

Thomas Cook India Ltd | Jun-2025 Qtr Earnings Call Summary

1. Performance Overview

- Thomas Cook India Ltd. reported a consolidated revenue of 24,513 million, a 15% YoY growth despite a volatile quarter for the travel and tourism industry.
- Profit before tax (excluding a one-time excretion payment of 171 million) stood at 1,284 million, an 18% YoY increase.
- PBT margin improved YoY from 5.1% to 5.2% due to continued operational efficiency.
- CRISIL upgraded the company's rating, reflecting leadership in the travel segment and strong parental support from Fairfax.
- The company continues to focus on digital transformation, leveraging AI and conversational interfaces to enhance customer experience.

2. Financial Metrics

Quarterly Result:

- **Revenue:** 24,513 million
- **Debt Levels:** 280 Crores

3. Operating Performance / Business Segments

- **Financial Services:** Revenue declined 7% YoY to 842 million due to geopolitical uncertainty, lower Hajj travel, a decline in the education segment, and the exit from Delhi airport operations. However, the EBIT margin remained strong at 44%. Transaction volumes grew by 2% and total volume by 3% YoY. Prepaid card loads saw 10% degrowth. Digital transactions accounted for 20.4% of total transactions.
- **Travel and Travel Related Services:** Revenue grew by 18% YoY, with EBIT growing by 25% and EBIT margin improving from 3.9% to 4.1%. International travel grew by 19% while domestic travel was subdued. The business mix remained 40% B2C and 60% B2B. A new travel safety program, "TravSure," was launched.
- **DMS (Destination Management Services):** The DMS business is split into DMS India (Travel Corporation) and DMS International. DMS India revenue grew by 36% YoY to 597 million, surpassing pre-pandemic levels. DMS International grew by 28% YoY to 7,220 million, 1.8 times higher than pre-pandemic levels. Key contributors include Asian Trails (Southeast Asia and Australia), Desert Adventures (Middle East), and LIT Pro (USA).
- **Digital Imaging Solutions (DI):** Revenue remained stable at 2,100 million, up 1% YoY. Profitability improved significantly, with EBIT growing by 61% and EBIT margin increasing from 3.2% to 5.1% due to cost efficiencies.
- **Sterling Holiday Resorts:** Delivered its best ever Q1 performance with revenue at 1,392 million (8% YoY growth). EBITDA grew 25% YoY to 514 million with a 37% margin. Profit before tax rose 27% to 371 million. The company remains debt-free with cash reserves exceeding 3,000 million. Room revenue grew 11%, and F&B; revenue grew 16%. Occupancy stood at 64% despite a 21% increase in available inventory. Two new resorts were added.

4. Key Discussions & Insights

- **Other Income:** Increased significantly YoY due to higher interest income on bank deposits, increased sponsorship income, exchange gains, and miscellaneous income (including convenience fees and corporate guarantee income).
- **DMS Business Model:** Operates as a B2B business, partnering with overseas tour operators to create white-label itineraries. Growth is driven by acquiring more B2B operators as customers.
- **Sterling Resorts Positioning:** Focuses on upper-midscale to upscale segments, primarily targeting family holidays. Also expanding into business and leisure segments in Tier 2 and Tier 3 towns. Tracks repeat customers and accounts to measure performance.
- **Foreign Exchange Business:** The slowdown in the cards business is attributed to lower international travel sentiment. The company aims to grow the business by acquiring new customers and building new partnerships. The weakness in the wholesale segment is partly due to regulations impacting currency sales to other market participants.

5. Outlook and Guidance

- The company aims to outperform industry growth rates.
- Management expressed cautious optimism for Q2, traditionally the lowest quarter for leisure travel.
- Sterling Holiday Resorts expects H2 to be stronger than H1.
- Focus on scaling the business, leveraging technology, improving productivity, and managing margins.

6. Challenges / Concerns

- Geopolitical events and domestic disruptions impacted travel sentiment and bookings during the quarter.
- Regulatory changes affected the wholesale foreign exchange business.

7. Industry / Competitive Landscape

- The travel and tourism industry experienced volatility during the quarter.
- The company faces competition from other destination management companies and travel agents.

8. Overall Summary

Thomas Cook India Ltd. reported a strong Q1 FY26 performance despite a volatile travel market, achieving 15% YoY revenue growth to 24,513 million and 18% YoY PBT growth to 1,284 million (excluding one-offs). The company's diversified portfolio, including strong growth in the travel and travel-related services and Sterling Holiday Resorts segments, offset weakness in the financial services segment, which was impacted by geopolitical tensions and regulatory changes. Sterling, in particular, delivered its best-ever Q1 performance, driven by robust domestic travel demand. The company continues to invest in technology and digital transformation to enhance customer experience and operational efficiency. While management remains cautiously optimistic about Q2, they expect a stronger second half of the year. Key strategic developments include the launch of the "TravSure" travel safety program and new resort additions for Sterling.

Overall Call Tone: Cautiously Optimistic