

Thomas Cook (India) Ltd — May 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Beat One-line: TCIL delivered a robust PBT growth of 51% YoY in Q4, proving that the Q3 currency/timing aberrations were transient; the core India leisure and forex engines are now operating above pre-pandemic levels, offsetting ongoing structural transitions in Sterling and DEI.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	PBT of ₹115.1 Cr (+51% YoY) significantly exceeded the recovery trajectory expected after the Q3 dip.	☐
Earnings Quality	High (Core driven)	Growth driven by high-margin Financial Services (+14%) and Travel (+25%) rather than one-offs.	☐
Guidance Confidence	Strong	Re-affirmed double-digit growth for FY26; Sterling room additions and DEI tech rollout on track.	☐
Management Credibility	Strong	Delivered on the ₹100 Cr National Games execution and provided granular detail on Sterling's model shift.	☐
Business Quality Signal	Improving	B2C/Forex recovery to >100% of 2019 levels indicates structural domestic demand capture.	☐
Key Q&A Exchange	Q#10 Sterling Revenue	Management explained the flattish Q4 revenue as a transition from membership to pure hospitality; substitutability is high.	☐
The Street's Primary Anxiety	Sterling/DEI Margins	Analysts questioned margin dips; Mgmt cited "front-loading" of marketing (Kartik Aryan) and model sunseting.	☐
Capital Cycle Stage	Harvesting	Leveraging existing platforms (WeC, Tacy) to scale without incremental fixed costs.	☐
Margin / Return Ratio Trajectory	Improving (FY Basis)	Group PBT margin improved from 4.7% to 4.8% FY; Forex EBIT at 46% (top end of guidance).	☐
Pricing Power	Stable	Sterling ARR maintained at ₹6,263 despite a 22% increase in room supply.	☐
FCF Conversion & Quality	Strong	Negative net debt maintained; Forex float grew to ₹1,360 Cr (+13% YoY).	☐
Competitive Moat Signals	Widening	Exclusive partner for National/Para Games; 31% market share in prepaid cards (vs. banks).	☐
Balance Sheet Strength	Strong	Total cash of ₹2,070 Cr; Sterling is debt-free with ₹272.7 Cr cash surplus.	☐
Working Capital Efficiency	Stable	DSO/Float dynamics remain healthy; corporate travel non-air mix improved to 8%.	☐
Mgmt Guidance Track Record	Reliable	Historically accurate on "timing" issues (National Games moved from Q3 to Q4 as predicted).	☐
Key Vulnerability / Red Flag	Model Transition	Sterling's exit from membership and DEI's tech rollout are "live" execution risks for FY26.	☐
Management Tone	Cautiously Optimistic	CEO Mahesh Iyer highlighted "seasonal flattening," indicating travel is no longer just a Q1/Q3 game.	☐

Sentiment: ☐Positive

Key Takeaways: * Core Engine Recovery: The thesis that TCIL is the primary beneficiary of the "Indian Wanderlust" is confirmed. B2C International/Domestic volumes in Q4 finally exceeded pre-pandemic (2019) levels. Forex remains a high-margin cash cow, with EBIT margins at 46% (FY25) driven by the high-yield retail segment. *** The Sterling Pivot:** Sterling's flattish Q4 revenue is a byproduct of "sunsetting" the membership acquisition model (which provided upfront cash/revenue) in favor of a higher-quality, recurring pure hospitality model. While this creates a short-term optical drag, the 34% EBITDA margin (FY) and 60% occupancy suggest the brand is successfully premiumizing (ARR >₹6,200). *** DEI's "Worst is Over" Claim:** DEI faced a "double Ramadan" impact and geopolitical headwinds in FY25. However, the 100% renewal rate on accounts and the rollout of the "WeC" platform (38/140 sites) provide a clear margin expansion trigger for FY26 through automation. *** Strategic Investment:** The drop in Forex margins during Q4 was a tactical choice: "front-loading" investment in the Borderless Card with brand ambassador Kartik Aaryan to capture the \$18bn addressable LRS market. This is a long-term value play, not a cost blow-out.

