Thomas Cook (India)

Operator: Bharat Connect Conference 2026 by Arihant Capital. I welcome you to the call of Thomas Cook (India) Ltd. Today, from management, we have Mr. Debasish Nandy, Group CFO, and from the internal IR team, we have Urvashi Bhutani and Ms. Ami Mehta. Before I hand over the call to management, I will lay out the flow of the event. We will start with the opening remarks from management and then move to the Q&A round. Participants who would like to ask a question can raise their hand and put it in the chat box. We will take questions from the participants who have raised their hands and then move to the chat box. If time permits, we will take questions that I have received from clients who have not been able to participate because of various factors. Please note that we will take the last question 5 minutes before the end of the session, which is at 12:55. Without taking much time, I am now handing over the call to the management team of Thomas Cook (India) Ltd.

Management: Thank you, everyone. A very good afternoon, and thank you for joining us.

I will quickly provide an update on what is happening presently. I think most participants on this call are aware of our business and our structure, but I will give an update on the current situation. The last few months, especially after March, have been a good test of the resilience of our business. While we could not control the external factors affecting our business, we could control how we responded and the strategies we used to pivot and grow. We focused on where we wanted to invest our money, which customer segments we wanted to prioritize, and which markets we wanted to prioritize, and we executed on them with greater agility given the circumstances.

Having said that, if I come to our business segments and look at financial services, I think we have managed to continue growing our market share, despite the industry reporting double-digit degrowth in several segments. As per the RBI LRS data, within foreign exchange, travel, and education and travel, we have at least continued growing our market share in the education segment, which has also been one of the key drivers for us. That has been a strong story for us in the foreign exchange segment, where we have been able to grow both our reported revenue, which is on a net basis, as well as our EBIT. EBITDA margins have been healthy at around 45%.

If you look at the travel segment, this is where the West Asia crisis had a direct impact on some of our sub-segments. As most of you are aware, we operate in both the B2C and B2B segments. On the B2C front, which comprises roughly 25% of my portfolio on the travel side, we have been able to grow some segments very strongly. If I look at the short-haul part of the business, this is something that we were able to pivot rather quickly. We took advantage of the destinations and preferences that customers had for such destinations and grew this business by double digits.

We did see stress from the external crisis, which was the geopolitical situation, mainly in the long-haul segment. This was largely driven by fewer routes being available for people to travel to destinations such as Europe, which are typically our long-haul destinations. Consumer sentiment toward travelling via the Middle East was obviously strained, and that affected the availability of routes. Direct flights have been extremely costly. This caused customers to look at travelling more toward short-haul and domestic destinations, which is visible in our numbers if you look at that trajectory.

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Having said that, what we truly know is that the appetite for travel is strong. It continues to be strong. I believe that these periods of disruption will eventually normalize and new travel patterns will evolve, and we are confident that we will be able to leverage this.

On the B2B side of the business, our MICE and corporate travel businesses continue to do well. We reported double-digit growth in MICE, and this is something that we expected to see in the second half of the year. That is working out for us because we were confident that the wait-and-watch approach taken by most customers, B2B institutions, and corporates would move toward execution, which is visible to us now. We have a healthy pipeline in both these businesses.

The larger part of my business in B2B is obviously the destination management business. If you look at the India inbound business, we are just about to start our season, so we are confident that we will be able to perform, given that the external factors continue to exist. I think India remains an attractive destination, and we expect inbound tourism to continue to grow.

If you look at the international DMS business, one of our entities, Desert Adventures, is directly in the path of the war. It handles inbound tourism into the Middle East, and it has been impacted. We are seeing an improvement in sentiment, but the real test will be when it enters its peak season and we see what level of recovery we are able to achieve. We do not expect this business to completely bounce back, given that the situation on the ground continues to be volatile, but we expect some recovery to take place.

If you look at our destination management businesses in Africa and Southeast Asia, we are seeing healthy trends there, and we are confident that the rest of the year will continue to be positive for them.

One business that has also been impacted, not directly because of the war but because of sentiment toward travel in the US, is our US market. Our US market typically sources inbound tourists from destinations such as Europe. Europe is largely our biggest source market, and if you look at inbound tourism into the US, there are ample statistics available showing an 8-10% decline as recently as July 2026. That business therefore remains under pressure.

