

# Thomas Cook (India) Ltd — Feb 2026 Quarterly Analysis

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Inline (Topline) / Beat (Core PBT) **One-line:** A resilient quarter where the "Diversified Portfolio" moat absorbed geopolitical shocks in DMS and airline turbulence in domestic travel, while Sterling hit record highs and the Budget delivered a massive TCS tailwind for FY27.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline / Beat	Core PBT grew 20% (ex-exceptional) vs 5% total income; Sterling outperformed guidance.	☐
Earnings Quality	Moderate	High operating performance in Sterling/Forex, but PBT was impacted by a ₹30.1 Cr one-time labor charge.	☐
Guidance Confidence	Strong	Management reaffirmed 4%+ Travel margins and move to a lower tax regime in FY27.	☐
Management Credibility	Strong	Successfully navigated industry-wide Education remittance decline (-22%) with +39% growth in TCIL's own portfolio.	☐
Business Quality Signal	Improving	Hospitality (Sterling) is now a "scale-plus-leverage" engine; Forex digital adoption reached 22%.	☐
Key Q&A Exchange	Q#11: Sterling Expansion	Mgmt clarified that new assets are maturing in 2-3 quarters, protecting 32-35% EBITDA margins.	☐
The Street's Primary Anxiety	DMS/DMS Volatility	Anxiety over geopolitical drags on US/Middle East DMS; Mgmt emphasized Africa's +41% growth as the hedge.	☐
Capital Cycle Stage	Harvesting / Reinvesting	Harvesting high hospitality FCF (₹4.6 Cr in Q3) to fund tech (WeC software) and asset-light expansion.	☐
Margin Trajectory	Improving	Forex EBIT margins expanded to 41.5% (vs 38.7% LY); Sterling EBIT margins hit 29%.	☐
Pricing Power	Expanding	Sterling ARR grew 5% YoY to ₹6,976; RevPAR grew 17%.	☐
FCF Conversion	Strong	Sterling operating FCF grew 52% YoY to ₹4.6 Cr; Group Net Cash (ex-float) hit ₹780 Cr.	☐
Competitive Moat Signals	Widening	Blinkit partnership expanded to 8 cities; Disney Cruise Line and Cinnamon Life partnerships strengthen Leisure B2C.	☐
Balance Sheet Strength	Strong	Net Cash ₹780 Cr (vs ₹405 Cr LY); Sterling remains debt-free.	☐
Working Capital Efficiency	Improving	Corporate touchless transactions reached 56%; Forex float of ₹1,500 Cr generates steady other income.	☐
Mgmt Guidance Track Record	Reliable	Delivered on H2 hospitality recovery; Tech migration (DEI) on track for Q1FY27 full implementation.	☐
Key Vulnerability	Geopolitics	Middle East and US DMS remain hostage to global sentiment and regional conflict sensitivities.	☐
Management Tone	Resilient/ Confident	MD Mahesh Iyer focused on "outperformance against industry trends"; Vikram Lalvani emphasized "record performance."	☐

**Sentiment:** ☐Positive

**Key Takeaways:** \* **The TCS "Game Changer":** The rationalization of TCS on overseas tours to a flat 2% (from 5-20%) is a structural pivot. This removes a major friction point for high-value outbound travel and solves the "cash-in-hand" hurdle for the middle-class traveler, effective April 2026. \* **Forex Decoupling:** TCIL is successfully outrunning the industry. While LRS data showed a 22% industry contraction in education remittances, TCIL grew its education segment by 39%. This confirms market share gains from banks through specialized services (Study Buddy) and digital ease. \* **Sterling's Quality Peak:** This was Sterling's 25th consecutive profitable quarter. With RevPAR up 17% and occupancy at 68% (on a larger base), the business has moved past its "turnaround" phase into a high-margin "cash-cow" for the group. \* **DMS Geopolitical Friction:** The DMS segment (International & India) is the only laggard, hit by travel advisories (Indo-Pak/Nepal) and muted US sentiment. However, the +41% growth in Southern Africa provides a necessary geographical hedge.

**Forward Watchpoint:** The transition to the new tax regime in FY27. Management confirmed they will utilize the full MAT credit, leading to a structural drop in the effective tax rate and a significant boost to EPS.

## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	2,145.7	↑ 4.1%	↑ 3.5%	□	Growth driven by Corporate (+21%) and Sterling (+10%); partially offset by B2C Leisure (-6%).
Gross Margin (%)	26.2%	↓ 30 bps	→	→	Impacted by higher B2B mix and tactical pricing in Middle East DMS.
EBITDA (₹Cr)	155.4	↑ 12.8%	↑ 5.7%	□	Improved efficiencies; excludes ₹30.1 Cr non-cash labor code charge.
EBITDA Margin %	7.2%	↑ 50 bps	↑ 10 bps	□	Operating leverage in Sterling and Forex offsetting DMS pressure.
PAT (₹Cr)	18.98	↓ 1.3%	↓ 74.0%	□	Reported PAT hit by ₹30.1 Cr labor charge; core operating PAT remains strong.
Sterling ARR (₹)	6,976	↑ 5.0%	↑ 17.3%	□	High pricing discipline during peak season; RevPAR grew 17%.
Sterling Occupancy	68.0%	↑ 600 bps	↑ 1900 bps	□	Strong demand absorption despite 20% supply growth (YoY).
Forex EBIT Margin	41.5%	↑ 280 bps	↓ 730 bps	□	Margins improved YoY due to high-margin retail/education mix.
DEI EBIT (₹Cr)	1.36	↑ 42.1%	↓ 40.9%	□	Tech transition "double costs" still lingering; UAE market hit record December revenue.
Sterling Op. FCF (₹Cr)	34.6	↑ 52.0%	-	□	Robust cash conversion; cash reserves at ₹24.3 Cr (+54% YoY).
Net Cash (₹Cr)	780.0	↑ 92.6%	-	□	Net of debt and ₹1,500 Cr float; massive balance sheet strengthening.
Interest Coverage (x)	7.4	↑	↑	□	Interest cost declined 7% YoY; debt mostly long-term ECLGS.

### 2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (EBIT)	Trend	vs Co. Avg	Key Development
Financial Services	114.7	↓ 4.6%	41.5%	□	Above	Retail sales +25%; outperforming LRS industry decline.
Travel & Related	1,678.1	↑ 3.4%	2.9%	□	Below	Corporate +21%; International DMS +9%; B2C Leisure -6%.
Leisure Hospitality	156.8	↑ 10.0%	29.0%	□	Above	Record quarter; revPAR +17%; Managed resort revenue +60%.
Digital Imaging (DEI)	236.5	↑ 5.3%	0.6%	□	Below	UAE record December; tech implementation 80% complete.

### 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Sterling Rooms	4,666 rooms by end of CY2026 (93 resorts).	Needs to add ~960 rooms in 4 quarters. Current run-rate of 15 resorts/year makes this feasible.	<b>Delivered</b> (Added 4 in Q3)	Low
Guidance	Travel Margins	Guidance of 4%+ EBIT margins for the segment.	Current 9M at 3.9%. Needs strong Q4 to maintain full-year trajectory.	<b>On Track</b>	Moderate
Guidance	Tax Rate	Move to new tax regime in FY27 to utilize MAT.	Mathematical certainty to boost EPS once MAT is fully utilized.	<b>New Guidance</b>	Low
Strategy	Forex Digital	Expand Blinkit partnership to more cities.	Currently in 8 cities; targets pan-India coverage for "forex-in-minutes."	<b>Delivered</b> (Added 3 cities)	Low
Strategy	Asset-Light	Focus on managed contracts for Sterling.	Managed revenue grew 60% in Q3; pipeline is 21 resorts.	<b>Delivered</b>	Low
Macro	TCS Impact	Expects spur in discretionary spending from April 2026.	High feasibility; 2% flat TCS removes major psychological barrier vs 20%.	<b>New Event</b>	Low
Balance	Debt Repayment	Repay ₹85-90 Cr ECLGS over 2 years.	Fixed lock-in prevents immediate prepay; interest is low.	<b>On Track</b>	Low

## 4. ANALYST Q&A

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Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.5	Anil Shah / Insightful Inv.	Forex Float	Financials	"What is the total float in prepaid FX cards and aggregate balance?"	Management confirmed 200,000+ cards outstanding with a float exceeding ₹1,500 Cr. This float is a critical source of interest income and a "free" capital pool for the group.	None	5.0	Specific and quantified
2	4.5	Anil Shah / Insightful Inv.	Cash Position	Financials	"What is our own cash on hand excluding the float and debt?"	Net cash (excluding float and ₹220 Cr debt) stands at ₹780 Cr, up from ₹405 Cr last year. This highlights the massive FCF generation, particularly from Sterling and Corporate Travel.	None	5.0	Specific timeline given
3	4.0	Anil Shah / Insightful Inv.	Travel Performance	Business Overview	"Where did we lose out in Travel? Is it macro, inbound, or market share?"	Management attributed muted growth to geopolitical tensions affecting US/ Middle East DMS and Durga Puja timing shifts. The segment is resilient due to Africa (+41%) and Corporate (+21%), suggesting the thesis	None	4.0	Directional with evidence

