

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

## 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Inline (Topline) / Miss (PBT) **One-line:** Geopolitical shocks and weather-related disruptions in Middle East/UAE (DEI and DMS) masked a record-breaking year for Sterling and market-share gains in Forex; the thesis shifts from a "rebound play" to a "value-unlocking play" following the Sterling demerger announcement.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Mixed	Sterling beat margin targets; Travel/DEI missed due to Middle East conflict.	☐
Earnings Quality	Moderate	High CFO-to-PAT (2.9x) indicates strong collections, but PAT hit by DEI losses.	☐
Guidance Confidence	Neutral	Mgmt is "cautiously optimistic" but admits long-haul volumes remain subdued.	☐
Management Credibility	Strong	Navigated industry-wide LRS declines to grow Forex retail turnover by 13-17%.	☐
Business Quality Signal	Improving	Sterling's 25th consecutive profitable quarter proves the hospitality pivot is durable.	☐
Key Q&A Exchange	Q#7 (DEI Recovery)	Mgmt admitted March was a "train smash" for DEI; recovery is non-linear.	☐
The Street's Primary Anxiety	Sterling EBIT Flatness	Analysts pressed on why EBIT is flat despite room growth; Mgmt cited ROU depreciation.	☐
Capital Cycle Stage	Harvesting	Harvesting Sterling FCF (₹114 Cr) to fund demerger and tech automation.	☐
Margin Trajectory	Improving (Core)	Forex EBIT margins expanded to 48.3% (Q4); Sterling EBITDA held at 31%.	☐
Pricing Power	Expanding	Sterling RevPAR up 16% YoY; Forex retail margins held despite digital competition.	☐
FCF Conversion & Quality	Strong	CFO of ₹643 Cr far exceeds PAT of ₹220.5 Cr (Release of working capital).	☐
Competitive Moat Signals	Widening	Exclusive AD2 license expansion to capital trade (₹25L) opens bank-only markets.	☐
Balance Sheet Strength	Strong	Net Cash ₹730 Cr (ex-float); Sterling is entirely debt-free.	☐
Working Capital Efficiency	Improving	Float of ₹1,600 Cr creates a massive interest-income buffer.	☐
Mgmt Guidance Track Record	Reliable	Delivered on Sterling room additions (1.5/month) and H2 recovery.	☐
Key Vulnerability	Geopolitics	50% of DEI revenue is UAE-centric; West-bound long-haul travel is stalled.	☐
Management Tone	Resilient	Mahesh Iyer emphasized "maneuvering" and "pivoting" to east-bound/domestic.	☐

**Sentiment:** ☐Positive

**Key Takeaways \* The Sterling Value Unlock:** The announced demerger (0.81 shares of Sterling for 1 share of TCIL) is the primary thesis driver. This separates a high-margin, asset-right hospitality "cash cow" from the more volatile, asset-light travel agency business. Sterling added 14 resorts in FY26, hitting a critical mass of 78 properties. **\* Forex Decoupling from Banks:** TCIL is successfully outrunning the banking sector in education and retail remittances. While RBI's LRS data showed a 22% education sector contraction, TCIL grew turnover 17%. The expansion of the AD2 license to allow trade remittances up to ₹25 lakh is a structural "game-changer" for FY27. **\* DMS/DEI Geopolitical Drag:** The Middle East conflict caused a "train smash" in March (DEI's peak season). DEI turned EBIT negative (₹10.2 Cr loss) in Q4. However, Mgmt is aggressively implementing "WeC" automation to lower the cost floor. **\* Travel Portfolio Pivot:** Mgmt is substituting lost European/Long-haul volumes with East-bound short-haul (China, Vietnam, Japan) and spiritual domestic travel. While these have lower absolute ticket sizes, they protect margins and keep the distribution engine warm.

**Positives:** Demerger transparency, Forex market-share gains, Sterling RevPAR growth, and massive cash pile.

**Negatives:** Geographical concentration in UAE for DEI, West-bound travel airfare surge (30-50%), and seasonality risks in hospitality. **Forward Watchpoint:** The full implementation of the "WeC" software in DEI by Q1FY27 and the NCLT timeline for the Sterling demerger (expected Q1FY28).

## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS (Consolidated) PPT available - primary source. Mn converted to Cr.

