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February 9, 2024

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Fax No.: 2659 8237/38

Dear Sir/ Madam,

**Subject:** Transcript of the Analyst and Investor Earning Conference Call

In furtherance of our intimations dated January 29, 2024, January 31, 2024 and February 5, 2024 giving intimations on the Q3 & 9M FY24 Earning Conference Call for the Analysts and Investors and pursuant to Regulations 30 and 40(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please note that the transcript of the Earnings Conference Call held on February 5, 2024 has been uploaded on the website of the Company within the prescribed timeline and can be accessed on the following weblink: [https://resources.thomascook.in/downloads/TCIL\\_Q3\\_9M\\_FY24\\_Earningscalltranscript.pdf](https://resources.thomascook.in/downloads/TCIL_Q3_9M_FY24_Earningscalltranscript.pdf)

This is for your information and records.

Thank you.

Yours faithfully,

For **Thomas Cook (India) Limited**

**Amit J. Parekh**

Company Secretary and Compliance Officer

Encl: a/a

Holidays | Foreign Exchange | Business Travel | MICE | Value Added Services | Visas

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## Thomas Cook (India) Limited:

### Q3 & 9M FY24 Earnings Conference Call - February 05, 2023

#### Management:

**Mr. Madhavan Menon:** Executive Chairman - Thomas Cook (India) Limited

**Mr. Debasis Nandy:** Group Chief Financial Officer - Thomas Cook (India) Limited

**Mr. Mahesh Iyer:** Managing Director and Chief Executive Officer - Thomas Cook (India) Limited

**Mr. Vishal Suri:** Managing Director and Chief Executive Officer - SOTC

**Mr. Vikram Lalvani:** Managing Director - Sterling Holidays Resorts - Thomas Cook (India) Limited

**Mr. Ramakrishnan:** Managing Director and Chief Executive Officer of DEI - Thomas Cook (India) Limited

**Mr. Brijesh Modi:** Chief Financial Officer - Thomas Cook (India) Limited

**Moderator:** Good morning, ladies, and gentlemen. Welcome to the Thomas Cook India Limited Q3 FY24 Earnings Conference Call, hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Ranjit Cirumalla from IIFL Securities Limited. Thank you, and over to you, sir.

**Ranjit Cirumalla:** Thank you, Lizan. Good morning, everyone. Welcome to the Thomas Cook India Limited's 3Q FY24 Earnings Conference Call. Today, we have with us Mr. Madhavan Menon, Executive Chairman, Thomas Cook India Limited and senior management team. Without much ado, I invite Mr. Madhavan to begin the call with his opening remarks, post which we'll take a Q&A. Thank you all over to you, sir.

**Madhavan Menon:** Thank you, Ranjit. Let me just introduce everybody around the table here. I've got Mr. Mahesh Iyer, Managing Director and CEO of Thomas Cook India, Mr. Vishal Suri, Managing Director and CEO of SOTC, Mr. Vikram Lalvani, Managing Director of Sterling Holidays, Mr. Ramakrishnan, MD and CEO of DEI, Mr. Debasis Nandy, Group CFO; and Mr. Brijesh Modi, CFO of Thomas Cook India Limited.

Let me kick off by brief remarks in terms of the performance. I think when you look at it from a nine-month point of view or from the Q3 point of view, we've turned in a good set of results, reflective of the fact that, one, all the companies in the Group have now returned to profitability. Some of our overseas units took a little longer, while the domestic units, specifically Thomas Cook, SOTC, TCI Sita and Sterling have started firing on all cylinders.

If I look at the profitability -- let me address two points here. In terms of revenue, I believe that this performance has been achieved despite the fact that our volumes -- our sales numbers have not gone back to the 2019 numbers primarily because there are visa issues in certain markets. The IT companies are not firing on all cylinders as yet. So there are a variety of issues around that. But if you look at the profitability number, obviously, the performance is much better. It's a reflection of the fact that we are holding on to the cost gains and the productivity improvements that we achieved during the pandemic. And let me reassure you that it is our intention to hold on to these gains, primarily by focusing on the cost-to-revenue ratio for each company.

We have set target in the next quarter as well as the financial year 24-25, where we will -- it will be one of the primary metrics that we will watch. In terms of performances of the various businesses across the group, if you look at income from operations, you will note that all the businesses are firing

Very briefly on a 9M basis with the Foreign Exchange business has grown 29% from a period year-on-year. If you look at the travel and related services, which essentially represents Corporate Travel, Leisure Travel and MICE it's grown 62% from the previous year. If you look at Leisure hospitality-- Sterling Holidays resorts, which is the hospitality presence, it's grown 19%. And if you look at Digital Imaging Solutions, it's grown 21%.

Final point I want to make is that if you look our margins, the EBITDA margins have actually grown 270 basis points to 8.46%. And this is a reflection of a variety of factors. One, the productivity that we've witnessed and two, the higher input costs that we witnessed in terms of both travel, air fares, hotels and other travel costs. Our expectation is that we will hold on to these margins going forward.

I will now hand over to Mahesh, who will brief you on the performance in more detail and then to Debasis.

**Mahesh Iyer:** Thank you, Madhavan. Good morning, everyone. Just to give you a quick summary on the quarter and the nine-month performance. To begin with, and if you look at our income from operations, we moved from about INR 1,562 crores to INR 1,940 crores. And consequently, our profit before tax moved from INR 30 crores to INR 107 crores.

So if you look at this in share numbers, it reflects the upward trend that Madhavan spoke about, which is the recovery in the loss-making units that we had, which was slow to start and currently are firing all cylinders and the continued momentum on the India outbound and domestic businesses.

