Thomas Cook (India) Ltd — Nov 2025 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Topline) / Weak Miss (Margins) **One-line:** A "Muddy Monsoon" quarter where external volatility (severe weather, geopolitics, and software transition costs) masked structural progress in the asset-light hospitality pivot and digital forex delivery.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Weak Miss (Margins)	EBIT margins in Travel (4.9% vs 3.9% in PPT, but EBIT absolute fell 16%) and Sterling (16% vs 25% YoY) compressed.	□
Earnings Quality	Moderate	Impacted by "double costs" in DEI (software transition) and sunsetting of high-margin membership income in Sterling.	□
Guidance Confidence	Neutral	Management remains optimistic for H2 ("Saya" dates, jungle openings) but faces a high bar for H2 recovery.	□
Management Credibility	Strong	Proactive pivot to Quick Commerce (Blinkit) and transparent explanation of weather/membership impacts.	□
Business Quality Signal	Stable	Sterling's resort revenue grew 13% despite 40% inventory being weather-hit; Forex retail grew 13% despite sector-wide education slump.	□
Key Q&A Exchange	Q# Sterling Revenue	Analysts pushed on why revenue fell despite higher inventory; Mgmt clarified membership sunsetting and weather hits to "owned" resorts.	□
The Street's Primary Anxiety	DEI & Sterling Margins	Concern that margins are structurally lower; Mgmt countered with "temporary transition costs" and "weather headwinds."	□
Capital Cycle Stage	Harvesting / Reinvesting	Using massive cash (□308 Cr in Sterling) to sweat existing assets and expand through management contracts.	□
Margin / Return Ratio Trajectory	Deteriorating (Short-term)	Sterling EBIT margins hit a multi-quarter low of 16.2%; DEI EBIT crashed 65% on software migration.	□
Pricing Power	Expanding	Sterling ARR grew 10% YoY to □5,949; Leisure Holiday gross margins held at 14-15%.	□
FCF Conversion & Quality	Strong	Sterling cash reserves grew 51% YoY; Company remains debt-free despite lean-quarter stress.	□
Competitive Moat Signals	Widening	First-mover advantage in Forex via Blinkit (10-min delivery) and Disney Cruise Line partnership expansion.	□
Balance Sheet Strength	Strong	Net Cash position (Group) remains robust; Sterling alone has □308 Cr cash.	□
Working Capital Efficiency	Stable	High BPC float continues to support other income; Corporate touchless bookings reached 50%.	□
Mgmt Guidance Track Record	Reliable	Delivered on resort expansion (7 new in Q2); DEI tech transition is on schedule despite cost pain.	□
Key Vulnerability / Red Flag	Weather & Geopolitics	40% of Sterling rooms and a large chunk of DMS (US/Middle East) are hostage to external factors.	□
Management Tone	Resilient	MD Mahesh Iyer emphasized "resilience" while Vikram Lalvani was defensive but data-backed on Sterling.	□

Sentiment: □Positive (Long-term) / □Neutral (Short-term)

Key Takeaways: * **Sterling's Identity Shift Pain:** The YoY revenue decline at Sterling (-13%) is a "clean-up" effect. Sunsetting the high-margin membership model in Q2 last year created a base effect that could not be filled this quarter because 40% of the rooms (largely high-contribution owned assets in North India) were inaccessible due to landslides/floods. * **Digital Moat in Forex:** TCIL is aggressively decoupling Forex from "bank-led competition." The partnership with Blinkit (10-minute card delivery) and Google Pay integration (contactless) targets the impulse/convenience traveler, protecting their 31%+ market share in prepaid cards. *

DEI’s Software "Tax": The 65% drop in DEI’s EBIT is primarily an accounting/transition reality. Running the old software and the new "WeC" software simultaneously created "double costs." This is a classic "J-curve" tech investment—short-term margin pain for long-term labor efficiency. * **The DMS Geopolitical Drag:** The Destination Management business is feeling the global chill. US inbound was hit by sentiment shifts, and Middle East/Nepal faced specific geopolitical/protest shocks. TCIL’s scale allows it to absorb this, but it caps the "explosive growth" narrative for now.

