Thomas Cook (India) Ltd — Aug 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Miss (PBT/PAT) / Inline (Segment Core) **One-line:** Geopolitical shocks in the Middle East (DEI and Desert Adventures) caused a significant PBT miss, but the core thesis remains anchored by a record-breaking Sterling performance and a Forex business that is decoupling from industry-wide declines.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Miss (Group PBT)	Consolidated PBT of □88.5 Cr down 21% YoY; DEI loss widened to □15.2 Cr.	□
Earnings Quality	Moderate	Group results masked by GCC losses; Sterling OCF up 30% YoY indicates high hospitality quality.	□
Guidance Confidence	Neutral	Mgmt is "cautiously optimistic" but admits long-haul West-bound travel remains stalled.	□
Management Credibility	Strong	Forex Education turnover grew 36% while RBI data showed a 27% industry decline.	□
Business Quality Signal	Improving (Core)	Sterling RevPAR up 20% and 32% EBIT margin proves the pivot to hospitality is firing.	□
Key Q&A Exchange	Q#2 (Travel Shift)	Mgmt confirmed short-haul/domestic is offsetting long-haul, though at lower ticket sizes.	□
The Street's Primary Anxiety	DEI Bottoming	Analysts pressed on when DEI losses will peak; Mgmt expects cost benefits in Q2/Q3.	□
Capital Cycle Stage	Harvesting / Pivot	Using Sterling FCF (up 30%) to fund tech while prepping for the FY28 demerger.	□
Margin Trajectory	Improving (Sterling)	Sterling EBIT margins expanded to 32% (YoY); Forex retail margins stable at 45.3%.	□
Pricing Power	Expanding	Sterling ARR hit record □7,809 (+10% YoY); Forex digital adoption at 23.5%.	□
FCF Conversion & Quality	Strong	Sterling OCF growth matching EBITDA growth (21%); Net Cash at □2,648.8 Cr.	□
Competitive Moat Signals	Widening	Study Buddy (Visa) and Blinkit partnership (12 cities) deepening digital retail moat.	□
Balance Sheet Strength	Strong	Sterling is debt-free with □373.7 Cr cash; Group cash position remains robust.	□
Working Capital Efficiency	Stable	Float on cards at □1,800 Cr provides significant interest income buffer.	□
Mgmt Guidance Track Record	Reliable	Delivered record Sterling quarter as promised; demerger timeline (Q1 FY28) maintained.	□
Key Vulnerability	GCC Exposure	50% of DEI is Middle East; Desert Adventures revenue crashed 89% YoY.	□
Management Tone	Resilient	Mahesh Iyer emphasized "maneuvering" and "resilience" through GCC volatility.	□

Sentiment: □Positive (Core) / □Neutral (Consolidated)

Key Takeaways * **The Sterling Engine:** Sterling delivered its best-ever quarter with □161.4 Cr revenue (+19% YoY) and 32.4% EBIT margins. The ability to grow occupancy (700 bps) alongside a 10% ARR increase during peak season confirms the brand's premiumization. * **Forex Moat Expansion:** TCIL is fundamentally outperforming the market. While RBI LRS data showed Education remittances declining 27%, TCIL's education portfolio grew 36%. The digital adoption (23.5%) via WhatsApp and Blinkit is lowering acquisition costs. * **GCC Geopolitical Drag:** The "Middle East Conflict" is the primary thesis risk. Desert Adventures (DMS) revenue fell 89% and DEI (Imaging) posted a □15.2 Cr EBIT loss. Management is shuttering non-profitable sites (China/ Bahamas) to protect the floor. * **Travel Segment Pivot:** Lost West-bound volumes are being replaced by East-bound short-haul (Vietnam, Japan, China up 38%) and Spiritual travel (Domestic up 29%). While ATVs are 20-25% lower, margins remain comparable.

