quantum and trend	Profit ↓ — loss-making JVs and impaired associates erode the group net worth.	□	500 FT SPV loss □14.36 Cr; Traveljunkie fully impaired.	Complex JV structures like Indian Horizon include shares with no voting/dividend rights.

#	Check	Impact	Status	Evidence	Notes Detail
14	Dividend paid vs FCF adequacy	Neutral — dividend payout is well-covered by high free cash flow.	□	Dividends □28 Cr; Free Cash Flow □566 Cr.	FCF provides 20x coverage for dividends, indicating high payout sustainability despite PAT drop.
15	Land Revaluation Policy	Profit ↑ — revaluation of land to □899.43 Cr from □76.60 Cr cost.	□	Revaluation surplus of □822.83 Cr.	Inflates Net Worth and lowers Debt-Equity ratio, potentially masking true leverage.
16	Subsidiary Solvency	Neutral — foreign subsidiaries have significant negative reserves.	□	Asian Trails and Desert Adventures combined negative reserves □3,137.08 Cr.	Subsidiaries are heavily reliant on the parent for financial support.
17	Auditor KAM: Property Title Risks	Neutral — Supreme Court "Status Quo" order on key property.	□	Ooty Fernhill property NBV □82.88 Cr.	Legal uncertainty regarding title of significant hospitality assets.

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit opinion type:** Unqualified. * **KAM 1: Property Title Risks:** The auditor flagged the title of various properties under the Sterling Group, specifically the Ooty Fernhill property with a Net Book Value of **□82.88 Cr**, which is under a "Status Quo" order by the Supreme Court. * **KAM 2: Revenue Recognition (Agency vs Principal):** Focus on whether revenue is recognized gross or net across diverse subsidiaries like Asian Trails and DEI. High "Other Financial Assets" of **□1,124.66 Cr** include customer advances critical for cut-off testing. * **KAM 3: Recoverability of Advances:** A property in Goa has **□5.27 Cr** retained by the buyer since 2015-16, currently under litigation. Management considers it "good," but the auditor notes high estimation uncertainty due to the prolonged trial. * **Auditor change during the year:** None. M/s B S R & Co. LLP is in its second term.

B. Related Party Transactions | Party | Relationship | Nature | Amount (Cr) | Concern | |:---|:---|:---|:---|:---| | **Fairbridge Capital (Mauritius)** | Promoter | Dividend Paid | 14.99 Cr | **63.83% of total dividend payout.** | | ***Indian Horizon Marketing Services*** | Joint Venture | Investment/Call Money | 0.53 Cr | ***Complex capital structure with Class A shares carrying no voting/dividend rights.*** | | ***Traveljunkie Solutions Pvt Ltd*** | Associate | Write-off | 0.00 Cr | ***Investment fully impaired as entity ceased operations; signals risk in start-up investments.*** | | ***500 FT SPV Limited*** | Joint Venture | Share of Loss | 14.36 Cr | ***Balloon business JV eroding net worth; losses restricted to investment value.*** | | **TCI Go Vacation India Pvt Ltd** | Associate | Receivable Balance | 3.37 Cr | **Revenue contracted from 64.35 Cr to 47.15 Cr.** |

RPT Verdict: Monitor □— While the quantum is low (0.04% of revenue), the full impairment of Traveljunkie and losses in the 500 FT JV indicate poor capital allocation in non-core travel experiments.

C. Shareholding | Category | Mar 2026 (%) | Mar 2025 (%) | |:---|---:|---:| | **Promoters** | 63.83 | 63.83 | | FIIs | 6.52 | 6.84 | | DIIs | 10.12 | 9.45 | | Public | 19.53 | 19.88 | * **Pledged Shares:** 0.00% of promoter holding.

D. Board Composition + KMP Compensation * **Total Directors:** 9 | **Independent %:** 44.44% (Below the 50% threshold for companies with a Non-Independent Chairman). * **Women Directors:** 1 (Sharmila Karve). * **KMP Compensation:** * ***Madhavan Menon (Ex-Chairman):*** **□17.10 Cr** (includes ex-gratia payment for 25 years of service, representing 7.7% of FY26 Net Profit). * **Mahesh Iyer (MD & CEO):** □8.37 Cr (Prior year). * **Analysis:** Aggregate KMP pay is stable despite a 10.46% decline in Operating Profit. Share-based payment expenses surged from **□0.04 Cr to □11.53 Cr** due to the ESOP 2024 scheme with an exercise price of only □1.0, signaling significant future dilution.