Forward Watchpoint: H2 FY26 performance is the "moment of truth." Management has pinned recovery on 30% more auspicious (Saya) dates and a normalization of weather. If Sterling margins do not bounce back to the 30% range in Q3, the "asset-light efficiency" thesis will face significant skepticism.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	2,073.8	↑ 3.5%	↓ 13.9%	□	Driven by Corporate Travel (+27%) and Leisure (+7%); offset by Sterling/DEI dips.
Gross Margin (%)	26.2%	↓ 30 bps	↑ 180 bps	→	Impacted by higher B2B mix in DMS and lower-margin volume in US/Asia.
EBITDA (□Cr)	147.0	↓ 12.4%	↓ 14.3%	↓	Hit by ex-gratia one-time (implied) and DEI software transition costs.
EBITDA Margin %	7.1%	↓ 130 bps	→	↓	Compressed by Sterling weather impact and DEI "double costs."
PAT (□Cr)	73.1	↓ 2.4%	→	→	Resilient due to lower interest costs and effective tax management.
Sterling ARR (□)	5,949	↑ 10.2%	↓ 16.9%	↑	Pricing power remains despite seasonal lean period; RevPAR up 11%.
Sterling Occupancy	49%	→	↓ 1300 bps	□	Flat YoY; 40% of inventory was "weather-impacted" in North India.
Forex EBIT Margin	48.8%	↑ 10 bps	↑ 440 bps	↑	Elite margins maintained despite 22% industry drop in education remittances.
DEI EBIT (□Cr)	2.3	↓ 64.6%	↓ 78.5%	↓	Reflects □1,958 Mn revenue; hit by software migration and site closures.
Cash Flow (OCF)	Not Stated	-	-	-	Sterling cash reserves grew to □308 Cr (+51% YoY).
Net Debt / (Cash)	(Cash)	↑	↑	□	Company remains completely debt-free.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (EBIT)	Trend	vs Co. Avg	Key Development
Travel & Related	1,689.1	↑ 6%	4.9%	□	Below	B2B (DMS) hit by geopolitics; Corporate Travel grew 27%.
Financial Services	84.5	↑ 1%	48.8%	□	Above	Education turnover +9% despite industry decline of 22%.
Leisure Hospitality	104.4	↓ 13%	16.2%	□	Above	Hit by membership sunsetting and North India rainfall.
Digiphoto (DEI)	195.8	↓ 6%	1.2%	□	Below	80% sites now on new WeC software; "double costs" hit EBIT.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Sterling Rooms	4,802 rooms (94 resorts) by end of CY2026.	Needs to add ~1,300 rooms in 5 quarters. Management contract pipeline is strong.	**Delivered** (7 new in Q2)	Low
Guidance	Sterling Margins	32% - 35% for the full year.	Current H1 is 24.1%. Needs ~40%+ in H2 to hit 35%. Feasible given Q3 peak.	**In Progress**	Moderate
Guidance	DEI Tech	"WeC" software to drive labor efficiency.	80% sites live; benefits expected to show from Q1 FY27.	**In Progress**	Moderate
Strategy	Forex Digital	"Ghar Pe Forex" via Blinkit.	Live in 6 cities; pan-India rollout planned.	**New Initiative**	Low
Macro	Seasonality	H2 recovery via 30% more Saya dates.	High dependence on wedding/festive travel demand in Q3/Q4.	**On Track**	High

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Anil Shah / Insightful Inv.	Sterling Rev vs Occ	Financials	"How can revenue be lower when occupancy is constant (49%) on a larger base?"	Management explained that 40% of rooms were weather-impacted (owned assets) and membership subscription income was lost due to sunsetting the model. This confirms the YoY revenue dip is a "clean-up" effect of the business model transition rather than demand failure.	Quantified membership loss	4.0	Clear and quantified
2	4.5	Anil Shah / Insightful Inv.	Sterling Costs	Financials	"What costs hurt us primarily because of weather conditions?"	Management noted they carry fixed costs (salaries, electricity) for weather-closed resorts while earning zero revenue from them. This highlights a short-term margin drag that should reverse as North India circuits reopen in H2.	Exact fixed cost per resort	4.0	Directional with evidence
3	4.5	Deepak / Unifi	Sterling Competition	Business Overview	"Are we losing out to competition or is there incremental supply impacting demand?"	Management claimed a first-mover advantage in Tier-2 corporate hubs (Ayodhya, Bokaro) and superior	None	4.0	Directional with evidence

