

Thomas Cook (India) Limited:

Q2 & H1 FY26 Earnings Conference Call – November 14, 2025

Management:

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

Mr. Debasis Nandy: President and Group Chief Financial Officer – Thomas Cook (India) Limited

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

Mr. Vishal Suri: Managing Director and Chief Executive Officer – SOTC Travel Limited

Mr. Vikram Lalvani: Managing Director and Chief Executive Officer – Sterling Holidays Resorts

Mr. Krishna Kumar: Chief Financial Officer – Sterling Holidays Resorts

Mr. K. S. Ramakrishnan: Managing Director and Chief Executive Officer – DEI

Moderator: Ladies and gentlemen, good day, and welcome to Thomas Cook (India) Limited Q2 FY '26 Post Results Earnings Conference Call hosted by B&K Securities. As a reminder, all participant lines will be in the listen-only mode and there'll be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Purva Zanwar from B&K Securities. Thank you, and over to you, ma'am.

Purva Zanwar: Thank you, Trisha. Good morning, everyone, and thank you for joining us on Thomas Cook (India) Limited 2Q FY '26 earnings conference call. From the company, we have with us Mr. Mahesh Iyer, Managing Director and CEO and the senior management team. We would like to begin the call with brief opening remarks from the management, following which we will have the forum open for an interactive Q&A session.

I would now like to invite Mr. Mahesh Iyer to make the initial remarks. Thank you, and over to you, sir.

Mahesh Iyer: Thank you, Purva. Good morning, everyone, and thank you for joining us as we discuss the Q2 FY '26 financial and operating performance. Before I begin, I would like to introduce my management team who is joining with me on the call today. I have with me in the room, Vishal Suri, Managing Director and CEO of SOTC Travel Limited; K.S. Ramakrishnan, Managing Director, DEI; Vikram Lalvani, Managing Director, Sterling Holiday Resorts Limited; Debasis Nandy, Group CFO and

President, Thomas Cook (India) Group; Brijesh Modi, CFO at Thomas Cook (India) Limited; Bhavik Bhimani, who is the Financial Controller; and Urvashi Butani, who Heads, Investor Relationships.

Before we go deeper into discussing the results of the quarter, I would like to highlight the key factors impacting our broader performance. The year so far has been a challenging one in the post-pandemic landscape, and Q2 continued to reflect this reality. Geopolitical flash points such as Operation Sindoor, Rising Lion, the global trade war and the escalations around H1B visas as well as the evolving political situation in Nepal have all continued to shape global and regional risk sentiment.

During the quarter, the trajectory of our recovery was impacted by weather disruptions across North India. This had a pronounced effect on our domestic travel business and the leisure hospitality segment. That said, despite these external pressures, the resilience and breadth of our portfolio enabled us to maintain stability in our performance, demonstrating our ability to navigate volatility.

Revenue from our operations stood at INR20,738 million, up 3% Y-o-Y. For H1, we were at INR44,818 million, a growth of 9%. Profit before tax after exceptional items maintained at INR2,211 million in H1 FY '26 versus INR2,187 million in H1 FY '25 and INR1,098 million in Q2 FY '26 versus INR1,096 million in Q2 FY '25. I would like to highlight here the onetime exceptional item that we had in the books this quarter, which will not repeat itself going forward.

I'd like to additionally play some highlights that underscore our momentum and our strategic progress beyond the operating environment. This quarter, we had some encouraging recognitions and innovations. Thomas Cook (India) Limited became the only Indian company to win two honors at the prestigious Adam Smith Awards 2025. We were recognised for the Best Risk Management solution and Best Investing Solution, which really speaks to the strength and sophistication of our treasury management practices.

In addition to this, we were also honored at the India Travel Awards 2025, reaffirming the trust and leadership of our brand and brand equity that we enjoy in the industry. On the innovation front, in forex, we have taken some major step forward in terms of customer convenience. As a leader in the foreign exchange business, we have always been at the forefront of innovation, be it product tech or being the first brand to sell forex online.

Now I'm thrilled to share that Thomas Cook forex is the first and the only forex provider to partner with India's largest quick-commerce platform Blinkit to deliver forex cards for travellers and students in 10 minutes. All through this, the customer does not need any physical documentation or have to leave his home, both of which were pain points in the traditional forex purchase flow. And I will elaborate a little more on this in the later part of my conversation.

We also launched TCPay, our new integrated mobile app that gives customers a simple one-stop digital solution for managing all their forex needs on both Android and Apple devices. And further to strengthen our payments ecosystem, we enable contactless cross-border payments through Google Pay, in partnership with Visa and Mastercard. This enhancement makes our Borderless Prepaid Card and the Study Buddy forex card even more convenient for international travellers and students. On the travel front, we made progress on our AI initiative, which is the agentic assisted model called TACY, which will now be at the forefront of our selling initiatives and together, both will enable a better customer experience.

I'll now move on to some of the segmental performance highlights. To begin with, on the Financial Services, to better understand our performance, I'd like to share a few statistics based on the RBI LRS data from January to August 2025. In the addressable segment of travel and education and maintenance of close relative, the LRS data showed a year-on-year decline of 5%.

