Thomas Cook (India) Ltd — Nov 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Consolidated) / Beat (Financial Services & Sterling Core) **One-line:** The core thesis is strengthening as the high-margin Financial Services (Forex) and Sterling (Hospitality) segments successfully decoupled from the geopolitical drag of the Middle East, while DEI losses narrowed significantly, signaling a bottoming out of international volatility.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Beat (Forex/ Sterling)	Forex Education turnover +33% YoY; Sterling Revenue +21% (despite Q2 seasonality).	□
Earnings Quality	High	Operational improvement in DEI (loss narrowed to □1.2 Cr from □15.2 Cr prior qtr); Sterling FCF positive.	□
Guidance Confidence	Strong	Forward bookings for India Leisure +30% for Q3 FY27 (OND quarter).	□
Management Credibility	Strong	Quantified GST headwind (□4 Cr) in Sterling and China visa impact (□18.5 Cr) in Travel with transparency.	□
Business Quality Signal	Improving	Pivot to asset-light hospitality (6 of 7 new resorts on management contracts) accelerating.	□
Key Q&A Exchange	Q#7 (Sterling GST)	Mgmt explained 155 bps EBIT margin compression was due to non-comparable GST ITC timing, not core operations.	□
The Street's Primary Anxiety	GCC & DEI Drag	Management provided specific evidence of DEI cost optimization and 50% recovery in Middle East DMS for Q3.	□
Capital Cycle Stage	Harvesting / Spin-off	Finalizing Sterling demerger (Q1 FY28 listing) while sitting on □2,800 Cr consolidated cash.	□
Margin Trajectory	Improving (Core)	Forex EBIT margins sustained at 44.1%; DEI EBIT margin improved from -11.6% (Q1) to near break-even.	□
Pricing Power	Expanding	Sterling ARR grew 9% YoY to □6,484 in a seasonally weak quarter.	□
FCF Conversion & Quality	Strong	Sterling net cash at □380.8 Cr; group interest income yield optimized at 7.5-8%.	□
Competitive Moat Signals	Widening	TCIL Forex Education growth (+33%) vs. industry-wide LRS Education decline (-34%).	□
Balance Sheet Strength	Strong	Zero debt in Sterling; high group liquidity to fund AI/Tech modernization.	□
Working Capital Efficiency	Stable	Float on cards grew 11.2% YoY to □1,890 Cr.	□
Mgmt Guidance Track Record	Reliable	Demerger timeline maintained; room addition targets (4,000+ keys) met early.	□
Key Vulnerability	Geopolitical	Continued volatility in Middle East DMS (Desert Adventures revenue still down 67%).	□
Management Tone	Confident/ Optimistic	Focused on "forward momentum" and "India leisure recovery."	□

Sentiment: □Positive

Key Takeaways * **Forex Decoupling:** The most critical thesis point is TCIL's ability to grow its Education Forex business (+33%) while the broader market (RBI LRS data) collapsed by 34%. This proves the "Study Buddy" product and student-counselor partnerships have created a structural moat. * **Hospitality Quality:** Sterling Holiday Resorts delivered record Q2 revenue (seasonal low) with 12% RevPAR growth. The 155 bps EBIT margin compression is an accounting artifact (GST ITC change timing) rather than a loss of pricing power or efficiency. * **DEI Turnaround:** Management successfully executed site rationalization (closing 32 sites) and personnel optimization, narrowing DEI's EBIT loss from □15.2 Cr (Q1) to just □1.2 Cr (Q2). * **The Demerger Signal:** With the Sterling demerger on track for Q1 FY28, the "valuation unlock" thesis remains live. Sterling is now a 4,000+ key, zero-debt, cash-generating engine. * **Forward Watchpoint:** The 30% surge in India leisure forward bookings for the OND (October-December) quarter will be the primary catalyst for an H2 re-rating, provided Middle East tensions do not escalate further.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS (Consolidated)