Metric	Current Qtr (Q4FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	1,770.7	↓ 10.1%	↓ 17.5%	↓	Impacted by geopolitics in DMS and DEI; missing Govt MICE base from LY.
Gross Margin (%)	32.2%	↑ 500 bps	↑ 480 bps	↑	Driven by high-margin Sterling mix (80% resort revenue) and Forex retail.
EBITDA (₹Cr)	113.1	↓ 25.3%	↓ 27.2%	↓	Hit by DEI loss and higher employee costs (+12% YoY).
EBITDA Margin %	6.4%	↓ 130 bps	↓ 80 bps	↓	Negative operating leverage in International DMS/DEI.
PAT (₹Cr)	30.6 (FY: 220.5)	↓ 53.5%	↓ 38.6%	↓	Q4 hit by DEI; FY26 includes ₹6 Cr exceptional item charge.
ROCE (%)	14.7%	↓ 410 bps	-	↓	Impacted by high capital base and lower EBIT in travel.
Cash Flow (OCF) (₹Cr)	643.0	↓ 10.3%	-	↓	Strong but lower than LY's high base; still 2.9x PAT.
Net Debt / (Cash) (₹Cr)	(730.0)	↑ 80.2%	→	□	Strong FCF from Sterling (₹114 Cr) and releases in WC.
Interest Coverage	5.3x	↓	↓	□	Interest cost remained flat; EBIT decline lowered ratio.
Working Capital	Float: 1,600	↑ 6.7%	→	□	Prepaid card float is stable/increasing despite low travel.

### 2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin (EBIT)	Trend	vs Co. Avg	Key Development
Financial Services	81.3	↑ 3.3%	48.3%	□	Above	Retail sales +27%; Digital adoption reached 22.8%.
Travel & Related	1,356.9	↓ 13.7%	1.8%	□	Below	Hit by Desert Adventures (-50%) and absence of Govt MICE.
Leisure Hospitality	138.5	↑ 19.0%	17.5%	□	Above	Record Q4; RevPAR +16%; Rooms +17% YoY.
Digital Imaging (DEI)	194.0	↓ 3.7%	(5.3%)	□	Below	EBIT loss of ₹10.2 Cr due to UAE/Middle East disruption.

### 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Demerger	Listing/Trading of SHRL shares by Q1 FY28.	On track with NSE/BSE filings; NCLT process is the bottleneck.	<b>First Entry</b>	Low
Guidance	Sterling Rooms	Reach 4,500 rooms and 95 resorts by 2027.	Needs ~230 rooms per quarter. Current 1.5 resorts/mo rate makes this feasible.	<b>Delivered</b> (+14 resorts in FY26)	Low
Guidance	Travel Margins	Target 4%+ EBIT margins for the segment.	Current FY26 is 3.3%. Needs a major rebound in Long-Haul to recover.	<b>Missed</b> (Due to Geopolitics)	Moderate
Strategy	DEI Recovery	50-60% recovery in Middle East towards end of FY27.	Highly dependent on regional stability; not in management's control.	<b>Mixed</b>	High
Strategy	Forex Digital	Expand Blinkit presence to pan-India (now 12 cities).	Successfully expanded from 5 to 12 cities in 6 months.	<b>Delivered</b>	Low
Strategy	Sterling Model	Focus on Tier 2/3 and "Asset-Right" managed mix (38%).	Managed room revenue grew significantly; pipeline of 20+ sign-ups.	<b>Delivered</b>	Low
Balance	Debt Target	Maintain debt-free status for Sterling.	Cash reserves at ₹339.5 Cr (+24%); debt is zero.	<b>Delivered</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	4.0	Soumya S. / Insightful	Sterling Occupancy	Business Overview	"Do we expect a like-for-like improvement in occupancy in Q1 and how Q1 has been so far?"	Management signaled extreme optimism for Q1 and noted that despite a 20% supply increase, occupancies improved from 61% to 64%. This confirms Sterling's ability to absorb new inventory without diluting realization, a key profitability driver.	None	5.0	Specific timeline given
2	4.5	Heer Gogri / Choice	Travel Recovery	Management Commentary	"Do you see any recovery in the travel industry overall for Q1?"	Management confirmed double-digit growth in short-haul but admitted that long-haul volumes remain "subdued" and cannot be fully offset by domestic travel. This implies a margin drag in the Travel segment until the Western corridor stabilizes.	None	4.0	Directional with evidence
3	4.5	Debasis Nandy	Capital Allocation	Capex and Allocation	"How is the ₹800 Cr net cash going to be deployed?"	The cash is earmarked for technology/software (WeC/Forex apps), paying off long-term	Specific M&A targets	3.0	Vague but consistent

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debt as it matures, and potentially inorganic acquisitions. The absence of a large dividend suggests management is keeping a war chest for volatility or growth.