In comparison, Thomas Cook (India)'s corresponding YTD volumes remained flat. This demonstrates the strength of our product offering, our operational excellence, reach and distribution network. Our FX segment revenue for Q2 FY '26 stood at INR845 million, marginally higher than the INR839 million in Q2 FY '25, an increase of 1% Y-o-Y. This limited expansion was driven by softer demand in specific subsegment, particularly education-related forex.

If we look at the LRS data for July and August compared to the same period last year, the degrowth is around 15%. And conversely, if you compare our performance, we actually grew marginally. Having said that, we have actually increased our turnover in the retail segment by 13%. This was led by a 13% increase in the holiday sales and our Education segment increased by 9% Y-o-Y. The performance of our airport segment is actually not comparable, which is included in this, which show a sharp decline because we are no longer present at Delhi Airport.

As you will recall, we exited the Delhi Airport in May 2025. More importantly, our EBIT for the quarter stood at INR411 million, broadly in line with the INR410 million that we delivered last year. EBIT margins remained steady and healthy at 49%, reflecting strong operational discipline and efficient cost management.

In terms of our digital adoption, we were at the 22% mark. Our WhatsApp engagement continue to see an upward trend and grew by an impressive 108%, albeit on a smaller base. Our app bookings were also up 25%. These reaffirm our efforts to enhance digital engagement & ability to meet our customers' needs where they are.

As we move into the second half of the year, our priorities remain clear to deepen digital adoption and improve customer experience. And with that in mind, we continue to expand digital initiatives to new levels. We launched TCPay all-in-one forex app designed for the first mobile traveller, as I mentioned earlier.

We are also proud to be the first forex card provider in India to enable contactless cross-border payments achieved through our partnership with Google and Visa. This milestone reflects our focus on delivering frictionless global payments solutions to our customers. And of course, our first-of-its-kind service in India by partnering with Blinkit to deliver forex cards right to the customer's doorstep within minutes.

This unique initiative places customer convenience at the forefront and further strengthens our Ghar Pe Forex promise. This service is already live in Delhi, Mumbai and Bangalore, backed by Blinkit's rapid last-mile network with the phased Pan-India rollout plans in the coming months. In October, we have already added Hyderabad, Pune and Chennai to the list.

Moving on to the **travel and travel-related services** segment for the second quarter of FY 2026, travel segment revenue stood at INR16,891 million, representing a 6% increase Y-o-Y over the INR15,915 million in Q2 FY '25. This quarter was a mixed bag on the travel front. The global travel landscape continues to navigate a period of uncertainties marked by shifting geopolitical dynamics and domestic reasons, which i alluded to in the beginning.

If you compare our H1 numbers, our top line improved by 12% Y-o-Y to INR36,675 million. Now had this quarter being devoid of few of the external factors, we would have been closer to the 15% mark that we have been targeting.

Let me give you a deeper insight into some of the segments as we present them in the form of B2B and B2C. On the B2B businesses, which constitute 75% of our total segment, revenue increased by 12% y-o-y overall in H1FY26. The Destination Management business, which includes India and our overseas operations reported a 5% increase during the quarter. This growth came despite a 10% Y-o-Y decline in the India DMS business, which caters to India, Nepal and Sri Lanka.

The India piece was impacted by temporary headwinds, including protest in Nepal and softer demand from some of our key source markets, partly due to the travel advisories linked to the India-Pakistan border conflict. On the international front, our overseas sales grew by a healthy 16% Y-o-Y in H1FY26. However, this growth came with a shift in businesses as some of our high-volume regions contributed at a slightly lower margins given the conditions and the uncertainty in key destinations.

Traditionally, Southeast Asia and U.S.A. are amongst the strongest regions during this quarter. This year, however, performance across these markets was mixed and lower than actual potential. In the U.S., which is usually a strong quarter was affected by a softening in travel sentiments and weaker bookings largely due to the ongoing geopolitical uncertainty.

This led to more cautious travel behaviour and muted inbound traffic in the U.S. market. In contrast, the Southeast Asia continued to perform steadily, supported by consistent inbound volumes and the overall resilience of our regional travel demand. That said, broader geopolitical spillovers did limit region's full growth potential particularly in some long haul markets.

Additionally, the share of higher volume business came at a slightly lower margin, which impacted our EBIT contribution during the quarter. Moving on to the MICE business. The segment improved marginally in this quarter, mainly alluding to the same reasons of weather adversities & the global travel being limited, several corporates had delayed their MICE related events.

While July and August were muted, we saw the trend reversed from September onwards. It's important to highlight that the changes introduced under GST 2.0 will translate into higher sales across various categories that we have witnessed in September and October, more specific in the paint, automobile, cement, insurance, etcetera, which are large consumers in this segment.

Our belief is that the broader impact of the changes coming from the GST will result in much more visible performance in the next two quarters. Corporate travel, the segment reported strong growth

in Q2 FY '26 with revenue rising 27% Y-o-Y from the INR317 million in Q2 FY '25 to INR402 million. Air revenues saw a growth of 4%, whereas non-air transactions expanded by 20%.

Hotel and car bookings saw a healthy traction increasing 23% and 9%, respectively. The company strengthened its corporate presence by adding 11 new accounts across diverse sectors and improving adoption of its self-booking tools that stands today at 59%. Our key focus area was digitalization through platforms like TravelOne and Dhruv.AI, which introduce our AI power corporate booking tool.