If you look at the nine-month number, and I just want to spend a little minute talking about it, look at our PBT there, you will see that what we reported for the full year was INR 26 crores, and we are already reporting a INR 284 crores for the nine months ended December 2023. So that's a significant jump as far as our profitability is concerned. And some of the factors aiding that kind of return back to profitability and the growth are the metrics around cost efficiency, better buying, coordination and cooperation between the units that we have been operating and a lot of digitization of our

processes, which all of that is baked into our cost, thereby any improvement in revenue straightaway flows down to the bottom line. And that's something that we indicated to the market before, and we continue to see that trend going forward, too.

If I focus on the segment-wise revenues, and I'll talk about that in specifics, beginning with -- for the quarter and then for the nine-month period. If you look at our margins -- and I talk about the EBIT margins, if you look at that, you will see that our margins on the financial services expanded from 30% to 33%, and I'm talking about Y-o-Y. And if you look at our travel business, we expanded from 1.95% to 4.7%.

I'd like to draw your attention that last time around on the 3rd of November when we were on a similar call, we had indicated that our gross margins -- or the EBIT margins at this point in time is close to about 3.5%, and we expect an expansion of about 100 to 150 basis points on that. I'm happy to report that we've achieved almost 80% of that expansion that we spoke about. And our expectation for the coming quarter and the financial year forward is that we should be trending close to the 6% - 6.5% range that we have indicated to you.

If you look at the financial service business for the nine months and on a comparative basis, you will see that for full year of 2023, we were at 29%, and our EBIT margin at this point in time stands at 39%. So that's a 1,000 basis point expansion as far as the margins are concerned. Similarly, if you look at the travel businesses, we were like 0.23% in FY23, and we are at about 3.87% as far as the EBIT margins are concerned.

So clearly, I think for the quarter as far as for the full year, you'll see an expansion in margins, which is reflective of the cost efficiency and the recovery of businesses across the domestic and the international portfolios that we have.

To quickly give you an update on the Foreign Exchange business. Some of the things that worked for us in the current quarter. I'd like to highlight here that this was a bit of a subdued quarter because the number of working days. You'll appreciate the fact that Foreign Exchange is a transactional business and every working day makes a difference in this business. This time around for the current quarter, December had fewer number of working days. So we had about nine working days lower because international markets closed faster. And as a result of that, trading was impacted for that nine working days.

Also, you will recollect that the new TCS regime came into play from 1st of October, so the impact of a lot of people actually preponed or pre-purchased their requirements in the July, September quarter. So some impact of that was visible in the October, December quarter, which we had called out in the last earnings call also.

Also noteworthy to mention here that the Bangalore Airport bid that we had, we didn't participate or rather we lost that bid because the price point at which we were supposed to win that bid would not have made it profitable for us so we decided to let it go. The impact of that is visible on the

income from operations as far as the Foreign Exchange business is concerned. But if you look at the EBIT point of view, we are at the same level that we were compared to a quarter -- a year ago.

Some of the reasons why we are there is because the efficiency in the business has already started to flow in. The margins are holding good. There is nothing wrong with the gross margins. And also we've kind of front-loaded some of our investments because as you know, our Foreign Exchange business has now gone digital.

While we are expanding our physical footprint, we are also expanding our digital footprint and you will see a lot that is happening in the social media on the SEO, SEM sites on the Google pages. And clearly, the investments that we are making are all front ended for the business. Despite that, our profitability, as compared to the previous -- the quarter of the previous year, remains the same.

Some of the highlights of our performance on the Foreign Exchange business. One, we launched the WhatsApp on Foreign Exchange. As you will appreciate that a lot of the WhatsApp services is a service-led process. In this case, we are actually using that as sales channel. I'm happy to report that we have done about 100 transactions in about a span of 45 days after its launch.

Our card loads during the quarter grew 26% and new card issuances have grown by about 13%. Our retail portfolio continues to grow, and our focus on the education portfolio is -- continues to be very strong and have grown at 16% Y-o-Y. So clearly, I think if you look at from a directional point of view, I expect this business to continue to grow about 15% to 20% and that momentum is visible to us. Our gross margins on this business will continue to be about 1.8% to 2%, and the EBIT margins will trend around 35% - 37%, which we have indicated to you before too.

Moving on the travel and travel-related services. I'll take you through the India bond business, and I hand over to Debasis to talk about the overseas ones. Just to give you a colour on the overall segment revenues that have come in, 28% of the overall segment revenues have come from the Holidays business. 45% has come from DMS (Destination Management Specialists), which includes India plus international and 29% of the business has come from MICE (Meetings, Incentives, Conferences, Events) so more like a 50-50 between India and overseas businesses.

If you look at the growth that we have seen on that, the income from operations actually grew 31% and consequently, EBIT improved by about 2X from INR 21 crores to INR 68 crores. Now clearly, that's a strong performance that we have post in the current quarter, and that's at the backdrop of our improvement in our gross margins and our EBIT margins.

A lot of our digital initiatives and the common factory that we operate has actually led to improvement our margins and we expect this expansion in margins to continue a little bit at a slower pace quarter-to-quarter, but I expect a 20 to 50 basis point expansion to happen over the next three to four quarters.

Some of the highlights of our operations on the travel side. On the Corporate Travel side, our transaction volume grew 20% for the nine months and 15% Y-o-Y. From an acquisition point of view,

we added close to about a dozen new corporates, small and midsize, which will add close to about INR 200 crores to our top line over the next 12 months. And that's the acquisition pipeline that we added in the current quarter.

Also, our digital journey moved up to 46%. So 46% of our corporate customers now are using our online booking tool to book their travel requirements, which is a bump up from about 42% that we had in the previous quarter. So clearly, from a digital adoption point of view, and all of this, as you will appreciate, will go to add to the productivity and the benefits that we will get in the long term.