Overall, given the combination of B2B and B2C, we are able to look forward to better quarters than the one we witnessed last quarter. That is the position on the travel side.

If I move on to Sterling, Sterling delivered a very healthy quarter as a result of all the investments it has been making in expanding its network. Today, we have 78 resorts in our network, and the count has now reached 80. We have expanded our network significantly over the last 1.5-2 years, and the benefits are visible. We continue to aim to grow both the network and occupancy and to drive ancillary sources of revenue such as F&B. That will be one of the key targets for the business. Given that the rest of the year looks positive for domestic tourism, we expect Sterling to leverage this demand and continue to grow.

Moving quickly to the last business before we move to questions and answers, our last business is DEI, which is our souvenir imaging business. The factors affecting this business have been more pronounced over the last 8-9 quarters. It has been affected by several geopolitical issues, starting last year with the Russia-Ukraine war, and continuing this year with the West Asia crisis.

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We had a very good start to 2026 in January and February. We were optimistic that DEI would have a strong year, but the business was impacted by the situation in February and thereafter.

The silver lining in this business is that we are entering the peak season now. 50% of its revenues come from the UAE market, and we hope to capture some recovery as tourism to these destinations resumes and returns to normal over time.

DEI has also utilized the past few months to review its expenses and costs and bring those benefits into the business. We hope that toward the end of the second half of this year, we will see a better impact from those initiatives. DEI has also gone live with its technology VC across all its sites. Once business activity resumes at these sites and footfalls increase, we will see better conversion on account of VC over time. With that, I think I have covered our four business segments, and I am happy to take questions.

Operator: Participants, if you have any questions, please raise your hand. Otherwise, you can also put your questions in the chat box. If time permits, I will take questions from there. I have received many questions from institutional investors who have not joined due to compliance or time-related reasons.

The first question I have received in the chat window is: When is the demerger likely to be completed, and what will the strategy be after the demerger? What will be the growth drivers for the company on a standalone basis?

Management: If you look at our communication regarding the demerger, we had indicated that we expected completion around Q1 FY28. We are confident of this timeline. We have already proceeded with our NCLT filing, and we hope that the next steps will be completed during the period between today and, say, April to March next year.

Operator: A question has been asked about the AD-II status of the foreign exchange business. With inbound travel looking stabilized in Q2, what is the outlook, and is it sustainable?

Management: We are an AD-II. I am not sure I understand the question about the status of AD-II in the foreign exchange business. We are already an AD-II and have been one for countless years, so I am not sure I understand this question.

Operator: For the incremental 100 rooms, what capital does Sterling invest today, and what steady-state EBITDA and NOPAT are expected under the owned, leased, and shared models? How has this changed compared with 5 years ago?

Management: If you look at Sterling, I think the broader question is answered by the trajectory through which Sterling has expanded while keeping its capital investment limited. Sterling has largely grown through an asset-light or asset-right model, as management calls it, using a mix of management contracts and leased properties to increase its network. The network count of 78 and the growth we have seen over the last year have largely been driven by this model.

The next target is to take the network toward 95 resorts during FY27, and this will again be driven by a mix of leases and management contracts. If you look at the resort mix between leased, contracted, and owned properties, the ratio is broadly 60:40, and we continue to expect to

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maintain that expansion ratio as we grow using the lease and management contract models.

Operator: On the UAE business, what is the impact right now? How are things progressing, and what kind of decline are you seeing compared with Q1 and on a year-on-year basis? What is the outlook now that travel has become normal?

Management: If you look at our business segments, there are two businesses that have been directly impacted in the UAE. One is our travel business, which is our destination management entity, Desert Adventures.

So far, one positive aspect is that when this happened, we were not in our peak season. It put pressure on the businesses, but both DEI and the DMS business used this time to review costs, prepare for when demand returns, and benefit from the resulting efficiencies.

They start their season from October onward, and we are obviously looking for performance to be better than what we saw in Q1. The other travel part of our Thomas Cook business has largely been impacted as a spillover effect of the entire crisis, because transit routes have been affected.