Coming to our B2C portion of the business, which account for 25% of the travel segment, leisure holiday segment posted a steady growth. In Q2 FY '26 the segment delivered a 7% Y-o-Y growth rising from INR4,018 million to INR4,310 million. Outbound holidays continued its strong momentum, though at a slower pace with a 7% increase. Domestic holidays recorded a 12% rise in Q2 FY26 despite the disruptions that we saw in Q1 and Q2.

This does not reflect the full potential that we anticipated. The segment's performance was constrained as domestic travel was impacted by excessive rainfall and landslides across Northern India, leading to limited demand. In terms of some of the initiatives on the leisure side, while we had mentioned this in our communication, I'd like to call out some of the important ones. We launched an expanded China holiday portfolio.

This leverages the resumed direct air connectivity and rising travel demand and is aimed at new destination alongside classics such as Shanghai and Beijing. As here we are creating groups tours & customized itinerary for leisure business and MICE travellers. We also restarted the Kailash Mansarovar Yatra for the first time since COVID 2019.

We also introduced special regional tours during festive, like Durga Puja, Dussehra, Diwali both on the domestic and outbound side. Now when I look at the overall EBIT for the segment, it was lower by 16% in the quarter to INR651 million, with a margin of 4%. While we have been able to improve our top line, the margin has been lower than our expectation. During the quarter, given the tepid demand scenario, there were extra efforts towards marketing and sales initiatives.

The numbers also reflect the impact of some cancellations that came in some of our businesses. Competitive pricing pressures and lower than expected performance in some of our key growth

markets for the quarter added to this decline in our EBIT margins. To add a little color on the outlook for the leisure segment. We started the quarter at a relatively slower pace, but to July and August.

However, the segment saw a noticeable pickup from September onwards as conditions improved and travel demand began normalizing helping holidays regain momentum. In the upcoming quarters, we expect higher activity on both B2C and B2B segments. India's consumption engine is poised for a powerful revival in the second half, supported by tax rate cuts and GST rationalization, which will help drive discretionary income.

With this, I would like to hand over to Vikram, who will take you through the performance on the leisure hospitality side. Over to you, Vikram.

Vikram Lalvani: Thanks, Mahesh. Good morning, ladies and gentlemen. My name is Vikram Lalvani, I'm the Managing Director and CEO of Sterling Holiday Resorts Limited. I'm also joined by Mr. L Krishna Kumar, who is the Chief Financial Officer for Sterling. Thank you for joining us as we present the results for H1 FY '26 as well as for the second quarter.

Despite Q2 being a traditionally lean quarter for leisure hospitality due to seasonality factors and the headwinds in the space. I'm happy to inform that Sterling has yet delivered its 23rd consecutive profitable quarter. In line with our transformative thrust on resort business, we have recorded a growth in resort revenue in Q2 of 13% and a RevPAR growth of 11% year-on-year against the backdrop primarily of a 28% Y-o-Y expansion in the resort portfolio with a milestone record of having launched 7 resorts in Q2 FY '26.

Sterling's financial position remains strong. Our cash reserves grew 51% year-on-year by another milestone of INR1,000 million to INR3,080 million so far and we remain completely a debt-free company. This reflects the robust cash generation as well as reserves in our books, while we are simultaneously also investing for future growth.

Our H1 FY '26 was marked by a record Q1, but temporary headwinds impacted Q2. Sterling delivered a stable performance with a revenue of INR2,400 million approximately versus INR2,450 million of last year and an EBIT margin of 24.1% compared to 25.6% of last year in H1. The standalone EBITDA remained healthy and consistent at 32% for H1.

Q2 was impacted primarily due to severe weather headwinds affecting almost 40% of our rooms. Coupled with the sunsetting of membership acquisition in Q2 of last year, the associated fixed costs of the impacted rooms and the ramp-up cost of the new rooms impacted EBIT margins to a small extent.

As a result, the revenue stood at INR1,044 million with an EBIT margin of 16% for Q2. These are temporary effects and the underlying demand fundamentals still remain strong. As envisage with a record Q1 and a strong forward booking positions for H2. Our Sterling portfolio now has expanded to 56 destinations and 65 resorts, hotels and retreats, it's over 3,400 rooms. Our pipeline continues to grow with an expected number of 10 resort destinations in H2 and another 15 in the quarters to follow totalling an approximately of over 4,500 rooms. Our expansion continues to be on an asset-right, capital-light model. A recent accredited industry survey of hospitality companies now ranked Sterling as 9th, up by one rank over last year on the number of locations, 12th up by two points over last year on the number of properties and 16th up three on the number of rooms.

Guest satisfaction continues to be a defining strength of the Sterling brand. Our Tripadvisor ratings improved to 4.61 from 4.57 of last year, a testament to the exceptional experiences consistently delivered by our resort teams.

In Q2, Sterling Lake Palace Alleppey, in Kerala, was awarded the Best Resort Spa by Hospitality Horizon at The Spa & Wellness Summit Awards. In Q2, we've also done a lot on the asset management side, which I will take a minute to explain that as well. On the asset management side, we use Q2 to focus on capacity expansion by sweating incrementally our own assets where possible and product enhancements in some of our key resort portfolios, with an intent of building immediate future additional revenue streams.