4	4.5	Purva Zanwar / 360 ONE	Forex Margins	Financials	"Does the revenue decline indicate margin pressure or a strategy to trade margins for share?"	Management clarified that the 0.5% revenue decline is due to reporting on a "net basis" after revenue-sharing with consultants/franchisees. Core retail margins remain healthy at 2-2.2%, suggesting no underlying deterioration in pricing power.	None	5.0	Clear and quantified
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5	4.0	Purva Zanwar / 360 ONE	Travel Guidance	Financials	"Do you maintain the 5% EBIT margin guidance for Travel?"	Management stuck to the long-term 5% target but admitted that the current geopolitical mix and Desert Adventures volatility are temporary setbacks. This pushes the 5%	None	3.0	Vague but consistent
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						margin thesis into FY27/28.			
6	5.0	Chetan / Systematix	RBI Norms	Management Commentary	"Any positives or drawbacks from the revised RBI norms for FX?"	Management hailed the change as a "big positive" as it allows them to enter the ₹25L trade remittance market previously dominated by banks. This creates a new B2B revenue stream for FY27.	None	5.0	Clear and quantified
7	4.5	K.S. Ramakrishnan	DEI Geography	Business Overview	"Any planned strategy to reduce UAE concentration in DEI?"	Management is focusing on Southeast Asia (Singapore/ Malaysia/ Indonesia) where they have 85% share in some markets and 15 new partnerships in the pipeline. This diversification is critical to lowering the risk profile of the imaging business.	None	4.0	Directional with evidence
8	4.0	Anil Shah / Insightful	Sterling EBIT	Financials	"Why has EBIT remained steady at ₹129-137 Cr despite adding 1,200 rooms?"	Management explained that ROU depreciation on leased assets hits the P&L from Month 1, while	None	4.0	Directional with evidence

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						revenue takes 3-4 months to ramp up. This highlights a "J-curve" effect where recent massive expansion will only reflect in EBIT during FY27.			
9	4.5	K.S. Ramakrishnan	DEI Loss	Financials	"Is the ₹10 Cr DEI loss behind us or will it continue in Q1?"	Management admitted corrections like headcount reduction take 30-60 days and top-line is dependent on footfalls they can't control. This suggests Q1 may still see some margin pressure in DEI.	Specific Q1 margin guidance	2.0	Deflected/Hedged
10	4.0	Ananya Khanna	Forex Decline	Financials	"Why was there a drop in the performance of financial services?"	Management attributed the flattish FY26 performance to the "sentiment shock" where customers held money on cards (₹16B float) but didn't spend. The "held" EBIT of ₹149 Cr despite these shocks proves the resilience of the float-	None	4.0	Directional with evidence

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						income model.			

**PATTERN FLAGS & SENTIMENT \* The "EBIT Lag" in Sterling:** Analysts were hyper-focused on why Sterling's massive capacity growth hasn't translated into absolute EBIT growth. Management's posture was confident, pointing to the accounting of lease depreciation (IndAS 116) and the "sunset" of membership fees. This friction is likely to persist until the demerger clarifies the standalone resort economics. \* **Forex as the "Silent Anchor":** Analysts showed high interest in the RBI's AD2 license changes. Management's detailed response regarding trade remittances turned a regulatory "threat" into a clear "growth lever," significantly improving management credibility. \* **DEI Transparency:** Management was unusually blunt, calling March a "train smash." While this creates short-term anxiety, the high level of detail on Southeast Asian expansion partially resolved concerns about UAE concentration.

**Analyst Sentiment Verdict:** Analysts were **skeptically positive**. They rewarded the Sterling demerger and Forex resilience but expressed friction regarding the "double whammy" of geopolitics and IndAS depreciation dragging down consolidated profits. Management's credibility was enhanced by their quantified defense of Forex margins and the clear Sterling room pipeline.

#### 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/Q4.	March "train smash" and loss in DEI.	Geopolitical disruption and March floods in UAE completely negated tech-led efficiency gains.	Moderate (UAE exposure)
Travel Margins	Guidance of 4%+ EBIT margins.	Q4 Travel EBIT margin hit 1.8%.	Absence of ₹100 Cr Govt MICE and Middle East disruption caused a 200+ bps miss.	High (Near-term)
Sterling EBIT	High growth trajectory.	EBIT essentially flat YoY.	ROU Depreciation on 14 new resorts creating a temporary P&L drag during ramp-up.	Low (Timing issue)

#### 5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY26)	This Quarter (Q4FY26)	Direction
<b>Sterling EBIT Margin</b>	29.0%	17.5%	↓ Seasonality (Q3 is peak)
<b>Forex EBIT Margin</b>	41.5%	48.3%	↑ High-margin Retail Mix
<b>Sterling Room Count</b>	3,556	3,810	↑ Sustained Expansion
<b>DEI Profitability</b>	Positive EBIT (₹1.36 Cr)	EBIT Loss (₹10.2 Cr)	↓ Geopolitical Shock
<b>Net Cash (ex-float)</b>	₹780 Cr	₹730-740 Cr	→ Stable/Slight decrease
<b>Strategic Focus</b>	Consolidated Growth	Demerger/Value Unlock	□ Structural Pivot
<b>RBI License</b>	Standard AD2	AD2 + Trade Remittance	↑ Massive Moat Expansion

STOP HERE.