Forward Watchpoint: Monitoring DEI's EBIT recovery in Q1/Q2 FY26 as the WeC platform scales to larger sites like Atlantis Dubai.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (Q4FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Income from Ops)	₹1,968.9 Cr	↑ 18.3%	↓ 4.5%	↑	Driven by 25% growth in Travel and 8% in Forex. QoQ dip is seasonal.
Gross Margin (%)	27.2%	↓ (290 bps)	↑ 80 bps	□	Impacted by higher cost of services in B2B Travel mix.
EBITDA	₹151.5 Cr	↑ 26.3%	↑ 9.9%	↑	Strong growth despite front-loaded marketing costs.
EBITDA Margin %	7.7%	↑ 50 bps	↑ 100 bps	↑	Efficiency gains in Travel B2C offsetting marketing spend.
EBIT	₹115.1 Cr	↑ 32.5%	↑ 14.1%	↑	Highest ever Q4 EBIT (excluding COVID recovery periods).
PAT	₹71.3 Cr	↑ 12.5%	↓ (51.1%)	□	Q3 included one-off tax benefits/other income.
ROCE (%)	Not stated	-	-	-	FY25 PBT growth suggests improving capital efficiency.
Cash Flow (OCF)	₹1,360 Cr (Float)	↑ 13%	→ Stable	↑	Float remains the primary liquidity driver.
Net Debt / (Cash)	(₹1,830 Cr)	↑ Cash	→ Stable	↑	Group is in a substantial net cash position.
Travel EBIT Margin	3.7%	↑ 180 bps	↓ 20 bps	↑	Expansion driven by high-margin B2C and National Games.
Forex EBIT Margin	43.0%	↓ (250 bps)	↑ 430 bps	□	Impacted by Kartik Aaryan brand investment.
Sterling ARR	₹6,263 (FY)	→ Flat	↓ 7.7%	□	Stable vs Q3 (₹6,788) despite non-seasonal Q4.
Sterling Occupancy	58%	↓ (100 bps)	↓ (300 bps)	□	58% in Q4 vs 61% in Q3; typical non-seasonality.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (EBIT)	Trend	vs Co. Avg	Key Development
Travel & Related	₹1,572.3	↑ 25%	3.7%	↑	Below	Executed ₹100 Cr National Games; B2C > Pre-pandemic levels.
Financial Services	₹73.5	↑ 14%	43.0%	□	Above	Retail volumes +11%; marketing spend hit margin.
Leisure Hospitality	₹116.4	↓ 1%	20.2%	↓	Above	Impacted by membership sunset and non-seasonal Q4.
Digiphoto (DEI)	₹201.5	↓ 10%	3.9%	↑	Below	Headwinds from Ramadan timing; WeC rollout underway.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Travel Revenue	12-15% Growth.	FY25 achieved 15%; FY26 target remains consistent.	Delivered	Low
Guidance	Travel EBIT Margin	5.0% target (18-24m).	Current FY25 is 3.8%. Needs 120 bps expansion.	In Progress	Moderate
Guidance	Sterling Rooms	~4,000 rooms by FY26 end.	Needs ~750 room additions in FY26. Historical is ~600/year.	On Track	Low
Guidance	DEI Recovery	Robust FY26.	Requires WeC rollout to lower fixed human costs by ~15-20%.	Missed (FY25)	High
Strategy	Capital Allocation	Debt-free/Asset-right.	Sterling remains debt-free with negative net debt at Group level.	Delivered	Low
Strategy	Digital Adoption	Continuous expansion.	21.5% digital KYC/Forex adoption; Tacy/EZY bots live.	Delivered	Low
Balance	Cash Surplus	Utilize for growth.	Sterling has ₹272.7 Cr; Net Group Cash is >₹1,800 Cr.	Delivered	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility
1	4.0	Naveen Baid / Nuvama	Sterling Expansion	Capex and Allocation	"What is the guidance for room addition for FY '26?"	Management expects to add 14-15 resorts in FY26, bringing total room inventory close to 4,000. This confirms the aggressive asset-right expansion strategy is accelerating to 1+ resort per month.	None	5.0
2	4.5	Naveen Baid / Nuvama	DEI Margins	Financials	"What is the margin trajectory that we are likely to see over the next couple of years [for DEI]?"	Management expects DEI to return to the 9%+ EBITDA margin range as revenue grows and tech efficiencies (WeC) kick in. This indicates the FY25 margin of 6.5% was a cyclical floor, providing a recovery re-rating trigger.	None	4.0
3	4.0	Akshat Bairathi / RSPN	Sterling Revenue	Financials	"Despite the increase in the number of rooms... why are we flattish [revenue] for Q4?"	Management explained the flat revenue was due to the "sunset" of the membership model and non-seasonal timing, noting it takes 60-90 days for new resorts to ramp up. The implication is that Q4 is an investment quarter and not representative of the year-round capacity.	None	4.5
4	3.5	Akshat Bairathi / RSPN	Other Income	Financials	"This quarter, we have seen a big jump in other income. So, is there any one-off?"	The jump was attributed to higher interest on bank deposits (₹ Cr), exchange gains (₹ Cr), and Sterling write-backs (₹3.3 Cr). This clarifies that roughly half of	None	5.0