Positives: Record Sterling profitability, Forex decoupling from industry trends, debt-free hospitality balance sheet, and steady demerger progress. **Negatives:** Widening losses in DEI, severe revenue collapse in Middle East DMS, and continued long-haul travel headwinds. **Forward Watchpoint:** The recovery of DEI in Q2/Q3 following cost rationalization and the trajectory of long-haul bookings for the H2 festive season.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Consolidated) *Data from PPT slide 16 (Income Statement) and Segment Performance slides.*

Metric	Current Qtr (Q1FY27)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	2,153.0	↓ 12.2%	↑ 19.2%	↓	Impacted by GCC (DEI/Desert Adventures); Q1 peak for Sterling.
Gross Margin (%)	28.9%	↑ 300 bps	↓ 330 bps	↑	Driven by record Sterling mix (39% EBITDA) offset by DEI losses.
EBITDA (□Cr)	154.1	↓ 10.2%	↑ 36.2%	□	GCC impact offset by Sterling's best-ever quarter.
EBITDA Margin %	7.2%	↑ 20 bps	↑ 80 bps	→	Resilient core margins despite Middle East losses.
PAT (□Cr)	73.1	↓ 13.0%	↑ 138.9%	↓	PBT hit by GCC; lower tax expense helped PAT.
ROCE (%)	Not Stated	-	-	-	Sterling FCF grew 30% YoY.
Cash Flow (OCF)	2,648.8 (Cash)	↑ 1.2%	↑ 1.2%	□	Strong group liquidity; Sterling OCF up 30% YoY.
Net Debt / (Cash) (□Cr)	(2,648.8)	↑	↑	□	Net cash positive; Sterling is debt-free.
Interest Coverage	11.2x	↓	↑	□	EBIT hit by GCC; interest cost stable at □10.6 Cr.
Working Capital	Float: 1,800	↑ 12.5%	↑ 12.5%	□	Float on card grew despite travel headwinds.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (EBIT)	Trend	vs Co. Avg	Key Development
Financial Services	81.3	↑ 6%	45.3%	□	Above	Education turnover +36%; digital adoption 23.5%.
Travel & Related	1,710.6	↓ 14%	2.4%	□	Below	Desert Adventures rev -89%; Short-haul +21% (ex-ME).
Leisure Hospitality	161.4	↑ 19%	32.4%	□	Above	Best quarter ever; ARR □7,809; PBT +30% YoY.
Digital Imaging (DEI)	130.7	↓ 38%	(11.6%)	□	Below	EBIT loss of □15.2 Cr; 50% of business in Middle East.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Demerger	Listing of Sterling (SHRL) by Q1 FY28.	NCLT filing and directions received; process is on track.	**On Track**	Low
Guidance	Sterling Rooms	Reach 95 resorts and 4,800 rooms by FY27.	Needs ~5.6 resorts/qtr. Currently at 78 resorts (up from 62 LY).	**Delivered** (High)	Moderate
Guidance	Travel Margins	Target 4-5% EBIT margins for Travel segment.	Current 2.4%. Needs Middle East normalization to hit target.	**Missed** (Due to War)	High
Strategy	DEI Recovery	Cost optimization benefits in Q2/Q3 FY27.	Shifting focus to HK, Singapore, Saudi; closing Universal China.	**In Progress**	Moderate
Strategy	Forex Digital	Expand Blinkit presence pan-India.	Now in 12 cities; cards sold via platform up 34% YoY.	**Delivered**	Low
Strategy	Capital Allocation	Maintain Sterling as zero-debt, net cash positive.	Cash reserves at □373.7 Cr; zero debt maintained.	**Delivered**	Low
Macro	Industry Headwinds	Long-haul to remain subdued; Short-haul to grow.	Vietnam/Cambodia 2x growth; Japan/Korea/China +38%.	**Delivered**	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Chetan / Systematix	Travel Demand	Business Overview	"Excluding the impact of the geopolitical disruption, how has the underlying demand trended in July and early August?"	Management indicated that July and August are reflecting a better outcome in conversion than Q1, though long-haul remains impacted by geopolitical statements. This suggests a sequential recovery in H2 but total volume parity with last year is uncertain.	None	4.0	Directional evidence
2	4.0	Chetan / Systematix	Margin Mix	Financials	"Do these newer destinations (Japan/ Vietnam/ China) carry comparable margins?"	Management confirmed margins are similar to long-haul products, though average ticket values (ATVs) are 20-25% lower. This implies volume must grow significantly to maintain absolute EBIT levels if long-haul remains subdued.	None	5.0	Clear and quantified
3	4.5	Anil Shah / Insightful	DEI ROCE	Capex and Allocation	"What is the best-case ROCE and EBIT we can make on a normalized basis for	Management stated DEI should deliver 6-7% EBIT margins in a normal year with a long-term	None	4.0	Directional evidence