F. Capital Allocation & Capex | Action | FY Current (Cr) | FY Prior (Cr) | % of CFO | Signal | |:---|---:|---:|---:|:---| | **Dividends** | 28.00 | 33.00 | 4.35 | □| | ***Capex (Fixed Assets)*** | 126.00 | 117.00 | 19.60 | □| | ***Investments (Financial)*** | 151.00 | 0.00 | 23.48 | □| | ***Net Debt Change*** | 74.00 | -74.00 | 11.51 | ***Deterioration*** | | ***Working Capital Investment*** | 183.00 | 276.00 | 28.46 | □| | **Asset Sales** | 49.00 | 9.00 | 7.62 | **Positive** |

CAPEX Analytical Notes: * **CFO Coverage:** CFO (**□643 Cr**) covers Capex (**□126 Cr**) by **5.10x**, showing strong self-funding capability. * **Nature of Capex:** Focused on digital transformation (TACY Agentic AI, Raahi platform) and resort upgrades. **CWIP decreased to □8.00 Cr**, suggesting major projects were capitalized. * **Deployment Efficiency:** Revenue grew only **3.18%** despite a **7.7% increase in Capex**, indicating a lag in returns from digital investments. * **Key Takeaways:** The **Gurugram property sale (□25.65 Cr gain)** masked operational weakness, while the **New Labour Code provision (□30.10 Cr)** represents a structural hit to future margins.

H. Risks * ***Cybersecurity:*** Dec 31, 2024 malware attack required total system shutdown. Impact: Potential data loss and peak-season disruption. (High Severity) * ***Tax Litigation:*** **□302.42 Cr total contingency** exceeds annual PAT. Impact: Significant future cash outflow risk. (High Severity) * ***Land Revaluation:*** Freehold land revalued to **□899.43 Cr** from **□76.60 Cr** cost. Impact: **Inflates Net Worth by □822.83 Cr**, masking true leverage. (Medium Severity) * ***ESOP Dilution:*** 6.73 Mn options granted at □1.0 exercise price. Impact: Significant EPS dilution and non-cash cost spike. (Medium Severity) * ***Subsidiary Solvency:*** Asian Trails and Desert Adventures have **□3,137.08 Cr combined negative reserves**. Impact: Heavy reliance on parent for financial support. (High Severity)

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1–5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	53% touchless corporate travel; AD-II license moat.	Strong market position and digital pivot offset by geopolitical sensitivity.
Financial Health	4	↓	D/E 0.21x; CFO □643 Cr > PAT □220 Cr.	Strong cash generation but ROCE deteriorated from 19% to 15%.
Earnings Quality	2	↓	Exceptional gain □25.65 Cr; Tax contingencies > PAT.	PAT supported by one-time asset sales and revaluation-led equity inflation.
Management & Governance	3	↓	Ex-gratia □17.1 Cr; Board < 50% Independent.	High executive payouts despite falling profits and board independence gaps.
Capital Allocation & Earnings Visibility	3	↓	ROCE 15% vs 19%; ESOP dilution risk.	Reinvesting with diminishing returns; demerger provides visibility but current lag is evident.

BUSINESS POSITIVES (for this company this year) * □**Strong Cash Conversion: CFO of □643 Cr** significantly exceeds **PAT of □220 Cr**, indicating high-quality cash generation from operations. * □**Digital Efficiency:** Achieved a **53% touchless transaction rate** in corporate travel, driving operating leverage. * □ **Strategic Demerger:** The demerger of **Sterling Holiday Resorts** is a clear catalyst to unlock value and simplify the capital structure. * □**Credit Strength: CRISIL AA/Stable** rating upgrade validates the balance sheet strength and massive cash float. * □**Market Innovation:** Partnership with **Blinkit** for 10-minute forex delivery expands the customer acquisition funnel.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * □**Margin Compression: Operating Profit margin** compressed from 6.00% to 5.00% as revenue growth (3.18%) failed to offset rising costs. * □ **Governance Flags:** **□17.1 Cr ex-gratia payment** to outgoing Chairman despite a 13.6% fall in consolidated

PBT. * □**Contingent Liability Risk:** Total tax-related contingencies of □**302.42 Cr** exceed the annual PAT, posing a material liquidity risk. * □**Balance Sheet Inflation:** Net worth is inflated by a □**822.83 Cr land revaluation surplus**, which masks true leverage and depresses ROCE. * □**Subsidiary Solvency:** Major foreign subsidiaries have **negative reserves of □3,137.08 Cr**, indicating heavy reliance on the parent.