On the MICE side, we spoke about our journey with the government business. I'm happy to report that we successfully completed the National Games in Goa. We had close to about 1,700 guests and 11,400 athletes, a large movement. We did about INR 91 crores of total volume of business in the National Games Goa. And also, we are currently bidding for some new projects as well as the government business is concerned.

On the international side, we handled multiple groups ranging from close to 200 to 2,000 delegates spread across Dubai, Spain, Indonesia and some domestic markets, too. We also managed the JIO MAMI conference, which had about 100 different nationalities who participated in it. It was a very prestigious event, and I think Thomas Cook and SOTC put together managed that event very well.

On the Holidays side, Madhavan indicated this. On the long-haul side, the recovery is still subpar. We are about 55% to 60% to the pre-pandemic level, and that's where we believe a lot of tailwinds will come to play. We expect the summers to be much better than what we had in 2023. And we have actually started -- or rather, we launched our products very early in October of 2023. So from a momentum point of view, our forward bookings currently are looking strong. They are at about 25% to 28% higher than what we had for a similar period in 2023. So from a forward booking point of view, our long-haul business looks very strong. On the short-haul and domestic side, we have seen very good uptick in the current quarter. In fact, both the short-haul and the domestic business came in -- came at par with our expectations. Margins continue to be very strong, and we expect this to fire in the summers of 2024. Debasis, can you take on the international ones.

**Debasis Nandy:** Yes. Thank you. Thank you, Mahesh. I will talk a bit about the inbound or the DMS business, which is represented by TCI India as well as the five overseas company that we have. The DMS business, both in India as well as overseas faced a very sharp recovery. If you compare it to the -- on a quarter-on-quarter basis as compared to the December '22 quarter, sales grew from INR 642 crores to about INR 860 crores, that's a jump up of 34%.

Major entities that were responsible for the growth were, of course, TCI in India, which came back to profitability. Asian Trails, which manages the business in Southeast Asia and in Australia. Desert Adventures, which is the Middle East-based company and Horizon Travel, which is based in the US.

Overall, operating margins also improved at an EBIT level. I think effectively, the overall margins improved by about 150 basis points as compared to last year, showing that the business has not

only grown in size, but is able to gain the benefits of cost optimization that has happened across the group, and therefore, is able to improve the EBIT margins as well.

The business continues to be strong. We expect the same trend to continue in the year ahead.

I would now like to wrap this up and hand it over to Vikram to -- and request him to talk about Sterling. Vikram, if you can come in and talk about Sterling, please?

**Vikram Lalvani:** Yes. Thanks, Debasis. Good afternoon, ladies and gentlemen. My name is Vikram Lalvani, and I represent Sterling Holidays Resorts Limited as its Managing Director and Chief Executive Officer. I'm joined by Mr. L. Krishna Kumar, who's the Chief Financial Officer at our company. It is a privilege to interact with all of you once again today.

Sterling has again delivered a strong performance in the current quarter of Q3, driven in part by customer demand in the holiday season and in part by the fact that Sterling supply has grown by 12% over the same quarter of the previous year, Q-o-Q, from 2,02,000 room nights to 2,27,000 room nights on account of eight new resorts being added during the preceding 12 months.

Also, the non-member occupancy has grown further by 8% for the current quarter over the previous quarter. All these have driven a 21% Y-o-Y growth in revenues for Q3 FY24 at INR1,243 million. Sterling has maintained the occupancy levels at 60% despite Q3 FY24, where the room capacities have grown by 12% over the preceding period.

EBITDA grew by 34% Q-o-Q from INR 352 million to INR 473 million. PBT grew by 74% for the quarter on account of lower interest and depreciation. Our debt has significantly been reduced from INR 491 million in FY22 to INR 100 million exit December '23. This is our 14th consecutive profitable quarter. Our operating free cash flow for the quarter is also healthy, which is at 28% of the overall revenue.

For the nine-month period ending December 31, '23, that is YTD FY24, revenues grew by 19% to INR 3,378 million, and PBT grew by 75% at INR 900 million over the same period in FY23. Operating free cash flow continues to be also healthy at 26% of the revenues YTD. EBITDA margins continue to be strong at 37%. And in this industry, 37% is far higher than many of the other brands as well.

Sterling continues to foray into the hospitality space with key revenue drivers being room revenues, food and beverage revenues, income fee from managed resorts and other incidental resort income constituting almost 80% of the overall -- company's overall. The management fee income has grown by 28% Y-o-Y, which reaffirms our asset-light strategy. As mentioned before, the company has also sunset acquisition of long-term membership products and shall continue to focus on strengthening its position in the hospitality space.

Sterling's portfolio currently constitutes 49 resorts in 46 destinations across the country. In the quarter gone by, Sterling has made its debut in a key market in Rajasthan, Udaipur, with two upscale

results, Balicha and Jaisingharh. Sterling has also re-launched its Nainital resort post renovation, which was closed in Q2, and we re-launched it in October of Q3.

Sterling has launched resorts in three new destinations as well in early Jan 2024, Athirappilly, our ninth resort in Kerala, further strengthening our Rajasthan presence with two more resorts Pushkar and Sariska. We have a strong pipeline into growing our destination presence in 2024 with almost 900 incremental rooms in the pipeline. Our focus on distribution has enabled us to tie up with over 3,600 partners in India using our proprietary distribution platform Sterling One and it has almost -- and it has yielded almost INR 680 million for this FY alone on room and F&B revenues.

Sterling continues to add new revenue streams that drive incremental business growth. The company has launched three new thematic restaurants in Q3 out of empty spaces in Puri, Wayanad and our Alleppey resorts. With this renewed food and beverage focus, we have also upgraded our restaurants, at Ooty and Goa. And all this has generated almost INR 5 million in the quarter and shall continue to do so as we go forward.