Sterling Puri is being expanded with 46 new suites, up from current 121 rooms and suites, with revenue contribution expected from Q3 FY '26 and having its full impact from Q4 in FY '26, and this is our own asset as well. We have completed expansion of Sterling Kodai Valley by another 32 suites from an existing 120 rooms and suites, which will have its full impact from H2 onwards.

Sterling Kodai Lake, Sterling Nainital and Yercaud completed incremental planned upgradations in Q2, with impacts expected from Q3 FY '26 onwards, and hence, in H2. Sterling Munnar, we are also upgrading 51 rooms there. That's about 38% of the total inventory. On track for a mid-December

completion before the peak holiday season and its expected impact in December last week and a full impact from Q4 FY '26 onwards.

Under Sterling Sankalp, our ESG initiative, we have completed investments and deployments of heat pumps across our key resorts, including Kodai Valley, Yercaud, Ooty Elk Hill, Kodai Lake, Mussoorie, Darjeeling and Puri. This initiative is expected to reduce energy consumption by approximately 3,50,000 kilowatt-hours annually while minimizing water wastage, reinforcing our commitment to sustainable and responsible tourism. These will also start showing its impact on cost efficiencies going forward.

With weather conditions behind us, weather headwinds behind us, rather, I beg your pardon and a 30% increase in Saya dates with 14 of our jungle resorts having reopened and new revenue streams from recently opened resorts in Q2 and H1 and contribution from our new resorts and upgraded rooms, our business is well positioned for our renewed growth momentum and a successful closure of FY '26, consistent with the performance of the previous years and previous other 22 quarters. Thank you so much.

Mahesh Iyer: Ram, you want to come in, please?

K. S. Ramakrishnan: Yes. Good morning. This is K. S. Ramakrishnan, MD and CEO of DEI. A warm welcome to all you ladies and gentlemen. Quickly to tell you a bit about our quarter. The Q2 FY26 ended up at INR1,958 million as against Q2 FY25, which was INR2,088 million, slight a flattish quarter.

The EBIT drop has been from around INR65 million last year to INR23 million this year on the same quarter-on-quarter, half yearly from INR4,162 million that we did in H1 '25. We've done INR4,055 million in H1 '26. EBIT during the same time for the H1 has been fairly flat at INR131 million in half year '25 as against INR129 million in H1 '26.

Predominantly, the key pointers that explains the drop of the top line would be UAE contributes to nearly 50% of the market that we do. And Q2 has been traditionally a low quarter due to both the peak summer and this was also burdened further this time with geopolitical factors. Travel in the UAE has seen a dip of about 15% across the board. Over and above this, Malaysia and Singapore added to the woe for us with some unplanned closures of key venue, which is more periodic and it won't be repeated again.

Resorts World Sentosa, Aquarium in Singapore and the KL Tower in Malaysia were closed for either upgrade or for some other political issues that happened in Malaysia, but all of those have been resolved and they're back in action. More than 80% of our locations have gone live with our new solution WeC. There has been a double cost of running this WeC through, and that has added to hurting our EBITDA.

80% of our sites are now on WeC. More than 1,500 operators have started operating this across the globe. There are expected tweaks and trainings that are being made as we go along to ensure that the peak period is maximized and we are parallelly running this along with our existing software. So these two things have also added to our cost structures.

On the brighter side of the horizon, we have large accounts that we have won during this quarter, which includes Ain Dubai, Ocean Park, Legoland Shanghai. All of these take about a quarter or 2 for stabilization, and we anticipate a huge uptick, a decent uptick at least, on our revenue performance in the coming subsequent quarters.

We have -- to add to all of this, the last quarter or rather the third quarter for this year is a key quarter. And the whole team has been fully prepared. We anticipate a fairly robust quarter this year as we go on. That's all from my side. Thank you very much

Moderator: Thank you. We will now begin the question and answer session. The first question comes from the line of Anil Shah from Insightful Investments.

Anil Shah: Hi, sir. Good afternoon to all. My question is on Sterling Holiday Resorts. We have -- compared to last year, September '24 versus September '25, we had higher inventory rooms, obviously, because the number of resorts and number of rooms that we had on offer in September quarter of '24 versus '25, it's much higher in '25, almost 16% higher.

We've talked about an ARR, which is up 10% from INR5,400-odd to about INR5,900. And occupancy overall has remained constant at 49%. So if I look at your presentation last year in September '24, we talked about 49% occupancy, then and we now speak on 49% occupancy on the expanded inventory base. Yet our revenue has declined. So that's the first question. I'm just not able to fathom this.

In the meanwhile, in your PPT, you have also mentioned that room revenues are up 22%. F&B is up 11%. Management contract revenue is up 22%. But overall, Sterling Holiday has seen a decline in revenue in Q2. So just not able to reconcile. That's the first question.

The second question is that how EBIT has come down so substantially. Most of the weather conditions and the geopolitical, etcetera, actually hit utilization or occupancy, if I may say, which is any way constant. So what are the kind of costs which has hurt us primarily because of weather conditions and because of whatever else that may be?

Vikram Lalvani: Let me just explain this again and in detail. The statement I had made was that we had about 40% of our rooms impacted even on an expanded base this year in Q2 because our hotels in Himachal, Uttarakhand where we have a very strong presence was in a large portion of the months and any which ways is being a lean season, was typically cut off from traffic, Mussoorie, Nainital, Corbett, Manali, Kufri, etcetera. Now -- that's number one.