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						market share on online channels. This reinforces the "asset-right" strategy of entering underserved leisure/ business niches.			
4	4.0	Deepak / Unifi	DEI Profitability	Financials	"What is the path to profitability given five quarters of low growth?"	Management cited the "double cost" of running old and new software (WeC) simultaneously during migration. EBIT recovery is tied to labor efficiency gains post-software stabilization in FY27.	Exact software cost split	3.5	Vague but consistent
5	4.0	Naveen / ithought	Forex Competition	Business Overview	"How do zero forex cards from banks impact demand for your products?"	Management dismissed zero-markup cards as unsustainable "GMV-entry strategies" and emphasized their segmented focus (Study Buddy, Enterprise). This suggests TCIL is banking on high-touch service and student niche to defend margins.	None	4.0	Directional with evidence
6	4.5		Travel EBIT	Financials			None	4.0	

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
		Soumya / Insightful Inv.			"Why did Travel EBIT decline 16% despite revenue growth across subsegments?"	Management attributed the decline to a shift in the DMS business mix toward lower-margin high-volume business and increased marketing spend. This indicates that while top-line is resilient, operating leverage is being tested by geopolitical headwinds.			Directional with evidence
7	3.5	Deepak / Unifi	Domestic DMS	Management Commentary	"Should Thomas Cook benefit from macro tailwinds in domestic travel like hotels/ airlines?"	Management agreed but noted they are focusing on 4-5 specific large destinations rather than spreading thin. This signals a disciplined, high-yield approach to domestic travel rather than a volume-chase.	Specific target targets	3.5	Vague but consistent
8	4.0	Deepak / Unifi	Forex Wholesale	Business Overview	"Why is the wholesale business muted?"	Management cited an RBI directive requiring 75% of currency bought to be sold to retail customers, effectively capping re-sale volumes. This explains the wholesale weakness as a permanent	None	5.0	Specific timeline given

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						regulatory shift rather than a transient business dip.			

PATTERN FLAGS & SENTIMENT * **Sterling's Transition Friction:** Analysts (led by Anil Shah) were highly skeptical of the revenue-occupancy mismatch. Management was forced to repeatedly explain that "sunsetting" the membership model removes a steady subscription revenue stream that the resort business must now replace with volatile FIT (Free Independent Traveler) bookings—a task made harder by monsoon disruptions. * **Technology "Double-Tax":** The DEI segment is in a clear investment phase. Management's posture was "patient," asking for "a bit of patience" from investors while they swallow the costs of the WeC software rollout. This will be a recurring friction point until Q1 FY27. * **Geopolitical Resilience:** Management used the "diversified portfolio" argument to deflect concerns about individual market failures (US sentiment, Nepal protests, Middle East tension). Analysts appeared to accept this as long as the Indian outbound engine remains hot.

Analyst Sentiment Verdict: Analysts were **cautiously skeptical** this quarter. The friction focused on the volatility of "asset-light" hospitality and the cost-drag of digital transitions. However, the lack of debt and the massive cash growth in Sterling (□308 Cr) provided a strong floor to management's credibility.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Context) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Sterling Revenue | Expected "resort revenue growth." | Reported -13% segment revenue. | Membership sunsetting hit top-line harder than FIT growth could offset in a monsoon. | Low (Transitional base effect) | | DEI Margins | Improving efficiency from tech. | EBIT crashed to 1.2%. | "Double costs" of dual software systems weren't fully baked into analyst expectations. | Moderate (Execution delay) | | Forex Growth | Double-digit growth target. | Reported 1% revenue growth. | Sector-wide education LRS drop (-22%) was a major macro headwind not previously quantified. | Low (External macro) |

---

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1FY26)	This Quarter (Q2FY26)	Direction
Sterling EBIT Margin	26.1%	16.2%	↓ Deteriorating
Sterling Revenue	□135.7 Cr	□104.4 Cr	↓ Deteriorating
DEI EBIT Margin	5.1%	1.2%	↓ Transition Costs
Forex Delivery Channel	Traditional (Ghar Pe Forex)	Quick Commerce (Blinkit 10-min)	□Strategic Pivot
Sterling Cash Balance	Not Stated	□308 Cr (+51% YoY)	↑ Strengthening
DMS Performance	High-margin US/Asia growth	Low-margin mix shift (geopolitics)	□Margin Compression
Digital Adoption	20.4% (Forex)	22.0% (Forex)	↑ Improving
Management Tone	Cautiously Optimistic	Defensive but "Patient"	□Sentiment Shift

STOP HERE.