OVERALL SCORECARD SUMMARY Thomas Cook (India) Ltd exhibits a dichotomy between strong operational cash flows and deteriorating earnings quality. While the business maintains a solid competitive moat and is successfully pivoting to a digital-first model, current profitability is heavily reliant on one-time asset sales and accounting revaluations. Governance remains a concern due to high executive compensation relative to performance and a board structure that lacks majority independence. The company is on a stable but cautious trajectory, where the upcoming demerger serves as the primary catalyst for structural improvement.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	□	Unqualified opinion (p.72).
2	Promoter pledge = 0?	□	0.00% pledged (p.65).
3	KMP pay < 5% of PAT?	□	Ex-Chairman ex-gratia alone is 7.7% of PAT.
4	RPT quantum < 5% of revenue?	□	RPT is 0.04% of revenue.
5	Board > 50% independent?	□	44.44% independent (4 out of 9).
6	At least 1 woman director?	□	Sharmila Karve (p.61).
7	No statutory dues outstanding?	□	Disputed tax demands of □302.42 Cr.
8	No fraud reported?	□	No fraud reported in auditor's report.
9	Audit trail enabled?	□	Confirmed in auditor's report.
10	Frequent Auditor change	□	M/s B S R & Co. LLP in second term.
Final line: "Total: 7/10 □— Governance Rating: 3"			

Part C: Investor Verdict

THESIS: TCIL is a cash-rich travel-tech platform undergoing a value-unlocking demerger, currently masked by high legacy costs and geopolitical headwinds.

OVERALL STANCE: ACCUMULATE

RATIONALE: Strong operational cash flows (CFO > PAT) and the Sterling demerger catalyst outweigh temporary margin pressure and governance "yellow flags." RE-EVALUATE WHEN: Operating Profit Margin falls below 4% OR the Sterling demerger is delayed beyond FY27. BULL CASE: Successful demerger leads to a 200bps margin expansion in the asset-light TCIL core, driven by 60%+ touchless transactions. BEAR CASE: Crystallization of □300 Cr+ tax liabilities coincides with a prolonged Middle East conflict, wiping out 1.5 years of PAT. KEY MONITORABLE: Digital Penetration in Forex: 21.2% → Watch for 25%.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Management Tone	Focused on "Resilience" and "Turnaround" post-pandemic.	Focused on "Reinvention," "AI-Evangelism," and structural demerger.	Management has shifted from a defensive recovery posture to an aggressive, tech-centric strategy aimed at unlocking valuation through corporate restructuring.
Margin Trajectory	Operating Profit Margin (OPM) at 6.0%.	Operating Profit Margin (OPM) compressed to 5.0%.	Profitability is currently regressing as modest revenue growth is being outpaced by rising employee costs and digital transformation expenses.
Capital Allocation	Focused on deleveraging (₹125 Cr debt repayment) and Nature Trails acquisition.	Focused on demerging Sterling Holiday Resorts and capital reduction (face value change).	The strategy has evolved from simple debt reduction toward complex financial engineering and asset-light decoupling to address the conglomerate discount.
Earnings Quality (One-offs)	Boosted by a ₹4.93 Cr provision reversal for stamp duty.	Supported by a ₹25.65 Cr property sale gain masking a ₹30.10 Cr labor provision.	Reported profits are increasingly reliant on non-recurring asset disposals to offset structural hits to the operating cost base.
Working Capital Anomalies	Driven by a ₹754 Cr interest-free customer advance float.	Driven by a 29.7% spike in "Other Financial Assets" (₹1,124 Cr).	The liquidity profile is becoming more opaque as a larger portion of the cash float is now tied up in restricted funds and security deposits.
Governance (KMP Pay)	Chairman pay grew 21% following an operational turnaround.	Ex-Chairman received a ₹17.1 Cr ex-gratia payment (7.7% of PAT) during a year of profit decline.	Executive rewards have become increasingly decoupled from bottom-line performance, signaling a heightening of governance risk for minority shareholders.

7.2 Persistent Patterns

- **Cash Flow from Operations (CFO) consistently and significantly exceeds Net Profit**, confirming a high-quality, cash-generative business model that thrives on negative working capital.
- **Goodwill and Intangible assets represent over 50% of Net Worth**, maintaining a permanent and material impairment risk that could wipe out multiple years of earnings.
- **Land assets remain heavily inflated via a revaluation model (₹800 Cr+ surplus)**, which artificially bolsters the balance sheet and masks the true deterioration of return ratios.
- **High contingent liabilities for tax litigation (₹300 Cr+)** remain a persistent overhang, representing a potential cash outflow that exceeds the company's annual net profit.
- The company maintains a **structural reliance on high Trade Payables (₹2,500 Cr - ₹2,800 Cr)** to fund its operational cycle, effectively using supplier credit as interest-free debt.
- **Recurring internal control vulnerabilities**, including cybersecurity breaches and subsidiary repatriation delays, suggest that compliance infrastructure is not scaling at the same rate as digital growth.
- **Foreign subsidiaries (Asian Trails/Desert Adventures) continue to carry massive negative reserves**, indicating a persistent structural dependence on the Indian parent for solvency.