Number two is, hence, even on an expanded base of 40% of our rooms were out. In fact, the growth that we got in the resort revenue actually also speaks about the resilience in Sterling. It came about only with 50% to 60% of its remaining inventory. So imagine if, the fact of the matter is that if we do not have these very strong headwinds, I think we would have been able to record a far higher and steady, in fact, a far higher growth in the resort income, number one. Then there is the fact that as we've been mentioning, even in the past couple of quarters, we have been ramping down and we eventually sunset the membership business in Q2 of last year. So therefore, the revenues that we had from the membership income, including its subscription as a result, which was there until Q2 of last year is not there this year.

Now having said that, we would have been able to substitute this gap very easily had we've been able to operate the remaining 40% of the rooms. So to that extent, the gap has been there in Q2, which should not be there from Q3 onwards because then that would be a like-to-like compare.

So that is why there has been a slight change in the revenue line. Now on the cost line, when many of our resorts are typically closed out, we still incur fixed costs in those resorts. While I may not be able to move the guests in there, I still carry fixed costs without earning revenue there like salaries, wages maintenance, basic electricity and these are the costs that we will have to carry.

So that's number one. Number two is even when we use this opportunity to ramp up another 7 resorts, which was a milestone we have ever done before. In the month of September, which impacted last portion of Q2 we actually leveraged a lot of the resources from these 40% of the rooms into actually opening these new resorts.

So it's a question of how we leverage the resources internally when we are not able to actually utilize them in their current destinations because of the fact that we are not able to move the customers. So this is a onetime ramp-up costs also that tend to hit us, especially when we are ramping up. Now this -- all the revenue streams should start coming in from H2 onwards, and it's already started.

Having said that, despite the issue of headwinds with 40% inventory as well as a onetime substitution that could not happen with the drop in the membership income because we curtailed, the H1 has still remained stable because of the Q1 numbers being buoyant. And we are very confident that the H2 numbers will actually - far surpass any kind of a negative trend that has happened in Q2.

Having also said that, we've had 22 quarters of profitable growth. And this quarter of quarter 2 has been impacted with both these parameters as well as the fact that we've taken ramped up new inventory as well as upgraded our current resorts, we use this opportunity to do that to better our streams in H2. But still, our H1 actually still remained stable.

Anil Shah: So just to clarify. Maybe my understanding is not correct out here. I repeat, when we say we have to take off 40% of the rooms just not available, do we take them off the denominator when we talk about occupancy?

Vikram Lalvani: No, we don't take them off the denominator...

Anil Shah: So then the occupancy, sir if I say is constant. In last year, September '24, your occupancy was 49%. It's 49% again, on the denominator which is much larger. So in terms of number of actual rooms that have been used and for which we have built is higher. Is that correct?

Vikram Lalvani: That's fair. That's fair.

Anil Shah: Exactly the question then, then why -- the only thing that it's so far that I can get an explanation from you is that members were lower compared to last year. So if you could quantify

that number? Because otherwise, how could revenue be lower? I'm not still able to understand in terms of revenue. I can understand in terms of cost to some degree, not completely yet. But how revenue can be lower in Q2 versus last year's Q2?

Vikram Lalvani: So let me tell you. Now when we're saying this 40% of the inventory, there are 2 kinds of inventories that we have. One inventory, and this is there across the board in the hospitality industry as well. One inventory is the inventory which is an impact of P&L, which is known as owned, lease or revenue share inventory.

And the second is a partnered inventory or a management contract inventory. So while the occupancies might have gone up in a management contract, what the amount that would get reflected in our P&L is only a certain portion of that incremental, because we only get the commission that comes from there.

So what happens is, out of the 40% that has gone, almost 50% of that is our owned, lease and revenue share. So we have to carry those costs, as they are large hotels. Like Mussoorie is a large hotel. Kufri is a large hotel. Manali is a large hotel. Nainital is a large hotel. So they were all reflecting in our P&L.

So therefore, on the flipside, we could manage to leverage the South and the East or the West, not necessarily everything is our own inventory as well, number one. Number two, yes, we did have a sale of approximately about 400 or 500 membership units last year, which eventually is not there this year and the associated subscription amount of that.

Now if we've been able to leverage those on the impact of the owned, lease, revenue share rooms, which was virtually shut down in Q2, including jungle resorts, this would have actually been easily substituted. Therefore, actually, our growth in resorts would have actually been over 20%, 25%, which is a model that we are actually headed towards. That's the answer.

Anil Shah: I think at least again, just to summarize, basically, it was our own resorts where we get 100% of the revenues, okay, which was of 15 resorts, more of those were unfortunately not available for tourists because of weather conditions. And hence, we got more hit in this Q2. Is that understanding correct? And the second part is, obviously, the fact that we had about 400 or 500 rooms booked by members in Q2 last year for which we got revenue and we got subscription, which we did not get in this Q2 of this year.

Vikram Lalvani: Absolutely. And we would have -- which we would have been able to substitute that and actually grow further. So you're absolutely right. But having said that, even when we entered October, now we are in the mid of November, those headwinds are behind us now. And since we sunset the membership story or acquisition in Q2 of last year, so even when you compare Q3, that's not going to have an impact going forward.