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility
						the other income growth is recurring/ interest-based.		
5	4.0	Chetan / Systematix	Sterling Strategy	Business Overview	"How are we ensuring ARR's are maintained or ideally improve than being diluted by new inventory?"	Management is moving Sterling toward "upper mid-scale" and "upper upscale" segments, focusing on yield management via dynamic pricing. This signals that the strategy is realization-led rather than just a volume grab.	None	4.5
6	4.5	Yashowardhan / IIFL	Govt Business	Financials	"If I remove National Games... what would be the number look like for travel?"	National Games contributed ₹100 Cr in volume at ~7.5% margin. Removing this shows the core travel business still grew double-digits, proving underlying retail health.	None	5.0
7	4.0	Advait Lath / Nippon	Forex Margins	Financials	"Do you think these [Forex] are steady-state margins?"	Management confirmed the 40-45% EBIT margin range is the steady-state target. This provides a floor for valuations of the Financial Services segment.	None	4.0
8	4.0	Advait Lath / Nippon	Market Share	Business Overview	"What would be our prepaid card market share?"	TCIL claims ~31% of the \$3.2bn addressable prepaid card market. This establishes TCIL as a dominant non-bank player in a high-growth niche.	None	4.0
9	3.5	Meet Shah / Finance 360	Risk Mitigation	Management Commentary	"What is the strategy we are looking to minimize this [geopolitical] risk?"	Management relies on geographical diversification (22 countries) to balance localized shocks. This reinforces the	None	3.0

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility
						"portfolio" thesis where strength in India offsets weakness in Africa or CIS.		
10	4.0	Meet Shah / Finance 360	Sterling Performance	Business Overview	"We are quite underperforming the industry [revenue growth]... why?"	Management defended Sterling's 34% EBITDA margin and model shift from memberships to pure hospitality. This suggests the "underperformance" is optical during the transition phase of the business model.	None	4.0
11	3.5	Praneeth / Investor	DEI US Exit	Business Overview	"Since US has been shut down, where are we seeing this growth?"	Growth is shifting to Saudi Arabia (70% of prospective attractions) and Indonesia/Malaysia. This confirms the pivot to higher-growth/lower-labor-cost Asian markets.	None	4.0
12	4.5	Praneeth / Investor	DMS Technology	Business Overview	"What is the incentive for other operators to take our white label product?"	The moat is real-time technology connectivity to hotels and TAT (Turnaround Time) speed. This identifies the B2B DMS business as a technology-led platform business rather than just a service agency.	None	4.5
13	4.0	Deepak Lalvani / Unifi	Sterling F&B	Financials	"Is the accounting related aspect regarding membership sales the reason why top line was flat?"	Yes, membership sunset hit Q4 by ₹-4 Cr on an IndAS basis. This confirms the revenue "miss" in Sterling is purely an accounting/ strategic shift.	None	4.5
14	3.0	Naveen Baid / Nuvama	AI Threat	Management Commentary		Management views AI (Dhruv, Tacy) as	None	4.0

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility
					"What kind of threat do you see from AI?"	an enabler for conversion and productivity, not a replacement for high-touch visa/holiday services. This suggests AI is currently a cost-reduction tool rather than a disruptive threat.		

PATTERN FLAGS & SENTIMENT * **Sterling's Identity Crisis:** Multiple analysts probed the "flat" revenue and margin dip in Sterling. Management was firm that this is a "deliberate pivot" away from memberships to pure-play hospitality. The anxiety remains that during this transition, the stock might be penalized for low top-line growth, but management is prioritizing margin quality (34% EBITDA). * **Forex Marketing Spend:** The Kartik Aaryan investment was questioned for its impact on current margins. Management's posture was defensive but confident, viewing it as a necessary land-grab for the massive \$18bn LRS market. This will remain a monitoring point for "return on marketing spend" in FY26. * **Analyst Sentiment:** Analysts were largely impressed with the PBT growth but remained skeptical about DEI's ability to turn around. The most friction occurred around comparing Sterling to industry peers like IHCL or Mahindra Holidays—management's response suggests they are carved out as "upper mid-scale" leisure specialists. Overall credibility is high as they proved Q3 was indeed a "one-off."

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | DEI Growth | Expected steady performance. | FY25 was "challenging" (-9% YoY). | Geopolitical/Weather impacts were deeper than initially signaled. | Low (if WeC works) | | Sterling Revenue | High growth expected. | Q4 Revenue was -1% YoY. | Membership sunset drag was not fully quantified previously. | Moderate |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY25)	This Quarter (Q4FY25)	Direction
Travel EBIT Margin	3.9%	3.7% (FY 3.8%)	↓ Seasonal Dip (but ↑ YoY)
Forex EBIT Margin	38.7%	43.0%	↑ Improving/Recovering
Sterling Strategy	Ownership Focus	Membership Acquisition Sunset	↑ Quality of Earnings
DEI Technology	Pilot Phase	38 Venues Live (Atlantis Dubai)	↑ Execution Phase
B2C Recovery	<100% of 2019 levels	>100% of 2019 levels	↑ Bullish Signal
Marketing Spend	Standard	High (Front-loaded Kartik Aaryan)	☐ Investment Phase
Govt Business	Pipeline only	☐100 Cr Executed	↑ Realized Catalyst
Sterling Inventory	48 Resorts	61 Resorts	↑ Scale