Our mobile food and beverage takeaway, Sterling On The Go was launched during the year, and it has also generated an incremental income of INR4 million. So Sterling is committed to growing new revenue streams, as we keep going along even in 2024. The implementation of the Oracle NetSuite ERP in the beginning of Q2 and our new hospitality property management systems in the current year has now stabilized and continues to give benefits in standardization and centralization.

All our resorts are on the customer front, all our resorts are rated four plus of Tripadvisor with 82% of our resorts rated 4.5 and above. Five of our resorts are rated five on five. 29 resorts are ranked amongst the top five in their respective regions. 22 resorts are awarded the Tripadvisor's Travelers' Choice that is a top 10 resorts in the world. And Sterling Kanha has been awarded the Tripadvisor best of best, the top one resorts in the whole world -- 1% of the resorts in the whole world.

Six of our resorts have also been awarded in Q3 as Golden Circle award by Agoda for top guests reviews. Our resort in Alleppey, Sterling Alleppey is secured, the coveted Travel and Leisure IBA Best Emerging Resort award also in Q3.

The macroeconomic factors continue to favour the hospitality industry. Sterling is confident of continuing to deliver superlative performance on account of robust demand, fast expanding portfolio, increasing brand strength of Sterling and Sterling's ability to leverage our growth in a sustainable and in a scalable manner in its business levers. So hence, we are looking at a very promising close to given FY24. Thank you so much.

**Debasis Nandy:** Thank you, Vikram. May I now request Mr. Ramakrishnan to come in and talk about DEI.

**K.S. Ramakrishnan:** Yes. So good morning, ladies and gentlemen. This is K. S. Ramakrishnan and I'm the MD and CEO of the DEI. DEI has had sustained and continued its good performance in terms of revenue and its EBITDA margins from '23 to '24 quarter. We've posted INR 241 crores of revenue

against INR 146 crores of '23. There has been a slight dip there, but that's been more about us concentrating an exit out of the US market operations and moving into a non-operative model.

The EBITDA margin obviously for the same quarter has been much better, where we have done INR 30 crores against INR 26 crores. On a year-to-date nine-month basis for '24, DEI has achieved highest revenue ever in its history, standing at about INR 700 crores a growth of 21% against the same period last year. This growth has been fuelled by markets like Greater China, Singapore and Indonesia coming back strongly and also opening of a dozen plus new partnerships across the Middle East and Far East region.

In all -- in the last quarter, we've done an excellent job in signing 11 new partnerships in the quarter. And above all, we have actually started and operated 13 new partnerships across Singapore, Indonesia, Malaysia, UAE and Saudi Arabia, which in turn will have a full year of revenue addition in FY25. This signs up that have been done in the last quarter is value in excess of INR 40 crores for the whole year next year. For the same period -- DEI also has shown a 12% increase in the EBIT, achieving about INR 46 crores.

Looking forward, our new integrated cloud solution based front-office solution WeC, which has been developing for the last 18 months is piloting this quarter. And by the end of second quarter, this will be in full operations across the world. This, we believe, definitely will have a huge benefit in our year-on-year operations from '24 to '25 and going forward.

The revenue on quarter-on-quarter December was 2% lower. But despite the loss of, as I said, about US, we still covered on the other markets and been strong. On our future outlook in FY25, our focus will be on improving margins from the existing business and growing revenues from new acquired businesses, including geographies like Saudi Arabia and Vietnam.

Saudi Arabia, the good part is -- we've gone live in December. It was about a couple of weeks back, and we'll have the operations in Saudi, is fully poised to grow through '25, '26. Vietnam, we are on the initial stages of getting our licensing and other things sorted. We have signed contracts -- or signed prospective contracts in Vietnam that is fired up from quarter two and quarter three in this year.

That's all from my side. Thank you very much.

**Debasis Nandy:** Thank you, Ram. That concludes the management comments, and we can now -- open up the conference for questions and answers.

**Moderator:** Thank you. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of from Himanshu Nayyar from Systematix. Please go ahead.

**Himanshu Nayyar:** Yes. Firstly, congratulations on a great performance team. So I had three specific questions, if you can address them. Firstly, Mr. Menon in the presentation he talks about the

proposed policy by RBI around money changing. So there's some change expected there, which should drive consolidation. So just wanted some more colour in how should -- how would Thomas Cook be benefiting out of that, both in the near and medium term?

**Maresh Iyer:** Okay. I'll take that on Himanshu. So as you know, there is a discussion paper that RBI has floated and comments were invited until the 31st of January. Now what does it entail? It's RBI, wanting to reduce the number of entities that it regulates or governs, which means it's wanting to do away with this category of license called FFMC, which is full-fledged money changers. Essentially, the business is going to be around AD-I's and AD-II's. AD-1 by definition is bank and AD-II are other money changers, who have got migrated to AD-II. And Thomas Cook is an AD-II

There's a new scheme of things that comes into play, which is called FXC, which is FX correspondence. There are nothing but a category that is going to replace the money changes. They don't have to go through a licensing norm, but they would actually become a franchise of an AD-I or an AD-II. And hence, whatever is permitted by an AD-I or an AD-II is what is going to be done by the FXCs.

Now from our point of view, what we see as an opportunity. There is going to be a lot of consolidation that will happen because I think the time period of what has been indicated in the draft note is going to be between 12 to 24 months. That's the maximum validity for the FFMC license to be on. So some people have the option of keeping the license on for a maximum of 24 months, post which they will have to surrender the license or they will have to become an FXC.