Anil Shah: Right. And last thing, sir, start-up or setup costs that you really have to go through initially. So we had 7 new resorts which started. Obviously, they take time to ramp up maybe another couple of quarters. But in this quarter, when you start off these things, what would be an approximate cost per resort that you would have debited in your P&L in this particular quarter?

Vikram Lalvani: Okay. Let me just answer that in 2 parts first. Now whenever we open a hotel or a resort, while we have a particular date from when the guests can come in and we start making revenue, our cost typically kicks in at least about 1.5 months or 2 months prior to the opening. So in this case, like why? Because we have to put the manpower, we have to get the supplies, finish the product, etcetera.

So actually, our cost -- so there was a conscious call that we have taken that despite the quarter being a little tough one, we actually rather go ahead and launch or open new hotels, it takes that cost from July, August onwards, when we open these hotels in September because it will have a positive impact in H2. That's step number one. 30, 60 days prior to opening...

Debasis Nandy: I am sorry to break in but there are other people who have queued up for questions. Can you give them a chance please.

Moderator: The next question comes from the line of Deepak from Unifi Capital.

Deepak: Thanks for the opportunity. Vikram, first question is to you. So we understand that this was a tough quarter because of seasonality. But are we losing out to competition? Or is there incremental supply of rooms coming in our existing geographies that could have impacted demand? That is one. And your comments on the cost buildup that happened this quarter, if you can quantify that. And the -- and whether it will recur or not in the future.

And with regards to H2, if you can provide an outlook on revenue growth that you've seen in October and forward booking that you have and the margins relating to this segment.

Vikram Lalvani: Thanks, Deepak. There are a lot of questions. So let me try to answer one by one in a very short, abridged manner. I think the first question is on the expansion and demand supply on competition. Now that is why I mentioned, that obviously, as and when we keep incrementally adding rooms, our revenue streams tends to go up. Now we are present predominantly in leisure where we think we have a far more competitive advantage when compared to anyone else.

And we are also moving towards the Tier 2 corporate setup. For example, if we say in Bokaro, Madurai, Dehradun - two hotels, Karwar, we are far ahead of our competition in that sense. How we actually gauge that? Actually, we gauge it on the basis of the kind of market share that we have through some of the online channels versus that of the others. So we're kind of ahead of our competition on that front.

And we are actually expanding into destinations also where we get the first-mover advantage like Ayodhya, Malampuzha etc. we get the first mover advantage. That's answer to question number one. The question number 2 was, sorry, what was that?

Deepak: It was regarding the cost that we've incurred in upgrading the properties that might not recur going forward. So, if you can clarify that and the third question is on the outlook.

Vikram Lalvani: Yes. On the asset management side, we always use this opportunity to sweat our own assets as well as constantly upgrade because with the transformation of the business model that has happened, you have to continue to remain competitive as was your first question. So our cost of typical and incremental room is approximately INR12 lakhs to INR13 lakhs. And that is why we rather focus on expanding and sweating our existing assets, so it has a stronger impact of the P&L going forward, which is what we've done.

Number two, yes, we will continue to expand even on an asset-right model. When I keep saying asset-right, it's a combination of asset-light and a little bit of revenue share and leases. So we will continue to expand on an asset-right model to leverage the network strength that we bring in. So that's point number two.

Point number three, if you see, H2 has actually opened much stronger. As I said, that the headwinds of -- especially the weather, is far behind us. And most of these destinations have actually already started reopening right from Dussehra, Diwali time. So I would say that H2 will be strong. The kind of growth that we are getting in the resort business, we could possibly hold those growth and maybe

with the incremental rooms we could even add on new revenue streams in H2, which starts from Q3 onwards. So there is no -- in fact, Q3 is looking good.

Deepak: Got it. If you can just quantify the cost that we incurred, sir, in this quarter? And with the growth that you've spoken about, will the margins come back to the older level that we...

Vikram Lalvani: Margins have been 32% in H1. And as you know that in the hotel industry, a good margin is between 30% and 35%. Most of them tend to hold that. We will continue to hold those margins for this entire year as well. There may be a slight blip that might have happened in Q2, but we are bound to rebound in Q3 onwards. So if you have to look at it on a full financial year perspective, we will continue to be between 32% to 35% for sure. We will also make some investments for the future because of the growth that we are driving in, but I am confident that these margins will hold.

Deepak: Sir, second question is to Mr. Ram. If you can give an explanation of the path to profitability in the digital imaging business because we've had four, five quarters of lower revenue growth and very low profitability. So from a revenue and cost lever standpoint, what are we seeing the outlook for the segment? I mean if you can explain how do we profitably improve in the segment going forward.

K. S. Ramakrishnan: Yes. I'll answer that. The last four quarters in a row, or last 5 quarters in a row, we are working on our new technology. This obviously comes at additional cost whilst we are using our existing technology until the previous quarter. So these numbers on some of the cost segments will be better as we go along.

But the profitability of this business has been fairly consistent for the past 20 years that this company has been, since we have been a profitable company consistently, and that ethos still follows. We have done a lot of corrections post pandemic. In '24 mid when the technology started and we started producing it, the cost has gone up.

In particular, the levers are basically getting efficiency of labor, and that will come in only by the technology getting fully implemented. And that, as I said, we will run through this quarter and next quarter while we're implementing and running. So the organization is extremely confident of delivering a consistent profitability in this business over a period of time.