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						remains intact despite regional headwinds.			
4	3.5	Mukul Varma	Forward Growth	Mgmt Commentary	"Do you see FY27 delivering double-digit earnings growth?"	Management stated that with 7-7.5% GDP growth and currency shifts, 10% growth is "realistic" and they are gunning for it. This provides a baseline expectation for the coming fiscal year.	Forward earnings guidance	3.0	Vague but consistent
5	4.5	Mukul Varma	MAT / Tax	Financials	"Will we move to the lower tax regime starting FY27 to utilize MAT credit?"	Management confirmed the shift in FY26-27, which will allow full MAT utilization and move the company to the new, lower tax regime. This is a significant EPS re-rating trigger for next year.	None	5.0	Clear and quantified
6	4.0	Vikram Lalvani (Sterling)	Sterling Margins	Financials	"How do we think about incremental revenue and profitability for the next 2 years?"	Management guided for 32-35% EBITDA margins, with growth driven by asset-light managed contracts maturing in 6 months. This confirms the scalability of	None	4.0	Directional with evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						Sterling without requiring heavy capex.			
7	4.5	Vijay / Systematix	Cinnamon Life	Business Overview	"How does the Cinnamon Life partnership impact outbound?"	TCIL has an exclusive basis to market Sri Lanka's first large-scale casino-integrated resort (City of Dreams). This targets the high-yield Leisure and MICE segments, potentially increasing Sri Lanka volumes.	None	4.0	Directional with evidence
8	4.0	Haard Joshi	Competitive Landscape	Business Overview	"What is the threat from new apps and solo traveler startups?"	Management cited their execute-on-ground capability and trust brand as the main barriers vs. "Google search travel agents." Scale allows TCIL to offer "buy-one-get-one" deals that smaller players cannot match.	None	3.0	Vague but consistent
9	4.0	Mukul Varma	Capital Allocation	Capex and Allocation	"How will we use the ₹1,000 Cr gross cash?"	Current priority is tech/customer experience; no immediate acquisition or shareholder disbursement	Specific acquisition targets	2.0	Deflected/Hedged

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						planned. The cash serves as a buffer against geopolitical volatility.			
10	3.5	Mukul Varma	Debt	Financials	"Are we looking to close the debt?"	ECLGS debt of ₹5-90 Cr has a lock-in; other debt is overseas working capital. The company is effectively net-cash and debt is not a drag.	None	4.0	Directional with evidence

**PATTERN FLAGS & SENTIMENT \* Forex Resilience vs. Macro:** Analysts were curious about how TCIL outperformed the industry LRS data. Management's posture was confident, attributing it to their "Specialized Niche" (Study Buddy) and digital partnerships like Blinkit, which is capturing the impulse market that traditional banks ignore. \* **Sterling's Maturity:** Friction regarding Sterling's sustainability has largely evaporated. Questions shifted from "will it be profitable?" to "how much can it grow?". Analysts are now focused on the speed of managed resort maturity. \* **Tax Re-rating:** A new theme emerged regarding the MAT credit and the move to the new tax regime. This is a high-conviction EPS driver for FY27 that management addressed with specific clarity.

**Analyst Sentiment Verdict:** Analysts were **decidedly positive**, focusing on the "quality of growth" rather than just the topline. Friction was minimal, primarily centered on the muted DMS performance in the US/Middle East, which management countered with the Africa growth story. Credibility is at a multi-quarter high.

**GUIDANCE GAPS REVEALED IN Q&A** | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | DEI Tech | Tech gains to show by Q3. | "Double costs" still impacting EBIT in Q3. | Software stabilization delayed to Q1FY27. | Low (Short-term margin drag) | | Travel Margins | High single-digit growth. | B2C Leisure revenue fell 6% YoY. | Timing shifts (Durga Puja) and IndAS turbulence hit B2C harder than expected. | Moderate (Seasonal volatility) |

## 5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY26)	This Quarter (Q3 FY26)	Direction
<b>Sterling EBIT Margin</b>	16.2%	29.0%	↑ Seasonality + Record Efficiency
<b>Net Cash (ex-float)</b>	£308 Cr (Sterling only)	£780 Cr (Group)	↑ Strong FCF generation
<b>TCS Policy</b>	5% / 20% on LRS	Flat 2% (announced)	□ Major tailwind for Outbound
<b>Forex Digital Presence</b>	5 Cities (Blinkit)	8 Cities (Blinkit)	↑ Expanding digital moat
<b>Tax Guidance</b>	Normal high tax bracket	FY27 move to new tax regime	□ High EPS impact expected
<b>B2C Leisure Performance</b>	+7% Growth	-6% Decline	↓ Hit by airline/timing issues
<b>Africa DMS</b>	Recovering	+41% Growth (Southern Africa)	↑ Regional outperformance
<b>DEI Tech Implementation</b>	Early rollout	80% complete	↑ Nearing efficiency stage

STOP HERE.