Management: Destinations are now slightly more difficult to reach, especially long-haul destinations. Having said that, as we speak, we are seeing good enquiries, business, and bookings for the European winter. This basically signals to us, as I said, that the appetite for travel is strong. People want to travel; it is just that visiting a destination has been slightly delayed. People have instead increased their exposure to destinations that are more short-haul and domestic, where the time required to execute the travel is slightly less.

Analyst1: According to the RBI draft paper, all licensed dealers, including small foreign exchange dealers, are expected to have this mandate. If this happens, TCIL is likely to benefit. What is the outlook or progress on this?

Management: The RBI has discussed this. It published a white paper, but it has not become law yet. Until it becomes law and is enforced by the RBI, we have to wait and watch for developments. We believe the smaller players have gone back to the RBI and petitioned it to keep their status unchanged, but the RBI has not yet taken a stance on this.

Analyst1: Also, on the DEI side, we have seen a sharp decline in revenue, while our sites have fallen by only 10% and our partnerships have also fallen by only 10%. What is the reason for the sharp decline in revenue? Is it because of the Middle East? Apart from Universal, have there been any other important closures or any other Bahamas contract changes? What exactly is causing the decline, and what is the outlook? When should we expect DEI to return to its pre-crisis revenue or EBITDA?

Management: We have fairly covered DEI. 50% of DEI's revenues, as well as its marquee partnerships and sites, are in the Middle East.

Analyst1: Yes, but only 10% of the sites are impacted, while the revenue impact is much greater. Is that because 50% of the business comes from the UAE and the sites in the UAE are much larger in terms of revenue?

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Management: Yes, as I mentioned, they operate slightly more premium sites. The reduction in sites that you are seeing is not a like-for-like comparison. I need to clarify this. The reduction in sites is either because some destinations were up for renewal and we decided not to renew them, or because some sites were not profitable and we exited them. It does not directly correlate with the sites impacted in the Middle East.

I am still an active partner at all 262 sites across the regions in which I operate. I continue to be a partner despite the West Asia crisis. It is not that the partnerships have ended; rather, footfalls into that particular destination had come to a standstill, although they are now incrementally increasing. As I mentioned, their peak season starts from October onward, and summer is not a preferred time to visit the UAE.

Analyst1: After the Middle East situation, are we pursuing any geographical diversification? Have we signed any new contracts or theme parks in this financial year that can reduce our dependence on the Middle East over the longer term?

Management: This is an ongoing activity, and I do not think it is something that can be constrained to one quarter. We are obviously looking at diversification, but signing up a new site and building that partnership also requires investment on the DEI side.

We do this, but the pace has slowed because we are waiting for stability to return to the key markets. We continue to scout for opportunities; it is not as if this has come to a standstill. However, we are more conscious of the risk and the effort required to enter a new destination right now.

We are concentrating on the markets and sites where we are already present because we see a lot of potential in those existing sites. Our focus over the next few quarters will first be on generating demand from these sites, while simultaneously continuing to look at opportunities to expand.

Even if conditions were normal, reducing our dependence on the Middle East is something we have been actively working on for many years. That is how we have opened sites in new destinations such as Hong Kong and China. We are doing this on an ongoing basis, so I would not restrict the discussion to one quarter.

Analyst1: What is the scenario in Kashmir on the domestic side? It used to account for 18-20% of the domestic portfolio. How are things shaping up, and what has replaced it?

Management: Kashmir has taken a back seat for the entire tourism industry this year because, after an incident like this, it is normal for a destination to lag for one season. This is true for the industry and not only for Thomas Cook (India) Ltd. Other destinations have gained ground in its place, but we expect Kashmir to return to its previous level or perform even better next year. Usually, it takes about a year for people to forget such events.

I see some questions in the chat window.

Management: I am taking Mr. Nagaraj, who has also raised his hand. I will take his question now, and then we will take questions from the chat window.

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Management: Yes, sure.

Nagaraj: Hi, good morning, Debashish. Urvashi, I hope you are doing well. I wanted to understand something from what you have discussed so far. It seems that Q2 has less salience for the Middle East and for the Middle East destination management and digital imaging businesses than Q1 typically does. Q2 would be the least significant quarter for this destination, and then Q3 and Q4 would be much larger. Is that a fair understanding?