Now we believe that this will lead to a lot of consolidation in the market because there have been an opportunity for someone like Thomas Cook for sure, who would look at some of the distribution footprints that could come into play. As you know, we've been expanding our digital footprint in this business. And because Foreign Exchange is a product which requires last-mile fulfilment, there is a vetting that has to happen in last mile fulfilment part of it. We believe our distribution footprint is something that we could play with.

Apart from that, because of consolidation also, you will see that there will be better decorum. Because today -- when the Foreign Exchange market operates, there is some amount of ambiguity in terms of what the currency flow goes, who's regulating, who's controlling it. I think with this -- because it's going to be concentrated in a few, there will be better control over it. So we see that as two opportunities.

Apart from that, one other thing that they have proposed is to open this entire thing around trade transaction up to a limit of INR 15 lakhs, which I think is a new avenue that will open up for AD-IIs. That's not a category that's currently open for AD-II. It's a domain of the bank, AD-Is. So we believe that should be a new opportunity that will open up for the company.

**Himanshu Nayyar:** Understood, sir. The second question was on the travel business, where we are seeing, I mean, strong margin levels now, which I believe not done historically. I believe one reason, of course, is the cost efficiency where we are retaining a lot of the benefits. But going further as

well, we're talking about a significant expansion in margins. So what do you think would be the key margin levers, which will sort of make us reach those levels and help them sustain those? And what do you think in this business, a sustainable level of margins would be in the longer term?

**Mahesh Iyer:** So let me try and address both these questions in two parts, the first one being as to what are the levers. I think Madhavan alluded that too in his initial comment. We see a lot of headroom that's available as far as the top line sale is concerned. With a lot of automation and process improvement and common buying that we have done, I think the cost increase is not going to be proportionate to the sales series.

So a lot of volume-led revenue growth will come in and we intend to hold to the margins that we have. Actually, we have improved our gross margins by about 200 to 250 basis points across the board -- across all categories, long haul, short haul and domestic. And we intend to hold on to those gross margins going forward.

So essentially, any improvement in volume is actually going to flow down to the bottom line, albeit some investment will be made in terms of the frontline sales organization. A lot of back-end investments that sat in our books have now been automated, and we expect those benefits to continue.

You also mentioned that our business is now -- one of the important metrics that we follow is the cost-to-revenue ratio, hence any investments that we do or any expense that we make as cost will be proportionate to the revenue that it generates. So we believe that these margins that you will see are going to be sustainable.

The second point, in terms of how we -- what's our forward-looking guidance? We've indicated that we are currently at about close to 4.7%, 4.8%. We believe there is room for expansion. About another 50 to 100 basis points expansion is definitely possible. That will be led by two things. One, the improvement in revenue that you will see. And second, there are some units, which are still marginally profitable or still breakeven.

So I think when they start delivering the numbers, you will see them actually adding to the bottom line and constantly the margins in this business.

**Himanshu Nayyar:** Understood. And the final question would be on the capital allocation. We've seen aggressive deleveraging by the company. And now we are seeing strong cash generation as well. And historically, we have had a track record of multiple acquisitions. Given that we see limited capex needs in our operating divisions, what -- if you can give us some colour on what would be the broad capital allocation going forward, whether it will be more inorganic? Or are we looking at distributing more cash to the shareholders? How is the Board thinking on that front for now?

**Madhavan Menon:** Hi Himanshu, Madhavan Menon here. I think in -- let me address this. There are multiple questions in this. I think in terms of inorganic growth, we don't intend to look at anything at the moment. Very honestly, we consider ourselves still to be in recovery mode from that

perspective. As far as allocation of capital to subsidiaries, as and when a need comes up, we will allocate it.

I just want to mention that right through the COVID period, we actually encouraged subsidiaries to upgrade their technology and allocated funds towards their capex from that point of view. But right now, other than that, we have no -- nothing in focus. Having said that, as far as dividends are concerned, I don't think -- it's been -- it will be discussed at the Board.

And it will come up most probably after our financial year results are out, at which time they will discuss it. So very honestly, I don't want to share my opinion right now because it doesn't matter. It's the Board that has to make a decision on this.

**Himanshu Nayyar:** But then just a follow-up, sir, there. I mean in terms of capex, then what are our capex plans now? Because I believe a major chunk of the investments and technology, etcetera, has been done. So would we expect significant capex going forward, given that we are in any whichways going asset light on the resorts business and other businesses? I would not think would require too much capital going forward..

**Debasis Nandy:** Let me answer that question. Yes, you're absolutely right that we are very focused on asset-light model, and therefore, we will not need significant capex going forward. At a ballpark level, you can consider a capex of maybe about INR40 -- INR35 crores-INR40 crores at a consolidated level going forward. The capex will be largely on technology because technology will need continuous upgradation and therefore, we'll continue to spend on that.

But I do not anticipate any -- and there will be some expenses for setting up branches, which is largely in India for the forex and the travel business. But other than that, I do not really anticipate any major capex.

**Vikram Lalvani:** Yes. Let me also step in here. On the Sterling front in terms of acquisition of new rooms, it will be on a zero capex model for sure. The outlook for the next couple of -- at least for 2024 will be there. There will be a very small amount of capex towards upgrading -- setting up our facility because our customers are -- preferences and the average rates are going up. So there will be certain capex that will be put in only for upgradation of our own facilities and our own resorts. But primarily in terms of room expansions, it will be on a zero capex mode.

**Moderator:** Thank you. The next question is from the line of Hatim Broachwala from JM Mutual Fund. Please go ahead.

**Hatim Broachwala:** Sir, my question is more on the long-haul travel. So last year, I believe there were two main issues. One is certain bottlenecks on the visa issuance? And second is higher air travel rates. So if you can update on both this aspect, how it is likely this year?