Metric	Current Qtr	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	2,003.0	↓ 3.4%	↓ 7.0%	□	Impacted by GCC conflict; India Travel recovered sharply in Sep.
Gross Margin (%)	28.1%	↑ 200 bps	↓ 80 bps	↑	Driven by higher mix of high-margin Forex and Sterling.
EBITDA (□Cr)	151.2	↑ 2.8%	↓ 1.9%	□	Strong core performance offset by Desert Adventures shortfall.
EBITDA Margin %	7.5%	↑ 40 bps	↑ 30 bps	↑	Cost agility in India Travel narrowed EBIT deficit significantly.
PAT (□Cr)	117.4	↓ 18.6%	↑ 60.6%	□	Tax and exceptional items (□0.8 Cr) affected YoY comparables.
ROCE (%)	Not Stated	-	-	-	Sterling FCF remains strong; float yield at 7.5-8%.
Cash Flow (OCF)	2,800.0 (Cash)	→	↑ 5.7%	□	Consolidated cash position remains robust.
Net Debt / (Cash) (□Cr)	(2,800.0)	-	-	□	Net cash positive; Sterling is zero-debt with □380.8 Cr.
Interest Coverage	13.9x	↑	↑	□	Finance costs declined 3% YoY.
Working Capital	□1,890 Cr	↑ 11.2%	↑ 5.0%	□	Float on cards grew to □18.9bn (up from □17.0bn LY).

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin (EBIT)	Trend	vs Co. Avg	Key Development
Financial Services	102.5	↑ 21.0%	44.1%	□	Above	Education +33%; retail share 80%.
Travel & Related	1,568.3	↓ 7.0%	2.9%	□	Below	India Travel Sep recovery; ME DMS -67%.
Leisure Hospitality	125.9	↑ 21.0%	14.6%	□	Above	Record Q2; 7 new resorts; ARR +9%.
Digital Imaging (DEI)	147.4	↓ 24.7%	(0.8%)	□	Below	EBIT loss narrowed to □1.2 Cr from □15.2 Cr.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Demerger	Listing of Sterling (SHRL) by Q1 FY28.	NCLT hearing completed; shareholder vote in Dec/Jan.	**On Track**	Low
Guidance	Travel Growth	30% growth in forward bookings for Q3 FY27.	Implies ~□2,000 Cr+ Travel revenue in Q3.	**New Target**	Moderate
Guidance	Sterling Expansion	Reach 95+ resorts by FY27-end.	Needs 5 more resorts to hit 88 (Current 83).	**Delivered** (Ahead)	Low
Guidance	DEI Recovery	50% recovery in Middle East business in Q3.	Depends on absence of further geopolitical shocks.	**In Progress**	High
Strategy	Asset-Light Pivot	Focus on management contracts for Sterling.	6 of 7 new resorts in Q2 were management contracts.	**Delivered**	Low
Strategy	AI Productivity	100% call audits via AI QC bot.	Currently auditing all calls >2 mins (vs 3-5% manual pre-AI).	**Delivered**	Low
Macro	Long-haul Pivot	Short-haul/Domestic to offset Europe/USA.	Domestic +8%; China visa rejection hit Kailash Yatra (□18.5 Cr).	**Partially Met**	Moderate
Balance	Debt	Maintain Sterling as zero-debt.	Cash reserves at □380.8 Cr; zero debt maintained.	**Delivered**	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	4.0	Chetan / Systematix	Sterling Ramp-up	Business Overview	"How long does it take for a new property to achieve mature level profitability?"	Management indicated a 90-day "baby phase" for stabilization followed by a ramp-up over 2-3 quarters depending on seasonality. This implies the 7 resorts added in Q2 will only become margin-accretive from H2 FY27/Q1 FY28.	None	4.0	Directional evidence
2	4.5	Chetan / Systematix	DEI Site Profitability	Financials	"How many of these 230 sites we currently have are EBITDA positive?"	Management clarified that site rationalization is a cyclical process and no more than 8-10% of sites are currently EBITDA negative. This signals that the bulk of DEI losses are concentrated in a few non-core geographies being exited.	Exact site count of negative sites	3.5	Vague but consistent
3	4.0	Chetan / Systematix	Forward Bookings	Management Outlook	"Is the 30% higher forward booking in value terms or number of passenger bookings?"	Management confirmed the 30% growth is in value terms for the OND (Oct-Nov-Dec) quarter compared to the prior year. This provides a direct lead indicator for	None	5.0	Specific data

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						consolidated top-line growth in Q3.			
4	4.5	Anil Shah / Insightful	Sterling Margins	Financials	"Revenue growth at 21% but only 9% EBIT growth... is there anything more to it than GST?"	Management reiterated that the ₹4 Cr GST input tax credit impact was a one-off timing mismatch vs. last year; adding it back results in 19-20% EBITDA growth. This clarifies that there is no structural margin erosion in the hospitality segment.	None	4.0	Clear and quantified
5	4.0	Anil Shah / Insightful	Sterling 2030 Vision	Management Outlook	"Where do we see ourselves by FY28 in terms of revenue and EBITDA percentage?"	Management targeted a healthy long-term EBITDA margin band of 32-37% while refusing to give a specific revenue "crystal ball." This confirms Sterling is being managed for margin stability over hyper-growth at any cost.	Specific FY28 revenue target	3.0	Consistent defense
6	4.0	Purva Zanwar / 360 One	Forex Growth	Financials	"What led to the 21% growth in Financial Services and is there any one-off?"	Management attributed the growth to market share gains in Education (+33%) and Corporate	None	5.0	Specific data