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					Digital Imaging?"	goal of 20% ROE. The ₹243 Cr capital base is largely tech-heavy and won't require significant fresh capex for 10 years, implying high future cash conversion.			
4	3.5	Anil Shah / Insightful	DEI Tech Spend	Capex and Allocation	"Is there a constant spend that we need to do there (technology)?"	Management clarified that the recent tech revamp was a one-time event for the next 5-10 years, not a recurring heavy expense. This clarifies that current losses are volume-linked, not a capital-intensity issue.	None	4.0	Specific timeline
5	4.5	Madhur Rathi / Counter Cyclical	Travel Growth	Management Commentary	"Travel segment is by and large flat since FY19... what is the expectation once geopolitical issues stabilize?"	Management pushed back, noting that FY19 to FY26 includes a period where revenue crashed 80% due to COVID and recovered back to ₹6,700 Cr. The shift from long-haul to domestic/ short-haul	None	3.0	Consistent defense

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						obscures volume growth due to lower ticket prices.			
6	4.0	Shivam Gupta / Trinetra	FY27 Guidance	Management Commentary	"After the Q1 decline, do you still believe double-digit earnings growth in FY27 is possible?"	Management appeared to hedge, stating it is difficult to gauge the full year after just one quarter given the environment. This signals a potential walk-back from prior double-digit growth guidance if the Middle East doesn't stabilize.	Full FY27 guidance	2.0	Deflected / Hedged
7	4.0	Shivam Gupta / Trinetra	GCC Impact	Financials	"Could you share the revenue and EBIT impact from these two GCC businesses separately?"	Management revealed DEI went from □10 Cr profit to □15 Cr loss (□25 Cr delta) and Desert Adventures had a □8-9 Cr impact. This quantifies the "geopolitical tax" on the quarter's earnings.	None	5.0	Specific data
8	4.5	Soumya / Insightful	DEI Recovery	Management Commentary	"Will it be possible to see a cost optimization impact in the Q2 results?"	Management confirmed that while cost measures take 30-60 days to show, July recovery in Middle East revenue is at 30-35%	None	4.0	Directional evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						vs sub-20% in Q1. This provides a clear bottoming signal for DEI losses.			

PATTERN FLAGS & SENTIMENT * **The "Middle East Anchor":** Analysts were laser-focused on the ₹25 Cr EBIT swing in DEI and Desert Adventures. Management's posture was one of transparent frustration with external factors, but they effectively used the 30-35% July recovery rate to signal that the worst of the "train smash" may be over. * **Sterling as the Value Protector:** Every question regarding Group-level weakness was met with a defense of Sterling's record-breaking performance. Analysts appear convinced that Sterling is the superior business, reinforcing the logic of the upcoming demerger to separate it from the volatile Travel/DEI segments. * **Forex Resiliency:** There was minimal friction regarding Forex, as management's data on outperforming RBI's LRS benchmarks effectively silenced concerns about digital disruptors. The 36% growth in education is seen as a structural moat.

Analyst Sentiment Verdict: Analysts were **cautiously constructive**. They rewarded the resilience of Sterling and Forex but remain skeptical about the timeline for DEI's turnaround. Management's credibility was enhanced by their willingness to provide exact July recovery percentages and quantify the GCC EBIT drag. The primary unresolved risk remains the duration of the West Asia conflict.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | FY27 Guidance | Double-digit growth achievable. | "Difficult to answer... endeavor to deliver good outcome." | Mgmt is no longer confidently reiterating "double-digit" consolidated growth for FY27. | Moderate (Short-term) | | DEI Losses | Cost measures to show lag of 30-60 days. | Q1 loss widened to ₹15.2 Cr from ₹10.2 Cr in Q4. | Headcount/site closure benefits were slower to materialize than the revenue collapse. | Low (Timing issue) |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY26)	This Quarter (Q1FY27)	Direction
Sterling EBIT Margin	17.5%	32.4%	↑ (Peak Seasonality)
DEI EBIT Performance	₹10.2 Cr Loss	₹15.2 Cr Loss	↓ (GCC Conflict Intensified)
Forex Digital Adoption	22.8%	23.5%	↑ (Incremental Gains)
Sterling RevPAR	16% YoY Growth	20% YoY Growth	↑ (Strong Pricing Power)
Middle East Recovery	Sub-20% (March)	30-35% (July Trend)	↑ (Bottoming Out)
Travel Revenue Mix	Long-haul subdued	Short-haul (ex-ME) +21%	□(Pivoting away from West)
Blinkit Footprint	5 Cities	12 Cities	↑ (Digital Reach)

STOP HERE.