**Mahesh Iyer:** I'll take that question. From a long-haul perspective, as we said, we ended -- if I say, ended the year, December, with about close to 60% recovery on the long-haul side. Our expectation

for FY25 is that we should see closer to 100% or more as far as the long-haul target is concerned. And I say that it's because we are seeing most of that business having invested in the infrastructure to process more visas.

Incidentally, some conversation happening with -- actually Europe was the major problem followed by US. And if you'd have seen not following the press reports, US will actually reduce the number of days that it takes for one to process the visa or even to give an appointment for that matter. As far as most of the European Union is concerned, most of them upgraded their technology, put in more people and have improved the infrastructure to process more visas.

The demand for Europe continues to be very strong, and I indicated that in my commentary that we are actually witnessing a 25% uptick in our overall travel business as compared to similar period last year. So I think from that perspective, there's a better preparedness, and we believe that it should be a much better outcome as compared to 2023. As regards input costs, they have softened a bit, at least on the airline side of it.

We've seen some softening, but I think it's not a large one. And typically, what happens is April, June, which happens to be the peak of the summers, where you won't find too many discounts and offers going in the market. So to that extent, a little early to say. Currently, there seemed to be a little softer when we look at their price, but not too many seats are able at that soft price. So yes, I would think that you're not going to see too much of a downward pressure on input cost there.

They will continue to be what they were in 2023. But I think the good part is people are used to that. They're willing to pay and Indian's appetite to travel is very, very strong, coupled with the fact that disposable income continues to be high.

**Hatim Broachwala:** Okay. Thank you. Another question is on the resort business. So I see that the ARR is 6,500. So is there any scope for improvement in the ARR?

**Vikram Lalvani:** See, actually, what we are focusing is on RevPAR, which is revenue per available room. It's a combination of both occupancy and the average rate, which actually drives up the overall revenue. When we're saying 6,500, it will have a certain margin of elasticity, especially during long weekends or during summer season. So that's why we will maximize on average rates. And during the rest of the period, which is 270 days, we will continue to maximize on occupancies.

So to an extent, we would say that there is a price elasticity, will be on the ARR front, especially over the holiday seasons, and we will continue to leverage that. But the focus will be on total revenue per available room.

**Hatim Broachwala:** Okay. And my last question is on the -- this business, Digital Imaging business. I see that the -- there's no growth in the top line or EBIT level. So basically, why is it in the outlook ahead?

**K.S. Ramakrishnan:** Okay. I'll take that and the -- you're talking on the quarter basis only, right?

**Hatim Broachwala:** Yes. Quarter, yes.

**K.S. Ramakrishnan:** Yes, so the quarter basis. So we -- I just mentioned that in the same quarter last year, we had the US business. We have consciously decided to reduce the US business out as the EBIT margins are shrinking very low. And they are turning our model from an operating model to a non-operating model. And that, in spite of getting the US business out in the quarter, we've actually had growth in the other businesses, other markets, and that's how we're still sustaining the overall number to be the same.

In the coming years, you have -- in the coming months, you have seen the growth because there's regular growth in the rest of the region. US has been a very standard business for us for a long time. It was an acquired business that we covered. They were low on margins. We've only kept those that were sustainable.

After COVID, some of these sites will not come back to the same level, while the cost of operations went much higher, particularly the labour cost. Hence, we've decided to get into a non-operating model. And therefore, that revenue dropped. What you're seeing is actually affecting to a better EBIT on the bottom line.

**Hatim Broachwala:** So, US business was what percentage of total?

**K.S. Ramakrishnan:** In revenue, it was about a \$14 million to \$15 million business globally -- annually. So, it would have been about 10% to 12% of our total top line. And that, over the last quarter onwards, we've got out of it.

**Moderator:** Thank you. The next question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

**Dhaval Shah:** Hi team, this is Dhaval here. Sir, a couple of questions from my side. First, on the travel business. Now on the long-haul side, I understand Thomas Cook has a good market share in the Europe segment. Now -- so on this -- so with the increasing market share, what is the benefit which we pass on to the consumer in terms of price and in terms of more services there? Like how does the high market share help Thomas Cook becoming -- I think growing in Europe segment?

And after Europe, which are the other geographies on the long-haul side, where we have a higher market share, where we are focusing more, trying to increase the market share? That's one. Second question, again on travel related on the domestic side. On the domestic side, how are we expanding to get more customers for the domestic tour? A lot of -- on Instagram, I see a lot of advertisement by Thomas Cook for pilgrimage where we have specific packages.

And also, there's a lot of travel volumes in those locations as well. So what's the strategy outlook on Thomas Cook for domestic travel? And third question, again, related to there is we see Thomas Cook outlets in the -- like in Bombay, we see a lot of Thomas Cook offices. Now there -- at the India level, what is the number right now? And how are we planning to increase our retail touch points to

become more visible, get more customer footfalls and get more business. These are my three questions on travel.

**Mahesh Iyer:** Dhaval, you said, right? Dhaval, I got your name right.

**Dhaval:** Yes, sir.

**Mahesh Iyer:** Okay. Dhaval, hi this is Mahesh. And I'll take all the three questions that you had. Coming to first, Europe, yes, you are right. We've got a large market share there, but we are not only a Europe operator. We are a world operator. So we send customers all across the globe. And at this point in time, we are not focused on market share because I think the market is expanding. I think it will be very futile for us to, at this point in time, focus on market share because the moment you go into a market share conversation.

You are trying to nibble somebody else's share and that's where the price pressure starts playing in. When the market is expanding, you want to play that wave and expand our reach, expand our distribution, expand our customer base and get as close as we can to the customer and stick with him for a longer period in time. And that's what our focus is. So other than Europe, we are large in US. And as you know, on the Holiday side, we represent two brands, Thomas Cook and SOTC and each one has got its unique positioning.