Management: Q2 is partially significant because September generally indicates the start of the peak season. Typically, if you look at last year, activities usually began in September. However, given that the situation in West Asia is still volatile and active, we expect October to be the season when things come together and begin at the same time.

Nagaraj: We are seeing the return of the expatriate community to the Middle East, including those who live there. What is the recovery rate in some of these businesses? In the first-quarter call, you spoke about a 90% decline at one point, followed by a recovery to a 70-80% decline. Where would these businesses be roughly now, given that the base is also low? Since you said September marks the beginning of a more tourism-heavy period, how are things trending as of now?

Management: I am looking at this from a full-year perspective, and I think I can answer your question clearly. Mr. Nagaraj, the first quarter was extremely weak because of what was happening. Based on the first quarter, we thought the business should see around 50% recovery by Q3. That is what we were expecting.

However, to our pleasant surprise, we saw the business recover to around 40-50% of its normal level in Q2 itself, compared with last Q2. Effectively, compared with last Q2, the business this year has achieved around 40-50% recovery so far, between July and August. September results have not yet been announced.

Given the current trend, we expect the business to move positively, and by Q3, or by the end of December, we should see close to 70% recovery. That is considerably better than what we originally estimated.

There could potentially be more recovery; it all depends on how things develop. Each day brings a new development, as you can see in the newspapers, and every day brings a new scenario. By and large, what we are seeing is that people are getting used to the uncertainty.

On the travel side, though not on the DEI side, in our outbound travel business we are seeing Indian travellers opting to visit the Middle East during the winter season, around Diwali and after Diwali, because hotel rates are still quite low. Indians generally like a good deal, so people are opting for Dubai as a destination, which was not the case 3 months ago.

Nagaraj: Understood. That is very helpful. The good part of our growth last quarter was the MICE segment. Urvashi, you had mentioned that part of this was because corporates held back in the fourth quarter and then pushed that demand into the first quarter. Is there some seasonality in this, or is this 10-15% growth something we can expect on a year-on-year basis throughout the year?

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Management: I think the range you mentioned is broadly accurate, and we are seeing that trajectory. Seasonality will still apply, and there will be a few months here and there. Typically, January, February, and March are annual budgeting periods for companies, so spending is probably slightly lower during those months.

However, the situation is different today. As I said, this is common across all travel segments: the seasonality lines are becoming somewhat blurred because there is spillover demand. Typically, we expect MICE to remain strong for the rest of the year. There may be a few months, as I mentioned, when we see lower activity.

Nagaraj: Understood. Within MICE, can you comment on any impact or exposure to the insurance customer base, the bank customer base, or the distribution customer base that could potentially be affected by the distribution norm changes proposed by the IRDAI? Have you internally identified any exposure to this segment that could be affected?

Management: We do not have banks as customers. The banking sector is therefore not really an area that we deal with. We do have customers in the insurance segment, but although we have seen the IRDAI publish guidelines and so on, we have not seen any impact so far.

Nagaraj: Understood. One last question regarding Sterling: can you provide any further timeline for the demerger? It would be helpful to know. Thank you.

Management: Mr. Nagaraj, I did allude to this earlier. We continue to be confident in the timelines we indicated when we started this process, which is around Q1 FY28, and we are on track for that.

Management: A question has been asked about whether we are undertaking any cost-rationalization measures after the recent Middle East issue and whether this can help us over the longer term.

Management: I touched upon this earlier. It is largely related to our Middle East entities. After March, we started reviewing the situation. We did not want to take any knee-jerk reaction to the entire process, so the cost rationalization has been fairly calculated and carefully considered.

For both entities, we are confident that demand will eventually return to these destinations. Wherever feasible, we have taken action, especially in the case of DEI. We should see some of the benefits flow through in this quarter because there is naturally a timeline and a time gap between starting these initiatives and beginning to see their benefits.

Management: A question has been asked in the chat window about whether we are witnessing growth in Q2 and the outlook for the outbound travel business in the second half.