Deepak Lalwani: Okay. So can you guide us with any outlook for this because the growth doesn't seem to be coming through despite adding new geographies, upgrading in existing locations. So revenue growth has been a challenge. And the cost side, although I understand that you migrated to the new tech, but you're saying that it will take some more time to reflect in the numbers. So if you can guide us as to when can we expect the...

K. S. Ramakrishnan: So if you've been following our business for the last two years, we have shut down a lot of inefficient geographies and sites, which is done as a regular cleanup over a cycle of three to five years. Our business model is such that when you start operations, you have to give the first six to 12 months for it to come to peak, all right?

Moderator: Sorry to interrupt, sir, but Ram sir's line has been disconnected. Please hold for a second while we reconnect him.

Debasis Nandy: Please ask the next guy in line to ask his question, while you reconnect Ram, so that we don't wait longer.

Moderator: Our next question comes from the line of Naveen from ithought PMS.

Naveen: First of all, congratulations on holding steady in a very tough quarter with respect to the macros. So my -- I have just one question regarding the forex business. Regarding the forex business. So just read some recent articles about banks offering zero forex cards. So just wondering, if you guys have any thoughts on like the demand uptake for these zero forex cards, essentially, like any comparison in contrast from the forex prepaid cards that we offer and whether it's targeting the same customer cohort or how we should think about this? Just wanted to get some sense on that.

Mahesh Iyer: Naveen, I'll take that question. This is Mahesh here. Look, there are different kind of models to get to the market. To me, this is more like an empty strategy. But you would know that a zero mark-up, a zero currency exchange, these are not sustainable models. So you will get what we call the GMV or the top line, but very difficult to make bottom line out of it. The market that we are focused is very segmented. We are focused on the holiday segment through our borderless prepaid card.

We are focused on the student segment through the Study Buddy, which is focused on the education segment. And we have what we have for the corporate, which is called the Enterprise Card. So we

are clearly segmented in our approach and we are looking at those places in the market where we can actually make meaningful dent. Just to give you a perspective, our current market share on the prepaid card side is anywhere between 31% to 32% and we are growing.

And I think at that scale that we operate, I think we've made our products relevant to the market. And my belief is that with the new innovations that we are bringing in the category like the addition of Google Pay where it is available for customers to seamlessly add to their wallet and then use overseas and some more new developments that we are currently working on.

I'm sorry, I'm not at liberty at this point to share some of the things that we are doing at the bank-end. But when we are ready, we will talk about some of those things. But I think clearly, what I want to highlight here is that we are progressing right. We believe that from a market perspective, we are segmenting it well and we want to grow in this space where we believe we have the moat to grow.

Moderator: The next question comes from the line of Soumya from Insightful Investments.

Soumya: I had a question regarding the travel segment. So I was just wondering other than the domestic DMS, which is overall a very small part of our aggregate travel revenue we have shown that there has been growth across all other subsegments. However, EBIT has not been able to grow, EBIT instead has declined by 16%. If you could just explain that decline, that would be great.

Mahesh Iyer: Sure. Soumya, thank you for that question. And I alluded to that in my opening comments. You're right. We saw some degrowth in some of the segments. But overall, the segment still grew. But please remember that when the external environment is not so great and not so conducive, you actually end up spending more to the market, and that's exactly what we did.

The second element, obviously, the spends that I'm talking about are nature of marketing and distribution, and then we had to spend a little more money to the market. The second is that on the overseas DMS businesses that we have, the mix of the business actually changed.

So we actually got a little more of the low margin business as compared to the high margin business that we usually attract during this quarter, specifically in markets like U.S., which is the peak season for the U.S. market is the July, September quarter, while we manage to hold some part of the top

line because of our forward bookings, but the mix in the way the business came in, impacted our margins. So to that extent, the margins got impacted or diluted.

Moderator: The next question comes from the line of Deepak from Unifi Capital.

Deepak: Should we continue with Mr. Ram's comment on the digi imaging business?

K. S. Ramakrishnan: Yes. Yes. Yes. So I was -- you were talking about the revenue drop, or revenue flattish or growth. As I said, in the cycle between three to five years, we look at every account because it takes about a year for it to come to its optimal level. So in the last few years, we have also shut down a lot of our nonprofitable sites. In the meantime, we are also building up a new solution.

When you build a new solution and implement it, it will be not a very fair thing to go and aggressively open new markets with a new software until it gets stabilized. As I said, these two quarters are very crucial for us, the two quarters that are following. Following this from the second quarter of next year, rather the first quarter of next financial year is when you will see some revenue growth opportunities.

Also, efficiency of labor and the digital channel will open completely, which will be one of the biggest levers. So a bit of patience from our end, that is very much required when we do this entire change. But there's a very good optimism on the opportunity of growing this revenue. Similar the way we have been doing it for the past 15, 20 years. This one year or one and half year of this transition is always something that we have consciously taken to do the change.

Mahesh Iyer: Ram, if I can just come in for a minute and add to what you just said, and Deepak it is also important to also look at the H1 numbers as we look at the comparison, it's INR131 million versus INR129 million. This also shows that despite the fall in top line and to the reasons that Ram just mentioned, which is more like a portfolio management that we do from time to time, our revenues held still, despite the fact that we were taking a double whammy on account of implementation and software costs.

