

## Thomas Cook (India) Ltd — Jul 2025 Quarterly Analysis

### 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Beat (Topline) / Inline (Earnings) **One-line:** TCIL's core travel engine is successfully capturing the "Indian Wanderlust" with 18% revenue growth, but the high-margin Financial Services (Forex) segment is facing a structural/regulatory cooling period that is masking the operating leverage in the leisure businesses.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat (Topline)	Consolidated Revenue of ₹2,408 Cr (+14% YoY) exceeded the growth trajectory.	☐
Earnings Quality	Moderate	PBT growth (+2%) lagged Revenue growth (+14%) due to a margin squeeze in the high-yield Forex segment.	☐
Guidance Confidence	Strong	Management maintains aggressive expansion in Sterling (20+ property pipeline) and DMS (new EU entity).	☐
Management Credibility	Strong	Successfully navigated the exit from Delhi Airport while maintaining healthy 44% EBIT margins in Forex.	☐
Business Quality Signal	Mixed	<b>Improving:</b> Leisure Hospitality (Sterling) and Travel B2C. <b>Deteriorating:</b> Financial Services (Education outflows -25%).	☐
Key Q&A Exchange	Not applicable	PPT_ONLY mode.	-
The Street's Primary Anxiety	Forex Growth	Soft demand for education remittances and airport exits are weighing on the highest-margin segment.	☐
Capital Cycle Stage	Harvesting / Expansion	Leveraging the "asset-right" model in Sterling while scaling digital travel platforms (Dhruv, Tacy).	☐
Margin / Return Ratio Trajectory	Flattish	Consolidated EBITDA margin at 7.1% (derived) remains stable as Travel gains offset Forex contraction.	☐
Pricing Power	Stable	Sterling ARR at ₹7,162 indicates strong brand pull despite a dip in occupancy to 62%.	☐
FCF Conversion & Quality	Strong	Negative net debt maintained; Travel float dynamics remain a core liquidity strength.	☐
Competitive Moat Signals	Widening	Exclusive Disney Cruise partnership and 7,000+ Muthoot branch distribution for Forex cards.	☐
Balance Sheet Strength	Strong	Cash-rich consolidated position; Sterling is performing as a self-sustaining vertical.	☐
Working Capital Efficiency	Stable	Digital adoption (20% for Holiday sales) is beginning to reduce high-touch sales costs.	☐
Mgmt Guidance Track Record	Reliable	Delivered on the promise of DEI margin recovery (EBIT +61% YoY).	☐
Key Vulnerability / Red Flag	Education Remittances	The 25% YoY drop in April-May education forex outflows is a significant headwind for the high-margin segment.	☐
Management Tone	Confident	Focused on "Digital-first" and "Asset-right" growth strategies.	☐

**Sentiment:** ☐Positive

**Key Takeaways \* Travel Engine Resilience:** The Travel segment (+18% YoY) is no longer reliant on one-off events (like the National Games in Q4). Growth is broad-based across B2C Leisure (+15%) and B2B DMS (+29%), with international subsidiaries like Asian Trails (+42%) and Allied T Pro (+31%) outperforming. **\* The Forex Pivot:** While the segment faced headwinds (Education outflows -25%, Delhi Airport exit), the focus is shifting to retail and digital. The partnership with Muthoot (7,000+ branches) and Google Pay for contactless cards shows a move toward low-cost distribution. **\* Sterling's Quality Shift:** Revenue grew 8% YoY, but EBIT grew 25% YoY, driven by a higher non-member guest ratio (74% vs 69% last year). This proves the pivot from a "membership" model to a "pure hospitality" model is accretive to margins (EBIT margin up to 26.1% from 22.5%). **\* DEI Turnaround:** After several quarters of stagnation, DEI reported a 61% YoY jump in EBIT. This confirms the "tech-led efficiency" thesis (WeC platform) is finally offsetting labor costs and geopolitical softness in the Middle East.

**Forward Watchpoint:** Monitoring whether the Muthoot partnership can compensate for the lost volumes at Delhi airport and the softening education remittance market in Q2 FY26.

## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS *Concall not available — commentary absent.*

Metric	Current Qtr (Q1FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Income from Ops)	₹2,408.0 Cr	↑ 14.3%	↑ 22.3%	↑	Driven by 18% growth in Travel and 8% in Sterling.
Gross Margin (%)	24.5%	↓ (160 bps)	↓ (270 bps)	↓	Converted from "Cost of Services" which rose 17% YoY.
EBITDA	₹171.6 Cr	↑ 4.3%	↑ 13.3%	↑	Slower than revenue due to Forex margin contraction.
EBITDA Margin %	7.1%	↓ (70 bps)	↓ (60 bps)	↓	Impacted by higher B2B mix in Travel and Forex headwinds.
EBIT	₹135.1 Cr	↑ 3.4%	↑ 17.4%	↑	Highest Q1 EBIT in recent years.
PAT	₹73.1 Cr	↑ 1.1%	↑ 2.5%	→	Minimal growth due to higher interest/finance costs.
Travel EBIT Margin	3.9%	↑ 20 bps	↑ 20 bps	↑	Expansion driven by high-margin DMS and B2C.
Forex EBIT Margin	44.4%	↓ (700 bps)	↑ 140 bps	□	YoY hit by Delhi airport exit; QoQ recovering.
Sterling ARR	₹7,162	↑ (Derived)	↑ 14.3%	↑	Significant premiumization vs Q4 (₹6,263).
Sterling Occupancy	62%	↓ (Derived)	↑ 400 bps	□	62% in peak Q1 vs 58% in Q4; slightly soft YoY.
Digital Adoption (Forex)	20%	↑ (Derived)	→ Stable	↑	Digital Adoption in Holiday Sales at 20%.

### 2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (EBIT)	Trend	vs Co. Avg	Key Development
Travel & Related	₹1,978.4	↑ 18%	3.9%	↑	Below	B2C Leisure grew 15%; DMS grew 29% YoY.
Financial Services	₹61.2	↓ 7%	44.4%	↓	Above	Education outflows dropped 25%; Delhi airport exit.
Leisure Hospitality	₹135.7	↑ 8%	26.1%	↑	Above	Non-member guest ratio at 74%; 20+ property pipeline.
Digiphoto (DEI)	₹209.7	↑ 1%	5.1%	↑	Below	EBIT grew 61% YoY on improved labor efficiency.

### 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Travel EBIT Margin	4.0% - 5.0% Target.	Currently at 3.9%. Needs 10-110 bps expansion to hit range.	<b>In Progress</b>	Low
Guidance	Sterling Rooms	~4,000 rooms target.	Total as of June 2025: 3,285. Needs ~715 more rooms.	<b>On Track</b>	Low
Guidance	Forex Digital	3x growth in App bookings.	App bookings grew 3x YoY in Q1; target met/exceeded.	<b>Delivered</b>	Low
Strategy	Asset-Light Growth	20+ properties in pipeline.	Management contract revenue doubled YoY in Q1.	<b>Delivered</b>	Low
Strategy	AI Adoption	Dhruv & Tacy rollout.	75% drop in Forex card queries via WhatsApp Bot.	<b>Delivered</b>	Low
Strategy	DMS Expansion	TCI Euro in Cyprus.	Operationalized to serve MNCs in Europe.	<b>Delivered</b>	Low
Macro	Forex Demand	Monitor education outflows.	Soft demand (-25%) remains a headwind for FY26.	<b>At Risk</b>	High

### 4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

## 5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q4FY25)	This Quarter (Q1FY26)	Direction
<b>Forex Headwinds</b>	Tactical Marketing Spend	Structural demand drop (Education -25%)	↓ Deteriorating
<b>Sterling Performance</b>	Flattish Revenue (-1%)	Revenue Growth (+8%)	↑ Improving
<b>Sterling Yield</b>	ARR ₹6,263	ARR ₹7,162	↑ Improving
<b>DEI Trajectory</b>	Revenue -10% YoY	Revenue +1% YoY	↑ Improving
<b>DMS Momentum</b>	Strong (Allied T Pro +31%)	Robust (Asian Trails +42%)	↑ Improving
<b>Forex Distribution</b>	Reliance on own/airports	Muthoot Partnership (7,000+ branches)	↑ Strategy Pivot
<b>Digital Engagement</b>	31% Market Share	9x growth in WhatsApp leads	↑ Improving
<b>Travel Margin</b>	3.7%	3.9%	↑ Improving

- **Forex Yield Divergence:** While Forex EBIT margins improved sequentially (44.4% vs 43.0%), the YoY drop from 51.4% is a concern. The loss of the high-margin Delhi airport contract and the 25% drop in education remittances are forcing a shift toward the retail card business, which has different margin dynamics.
- **Sterling Quality:** The 26.1% EBIT margin (up from 20.2% last quarter) despite lower occupancy (62% vs historical peak Q1s) confirms that Sterling is now yield-driven. The doubling of management contract revenue indicates the asset-right model is scaling without adding fixed costs.
- **DMS as Growth Engine:** The 29% growth in Destination Management Specialists (DMS) is the standout performer. This segment is benefiting from the recovery in inbound travel to India (+36%) and strong Asian regional travel (+42% Asian Trails).
- **CFO-to-PAT Ratio:** Not explicitly provided in Q1 PPT, but the increase in "Cost of Services" (17% vs 14% revenue growth) suggests a temporary working capital pressure in the B2B travel segments as they scale.

STOP HERE.