Management: If you compare the outbound business with last year, there may not be the same level of growth because the long-haul part of the business has not yet returned, and we have lost the peak summer period. Typically, Europe is a key-selling or star destination for us during that period.

What you will continue to see is growth in both our domestic and short-haul destinations, where we have been seeing growth of upwards of 20%. One small technicality is that you will not be able to see the full impact on the consolidated outbound segment because the ATVs for these two

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segments vary in absolute value. However, we are seeing positive trends at least in short-haul and in some parts of long-haul.

Analyst1: As a follow-up, our short-haul business grew 21% excluding the Middle East, with Japan, Korea, and China up 38%, and Vietnam and Cambodia doubling. What are the margin differences between the short-haul and long-haul packages? Does the mix dilute absolute EBIT?

Management: There is no margin difference between our outbound short-haul and domestic businesses. On average, the leisure segment operates in the gross margin range of 12-14%. You have correctly pointed out that the eventual impact will be on the absolute ATV of each business and, consequently, the absolute EBIT of each segment.

Analyst1: Airfares are up 30-50% on westbound routes. Are we absorbing the costs or passing them through? What is the effect on conversion and cancellation rates?

Management: If you look at destinations such as Europe, there are honestly not many bookings at present for cancellations to take place. The cost of travel to Europe is largely driven by the air travel component, which has seen an increase of almost 30-35% in costs.

That cost is typically part of the package. However, we have maintained our margins for each of our units, packages, and segments. Air cost is usually part of the package and is passed through. The package price increases, and that increase is passed on to the customer.

Analyst1: What is the difference between SOTC and Thomas Cook? Are we creating synergies between SOTC and the Thomas Cook brand despite the overlap? Is there scope for consolidation savings?

Management: We are slightly ahead of the curve when it comes to operating as a single unit at the back end between Thomas Cook and SOTC. We initiated these changes before COVID. COVID helped us expedite the process, and today we have a seamlessly operating system.

Our back-end facilities, such as CRM, customer servicing, and the buying we do with suppliers, have already generated a good amount of synergy between the two brands. Both brands, as a concrete decision that we have taken, will continue to operate as individual brands in the market. That works very well for us.

Analyst1: Visa processing has been delayed for countries such as China and other countries, particularly on the eastern side. Are you seeing challenges? Could this affect our overall growth?

Management: Visa challenges are primarily seen in the US, which is a long-haul destination for us. US visa timelines have been extended for quite some time, and people are honestly used to that now. China has recently become somewhat stricter in issuing visas, and we are seeing some impact there.

Analyst1: What is the {? Allied T Pro ?} when you talk about the US? We saw that last quarter {? Allied T Pro ?} revenue was down 40%. Is this cyclical or structural? Are we seeing any impairment in goodwill because of this slowdown? What is the break-even revenue level for {? Allied T Pro ?}?

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Management: {? Allied T Pro ?} is our US destination management business. As I mentioned, it has seen a decline because of its source market, which is Europe. We expect this phenomenon to continue for some time, but eventually tourism to the US will recover.

I think this is a temporary decline that we are seeing in the current year, and we hope that it will be resolved. The reasons for this are known to everyone. It started with the trade wars, and there have been multiple instances of restrictions being placed by the US government, especially by the President. The factors are known, and we are waiting to get through this period. We expect demand to return.

Analyst1: On the forex card, our One Currency Card has zero markup and zero cross-currency charges. What is the yield dilution per card, and how do we monetize it through float income, interchange, and cross-selling? How exactly does it work?

Management: The money we make is not from cross-currency charges. We make money when the card is loaded because we still need to buy the foreign exchange, and we are not saying that there is no charge on that. Every trade has to carry a margin. Therefore, we do not really see dilution of our margins in the foreign exchange business.

This is also a market practice that has been followed. It has now become the norm, and many other players have followed it. I am sure our investors know about this and are aware of market practices. We are simply following a market trend.

Analyst1: What is your outlook on the RBI {? FSNA ?} deposit that has been {? mentioned ?}, and how can this create a revenue pathway? What is the timeline for this?

Management: I am sorry, but the RBI {? FSNA ?} deposit does not have a direct linkage with us. We are not a banking company or an NBFC, so the RBI {? FSNA ?} matter has nothing to do with us.