SOTC is very, very large as far as the US market is concerned. Thomas Cook is also large. But between the two brands, we do a lot of coverage for that long-haul segment of US. If I look at Australia, another long-haul destination. I think we have seen a very sharp rebound in the current year, and we expect that also to fire. So if you look at our overall destination, whether it is Europe, whether you look at US, whether you look at Australia, I think all of this are beginning to fire in the years to come by.

Also to mention here, Japan. Cherry Blossom was a launch that we did in 2023. We had about 250 people who travelled with us in the whole of 2023 and at this point in time, we are already holding bookings for close to 1,800 people. So we are already seeing a close to 40% expansion or growth in that business.

So clearly, we are opening up new destinations. We are covering new markets, and we will continue to ride the wave as far as the expansion is concerned, rather than focusing on market share at this point in time. Coming to your point on domestic, I think you're right. There's a lot of focus on spiritual or devotional tourism as one would call it to be. And I think what happened on 22nd of January is also -- is only going to actually further augment this entire business.

Our focus is not only spiritual tourism, we are also looking at adventure. We're looking at biking, and there's a category around honeymoon. So we are experienced providers. So we are looking at categories that appeal to customers and honeymoon being one such category that we are going after.

So we'll be focused on destinations in the domestic circuit, which appeal to customers, and there is a lot of demand coming in.

I must also qualify here that India is a very difficult terrain. I can't be operating the whole of India and say that I'm relevant to everyone. So we have chosen about six or seven destinations that we believe is relevant to us, and we will continue to build on that. You will also see that we have actually launched a charter to Bhutan in the current quarter. We have announced that. So that's another expansion that we are doing on the domestic side.

So clearly, religious tourism, honeymoon, markets where we can be relevant, charter operations, I think these are the expansion portfolios that we're seeing as far as the domestic is concerned.

**Dhaval Shah:** Got it, sir. Got it. And sir, on this domestic side, honeymoon being a targeted segment for us. So year-over-year, what sort of growth would you have seen, given India has the highest number of weddings in Q3? So some would stay from -- honeymoon would still Q4 also. So overall for Thomas Cook in honeymoon segment, what is the growth?

**Mahesh Iyer:** See -- look, we didn't have a product as -- honeymoon as a product, but people book packages. Some of them happens to be honeymooners. Now we have created a booking of offering for them, which is -- can specifically and appeal to a certain market. We are not a budget provider. We are a premium provider in that segment. And if you see from a growth point of view, you've seen about 35% growth in that segment, and we anticipate this growth to further accelerate in the coming quarters because now we are focused on that as a market.

**Dhaval Shah:** Got it. And sir, on the retail...

**Mahesh Iyer:** Sorry, Dhaval, just to take the last question that you had on the network. Between SOTC and Thomas Cook, we had about close to 200 outlets that we have owned as well as manage and that's where we distribute our products from. Our strategy so far, we do that physical, and we also do the digital side of it.

On the physical side of it, our expansion is based on the footprint that expands for the Foreign Exchange business and that's what we expect. And we keep evaluating markets. Our focus at this point in time is to look at Tier 2 and Tier 3, where we believe a lot of demand is coming from, and that's where our strategy will be focused on.

We are adding about 10% new distribution channels every year, and that trend will continue over the next two to three years.

**Dhaval:** Got it. And sir, a bit clarification on the margins. So you said 50 to 100 basis point expansion in the travel category so that's at an EBIT level? 4.5%...or EBIDTA Level?

**Mahesh Iyer:** At an EBIT level

**Dhaval:** Okay, 4.5%, which is currently? Got it. And sir, on Digiphoto side, so our relevance is more going to be on the Middle East and Far and Southeast Asia?

**K.S. Ramakrishnan:** That's correct. Our focus area would be the Middle East, Far East and even India. We are already expanding in India, too. Although the numbers in India are smaller, but our largest focus will be in the Far East and the Middle East. We have consciously decided not to go on to an operative model in the US or Europe as the cost of operations are higher. And our new technology is going to definitely help us fire that very efficiently.

So we're very confident that once our new technology is out, we will even expand in the US and Europe on a non-op model, which means we give a SaaS model of our solutions and they'll be operating it.

**Dhaval Shah:** Sorry, I didn't understand early difference between operating and non-operating model. Can you explain.

**K.S. Ramakrishnan:** Yes. So the photography business that we do have, basically, we provide -- we're a turnkey solution provider. We have -- we give the technology and we give the people, and we've put up the -- all the capital is invested by us. And we operate and give a lion's share of the revenue back to the partner. In the non-operative model, we only provide the capital of the equipment and the technology.

The partner invest into all those that including the human labour part and the revenue share is a bit different. We get a smaller share of the revenue, and they keep the larger share. That's the basic difference. So we -- on our operating model, it's a full turnkey. Currently, DEI has more than 95% focused on operations model. With the new technology, there's a sizable opportunity to go to the non-operative model or what we call as a sell model or license model.

And that's what we'll be focusing on in the coming years in addition to what we are doing. So we have an extremely aggressive three years ahead, where we have a double benefit of growth in revenue, both on operative and non-operative models.

**Dhaval:** Got it, sir. Got it. And sir, on the Digiphoto, we have 51% stake. So now are we going to be at that number? Or how is the -- how is our shareholding going to increase? And how do we get...

**Debasis Nandy:** As we have mentioned in the past, we are -- this is a joint venture between Thomas Cook and Ram. And Ram as you know, that he also manages this entire thing. We want to stay where we are. We do not have an intention of increasing our stake.

**Moderator:** The next question is from the line of Meet Shah from Finnovate. Please go ahead.

**Meet Shah:** First of all, congratulations on the excellent process. I have recently started covering your company. So I have a few questions and would like to have some clarity on that. My first question is on Sterling resort. In a previous conference call, you have mentioned that your focus is more on short-term memberships and you're taking down your long-term memberships.