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						(+10%), despite a broader industry decline. This suggests TCIL's Forex business is now a structural winner, not just a cyclical beneficiary.			
7	4.5	Heer Gogri / Choice	Capital Allocation	Capex and Allocation	"With □28 billion cash, how do we plan to deploy this capital?"	Management explained that a significant portion is card float, but free cash is being used for AI/ Tech modernization and potential strategic acquisitions in the core line. This confirms management will not deviate from their core competencies via reckless diversification.	None	4.0	Directional evidence
8	4.0	Nagraj C / Banyan	Sterling Demerger	Governance	"Update on the demerger process timeline and understanding of its P&L structure."	Management confirmed NCLT filing is complete, SEBI/ Exchange approvals are in, and the listing is targeted for March/April 2027. This timeline is critical for the "sum-of-the-parts" valuation thesis.	None	5.0	Specific timeline

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
9	4.5	Nagraj C / Banyan	Sterling Guest Ratio	Business Overview	"Are you replacing members who paid upfront with guests paying ₹8,000-10,000 cash?"	Management clarified that the member base is being "dispersed" across more destinations rather than "replaced," allowing for higher occupancy and better RevPAR without alienating the old base. This demonstrates a sophisticated yield management strategy.	None	4.0	Directional evidence
10	3.5	Madhur Rathi / Counter Cyclical	Forex Yields	Financials	"What is the float yield that we earn on this money?"	Management stated the blended average return on card float is approximately 7.5% to 8.0%. This confirms float income acts as a significant high-margin bottom-line contributor during periods of travel volatility.	None	5.0	Specific data

PATTERN FLAGS & SENTIMENT * **The "Sterling Accounting" Anxiety:** Analysts were highly focused on why Sterling's EBIT did not track the 21% revenue growth. Management successfully defused this by identifying the ₹4 Cr GST ITC headwind as a non-recurring comparability issue, essentially proving "core" margins remain at peak levels. * **Forex as the Thesis Anchor:** There was palpable surprise at the 33% Education Forex growth given the industry-wide LRS slump. Management's posture was highly confident, shifting the narrative from "Forex is a travel derivative" to "Forex is a structural education/corporate play." * **DEI Recovery Credibility:** After a disastrous Q1, analysts were skeptical about DEI. The narrowing of losses from ₹15.2 Cr to ₹1.2 Cr significantly improved management's credibility, supporting their claim that the "worst is behind us."

Analyst Sentiment Verdict: The tone was **constructive and inquisitive**. Friction was minimal as management provided hard data (like the ₹18.5 Cr China impact) to explain misses. Credibility is at a post-COVID high, driven by the Sterling turnaround and Forex resiliency. The biggest unresolved issue is the Middle East duration, but the 30% forward booking guide for Q3 has successfully shifted analyst focus to H2 growth.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | FY27 Growth | Double-digit growth expected. | "Difficult to gauge... provided there are no external shocks." | Management has slightly hedged the "double-digit" consolidated guide due to ME uncertainty. | Low (Short-term) | | Sterling Margins | 32%+ EBIT Margin. | 14.6% in Q2. | Seasonal Q2 dip was exacerbated by a ₹4 Cr GST impact not previously flagged. | Low (Accounting timing) |

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q1 FY27)	This Quarter (Q2 FY27)	Direction
DEI EBIT Performance	₹15.2 Cr Loss	₹1.2 Cr Loss	↑ (Recovery)
Consolidated PBT	₹88.5 Cr (↓ 21% YoY)	₹84.8 Cr (→ Flat YoY)	↑ (YoY Trajectory)
Forex Education Growth	+36% YoY	+33% YoY	→ (Sustained Moat)
Sterling RevPAR Growth	+20% YoY	+12% YoY	↓ (Normalizing)
India Travel EBIT Deficit	31% Shortfall	22% Shortfall	↑ (Closing the Gap)
Sterling Key Milestone	~3,700 Keys	4,015 Keys	↑ (Scale)
Middle East DMS Revenue	↓ 89% YoY	↓ 67% YoY	↑ (Bottoming)
Sterling GST Headwind	Not Material	₹4.0 Cr Impact	↓ (Accounting One-off)

STOP HERE.