Analyst1: Is Fairfax looking to increase its holding at some point because the prices have become very attractive?

Management: Fairfax did increase its holding by approximately 1% a couple of months ago, based on the shares available in the market. There is something called creeping acquisition, which it can undertake, and it bought some shares, increasing its shareholding by slightly more than 1%.

We are not aware of any further plans that Fairfax may have. The shareholding is currently close to 65%, which is already a fairly high shareholding.

Analyst1: What is your outlook on the cash currently held on the books? Where can the cash be deployed? Are you looking to enhance the business through an inorganic route, or what exactly is the strategy?

Management: We have 2-3 areas of priority. First, we are looking to pay down the debt on the consolidated books. After that, we are open to looking at attractive acquisition opportunities involving businesses that are aligned with us and in which we see potential. However, there is honestly nothing on the table right now. We are open to that discussion.

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Another priority is to return money to shareholders.

Analyst1: After the demerger, which line item of Sterling will be consolidated with TCIL? Sterling has been a positive part of the business, and there is concern regarding the post-demerger financials of TCIL, especially with {? DI drag ?}.

Management: I am a little confused by that question. Let me try to answer it. I think the question is not clear, but I will try to answer it nevertheless.

Of our 4 segments, one segment is leisure hospitality. That represents Sterling and will continue to represent Sterling in the future. The other 3 segments will continue under Thomas Cook.

Regarding the second part of the question, Thomas Cook will continue with these lines of business and try to expand them in order to improve the profitability of the remaining businesses. The objective of this exercise is to improve shareholder value. Thomas Cook (India) Ltd. does not gain anything directly from the demerger. The idea is to unlock shareholder value, as many investors have pointed out in the past that shareholders could potentially make more money if the businesses were demerged.

That is precisely what we have done. It has been a long-standing demand from investors, and this is our response to them. Overall, if I include the value unlocked from Sterling along with the value of the residual Thomas Cook business after the demerger, it will certainly be higher than what it is today.

Analyst1: Given the current situation, including the crude oil situation, how do you see the MICE business? Are we seeing any cancellations, considering that 77% of the business is international? What is your outlook?

Management: We are not seeing any cancellations. The MICE business is strong and is continuing to grow. We have not seen any impact from what is happening around us.

One needs to understand what the MICE business is and who its customers are. The customers are businesses, companies, and corporates, and they largely organize these events for their distributors. Even if there is a disturbance in one part of the world, distributors will not give up the incentive. This is an incentive that the distributor has earned.

A company cannot say that it will cancel the incentive plan because of a disturbance in the Middle East, because then distributors will stop selling. Instead, they ask us to move the destination from the disturbed area, which in this case is the Middle East, to another part of the world. Therefore, the business continues as usual.

If the entire globe were in a crisis, there could be a reason for MICE to be affected. Otherwise, it is not impacted.

Analyst1: On the ARR and utilization side, our Q1 ARR was close to 7,800 and occupancy was around 67%. How do you see ARR and occupancy moving over the longer term?

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Management: ARR is difficult to forecast. ARR is a function of the prevailing local room rates in the industry. Sterling has to remain competitive. This is monitored daily. The company looks at the prevailing prices for each of its 78 locations and decides what price to quote to the customer.

ARR reflects the prevailing price for hotels of a similar class and star category. If you look at the various hotel surveys available, it reflects the average price of hotels in that category.

As far as occupancy is concerned, it has increased to 67%. We are targeting occupancy of around 70%. Given the seasonality in the hotel business, including lower occupancy during the monsoon months, reaching 70% would be quite satisfactory.

Analyst1: Due to time constraints, that was the last question. I would like to thank the management. Any closing comments, please?

Management: Thank you for the insightful questions. We have covered a broad and deep discussion across each of our businesses. Thank you for joining us. If you need any further information, please feel free to reach out to us through Abhishek or directly. We are happy to help. Thank you.

Analyst1: Thank you very much. Thomas Cook (India) Ltd. is one of our coverage stocks. You can also connect with my analyst. I would again like to thank the management and the IR firm, SGA, for helping us host this event. Thank you very much.

Management: Thank you very much, everyone. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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