However, we did some general check, and we were offered long-term membership with no mention of short-term memberships. So have you changed your strategy? Also, I would like to know how do short-term and long-term membership affect your performance?

**Vikram Lalvani:** Okay. Let me answer that. My name is Vikram. From our company's strategic point of view, we are more inclined towards repositioning ourselves as a hospitality player is what we've actually focused on. That's why the entire focus is on the room revenue, F&B revenue, like any other typical hotel or resort. Now when we have sunset the long-term membership program in a month of July. Now let me just rewind back to what happened last year.

Last year, while we continued to acquire a long-term membership as well as we had a 10-year product, which is a shorter-term membership program. We upped the efficiencies last year in terms of the down payment moving up from 20% to 25% to 80%. The variable sales actually also moved up from about a 20%, 25% variable sales to approximately about 70% variable sales. So we upped the efficiencies last year.

This year -- during the course of this financial year, we did sunset the 25-year product. Now when we say sunset the 25-year product, we have actually stopped acquiring new customers over there since July, but there must have been leakage that must have happened because of leads that were there. But in terms of numbers, we are very much reduced in terms of the long term.

Short term are actually two clients. One is the 10-year product, whose yield is actually far in line with the yields that we have in terms of what the average room rates are selling at. And the third one is actually a one-year product, which is a circle, which we have actually soft launched it only in the month of October.

We have actually not spent any money on that. And that's only sold actually at a resort at a very soft level. So that actually does not even impact the membership, that actually impacts more FIT business in resort, it's a clear one year product. So the entire game has actually changed from what it was the DNA -- our membership DNA in '18, '19, even back to that, who actually is the hospitality leg, and that's the direction that we will take forward.

**Meet Shah:** Okay. Sir got it. Also, can you give the revenue contribution of membership and non-membership?

**Debasis Nandy:** I would suggest that we take these sort of questions maybe on a one-on-one basis, and you can always be in touch with Urvashi because these are mostly data-related questions. Since we have all the CEOs here along with our Executive Chairman, it would be better if you focus more on the strategic part or the tactical part rather than the data-gathering part. The data gathering, we will help you, but Urvashi and I are there for that. We can connect after the call.

**Meet Shah:** Okay. Okay. Also I have a couple of questions on forex-related segment. So what is more profitable for you? Like when a customer do a foreign exchange transaction normally or when they use your prepaid cards?

**Mahesh Iyer:** Well, the way I look at it is that both are profitable. Both make money. The only advantage of putting the customer on the prepaid platform is that I sign the customer for five years. So there's a longevity that I built, number one. Number two, there are incentives that I call back in PLBs that I earn -- on the spend that happened on the product. So it's -- to that extent, it's profitable.

But when you look at the front end, while the currency note will fetch a higher margin when I sell it to the customer upfront, prepaid card would be slightly more finely priced, because I know there are some back-end incentives that come. But at the end of the day, from a customer's perspective, it will be more like a prepaid. I would think prepaid makes a lot of sense, easy to carry, safe, secure.

And I think from our point of view, the longevity of the customer for five years is something that we are focused on.

**Meet Shah:** Okay. Got it. And my next question is, can you provide some detail like contribution of various segments like student segment or corporate segment to your Foreign Exchange revenue? And also if you could share the margin of this segment?

**Debasis Nandy:** We'll talk about -- as I mentioned, data-related question, please direct to Urvashi post this meeting, and we'll be happy to assist you.

**Moderator:** The next question is from the line of Senthil Manikandan from iThoughtPMS. Please go ahead.

**Senthil Manikandan:** And congratulations to the entire team for a good set of results. Just my question is on DEI. So, in terms of changing this business model to non-operating. So if you can just quantify in terms of how it would impact the margins and our return metrics going forward?

**K.S. Ramakrishnan:** So, the non-operative model is a choice we take in markets where the labour cost is high or the setting of the business is cumbersome. The margins there are larger, but the revenues are lower. So in a typical case of an operative model, more than 40% to 50% of the revenue goes back to the partner where I operate. We don't have a rental model. Ours is completely revenue share model.

In the non-operative one, it comes down to asset. That's 10% to 15% of the revenue comes back to us and 85% remains with them. Lion's share of the money or the cost is labour or people who operate that's taken care by the partner. From our perspective, we look -- future looking, we look at about 15% to 20% of our overall revenue probably over the next three to five years, will come from the non-operative model.

And that's in markets where it is not profitable or where the margins get thinner. It's the technology that they're implementing, gives us the benefit of doing that from a centrally controlled environment that helps us to make sure that efficiencies and any kind of leakages are completely controlled and benefited out.

**Senthil Manikandan:** And on the profitability metrics and the ROCE of this new model is the -- is in line with the current model? Or it is better? So just with this non-operative model, how will be the EBIT margins and return on capital employed for this non-operative model?

**Debasis Nandy:** So, at a very broad level, this will obviously improve the -- it will improve the return on capital employed because in this case, the capital employed is going to be very minimal. So -- I mean that's actually more of a common sense answer than anything else. I think we have to wait a while to figure out the success of this model. And we are not in a position to share any data right now because we have just started our journey on this part. And over a period of time, we get to understand better and compare the statistics between operating and non-operating model.

**Moderator:** Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

**Madhavan Menon:** Thank you very much, ladies and gentlemen, for all the questions, which we thought were very insightful. As Debasis has said that if you have any further questions, which are essentially data related or if you have other questions, please connect with Urvashi. She will be able to either answer the questions or get the concerned person to the conversation. Thank you very much again and have a good day.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of IIFL Securities, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.

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