So I think it's all about building that scale and momentum. It's a bit of a patience in this that we are trying to do. And like any software implementation, and this is a large one going across multiple

sites. It does take its time. There are challenges that come across. My belief is that, as Ram rightly said, we are here for the long and I believe, this should start giving benefits in the long run.

Deepak: Okay. So is it fair to assume that we would continue with this INR13 crores first half number for second half as well and then improve going forward?

Mahesh Iyer: Deepak it is not that way. This business also goes through seasonality. So there is a seasonal quarter and I think Ram said it in his remarks, that Q3 is his biggest quarter. So you will see that impact coming in. But obviously, Q4 obviously gets back to the normal run rate. So it's not more like a straight line that we can put in the -- but yes, Q3 could be comparable to Q3 that we had last year, and obviously, Q4 will be comparable. We will see some benefits of the software coming to play, but too early to mention about it.

K. S. Ramakrishnan: Yes. So Q3 will definitely be... at least the start shows that we are now trending on a betterment from last year's Q3. That's all I can say. And definitely, it's going to be better and the software's adaptation and the experience is getting better every day. So you can be rest assured that good days are around the corner.

Deepak: Sir, my next question was to Mr. Mahesh. So if you -- we have -- so we are hearing good commentary from our peers, whether it be the hotel industry or airline with regards to the domestic side. So should far as my assumption is that Thomas Cook would also benefit from the macro tailwind atleast in the domestic? So I wanted to get your sense on that.

And the second part is the DMS portion of our business is predominantly overseas, right? So if you can highlight the forward bookings there, what kind of growth are we seeing because that business was growing at a much faster pace, which is come down in this quarter by a bit, but if you can give some outlook there would be also good.

Mahesh Iyer: So let me take both questions in two different parts. The first one on the domestic side, as I mentioned, and you would see it in our deck also. Our domestic portfolio, despite the challenges grew, it's not necessarily the growth rates are not necessarily aligned to our internal targets that we have. So I definitely believe there is more room for us to grow. But the challenges that we saw in the current quarter hopefully will not repeat.

The unfortunate incident that happened in Delhi, these kind of events does impact some sentiments of how people will connect and stuff like that. But despite that, I think travel as an ecosystem will continue to grow. GST 2.0, the reforms that were announced will leave a lot more money on the consumer side of it. I think that should be a good fill-up to demand generation going forward. So from that perspective, I believe domestic, as an opportunity is going to be important.

I must also highlight here that we have chosen four or five large portfolios where we're going to be present on the domestic market. We can't be relevant in all the markets because we will be so widely spread that we can't make a meaningful impact. So we've chosen those 4 or 5 destinations where we want to be meaningful, and there are one or two categories where we want to grow. I think that's the way we are building the portfolio, and Deepak, we will talk about it as we start building scale and our plans around it. But clearly, domestic is one good opportunity and we are completely aligned with that opportunity in terms of our growth agenda.

Coming to the DMS side of it, you're right. A large portion of our business sits in the overseas market. Mixed bag this quarter, obviously, the Dubai market, like Ram said, we also have a Middle East market operating there. It's a low season. And obviously, the geopolitical impact also came into play. That kind of muted the overall growth. But despite that, if you see the growth, we were growing at about 12%, 16%, which is not a small growth in that sense.

From a forward-booking perspective, there are some markets which are seeing some headwinds, more specifically the U.S. market because of the reasons that we all know. But other markets are coming up, at least the Southeast Asian markets are showing up well, their forward bookings are looking stronger as compared to what we had last year. So I'm hopeful of a better outcome for the full year.

Deepak: Okay. Got it. Sir, one follow-up for the forex segment. We have been doing well on the retail side, growing in double digits, but the wholesale part of the business is slightly muted. So if you can highlight on why it is muted and how is it improving?

Mahesh Iyer: Deepak look -- I've always maintained that wholesale business is more like a byproduct. It's not necessarily an area of focus because what we are talking about is currency movements here. We are buying from one and selling to the other. And I've spoken about it in the past, RBI came with a directive in terms of how much you can sell and to whom you can sell because

there was a lot of currency in circulation. I think this is all driven by the digital push that the regulatory is bringing in.

So obviously, the structure that they brought in is to say that to someone whom you are selling the currency note to, should sell 75% of the volume that he bought from you to a retail customer and not be doing a resale on it. So these kind of pictures were put into place from October of last year. I think that's the flow-through impact that you are seeing.

But clearly, I think wholesale is a business which will continue because India will still need some cash, even our retail portfolio, if you see 35%, 40% of the people still refer to take some cash and the balance goes in the form of card. So you will see the cash flowing through in the wholesale market, but that necessarily is not a big business. Our focus has been on the retail side and the double-digit growth that you are seeing there is a testament of the kind of distribution and the product portfolio that we have created.

Deepak: Okay. Thanks

Mahesh Iyer: Thank you, ladies and gentlemen, for your questions. I just want to conclude by saying that this was a difficult quarter. Despite that, I think the Thomas Cook group has shown resilience in its performance. My expectation is that with the reforms that the government has announced and no untoward or major incidents happening, I am expecting a better outcome in H2 for the industry as a whole. Thank you very much for your questions, and have a good day.

Moderator: On behalf of B&K Securities India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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