

Price: 132

Recommendation: Buy

Industry: Tour, Travel Related

Sector: Consumer Discretionary

Report Date: 18-Mar-2025

Thomas Cook is advancing its digital transformation, focusing on video KYC and WhatsApp sales, achieving 11% operational income growth. The company is expanding with seven new locations and participating in major events like Kumbh Mela. Corporate Travel grew 13%, with significant gains in non-air and card businesses. Looking to 2025, Thomas Cook aims for pre-pandemic operations, emphasizing cost efficiency, digital stability, and ESG initiatives for sustainable growth.

Sales		Profit & Loss		Profitability Matrix	
Current Year	7835 Cr	Operating Profit(Year)	468 Cr	Operating Profit Margin	5.97 %
Previous Year	5048 Cr	Operating Profit(Quarter)	116 Cr	EBITDA Margin	7.30 %
Current Quarter	2061 Cr	PAT (Year)	259 Cr	Net Profit Margin	3.72 %
Previous Quarter	2004 Cr	PAT (Quarter)	49.7 Cr	EPS	5.23
Revenue (QYoY)	1893 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	25.6	Sales Growth	12.8 %	Sales Growth	2.84 %
PEG Ratio	1.02	PAT Growth	3788.89 %	Sales Growth QYoY	8.87 %
EV/EBITDA	8.87	EPS Growth	-4.91 %	PAT Growth	-23.42 %
P/B	2.94	Dividend Yield	0.31	PAT Growth QYoY	-39.68 %
Capital Allocation		Holdings		Leverage	
RoE	13.8 %	Promoter	63.8 %	Debt/Equity	0.23
RoA	4.52 %	FII	4.38 %	Debt	486 Cr
RoCE	19.1 %	DII	9.48 %	Market Cap	6237 Cr
RoIC	15.0 %	Public	21.2 %	Enterprise value	5238 Cr
		No of Shares	47.1 Cr	Cash Equivalents	1485 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

The recent meeting highlighted several new initiatives and business strategies that Thomas Cook has embarked upon. The company has successfully advanced its video KYC journey, which is now onboarding more customers, and has also utilized WhatsApp as a sales channel, tracking approximately 2,000 transactions. This reflects a strategic shift towards digital channels to enhance customer engagement and sales. The company reported an 11% growth in income from operations, with a notable double-digit growth in its India business. Excluding the impact of the National Games in Goa, the growth rate would be close to 19%, indicating robust performance across its business lines.

Thomas Cook's diversification schemes include expanding its market and network by adding seven new locations, with five in the North and two in the Western part of the country. The company has also been actively participating in significant events like the Kumbh Mela and the Cherry Blossom season in Japan, which are expected to contribute positively to future quarters. The Corporate Travel business has seen a 13% year-on-year growth, with a focus on margin expansion through non-air and card business growth, which increased by 54% and 131%, respectively. The MICE business continues to manage large groups, with a significant contract for the National Games in Uttarakhand, valued at approximately INR 120 crores.

Looking ahead, Thomas Cook is optimistic about its growth and scaling prospects. The company anticipates a strong year in 2025, aiming to return to pre-pandemic levels of operation. The focus will be on scaling lines of business through operational cost efficiencies, digital practices for process stability, and expanding distribution channels without significant fixed cost additions. The company is also committed to its ESG initiative, Sterling Sankalp, which includes energy efficiency, waste management, and water conservation efforts. These initiatives are expected to enhance the company's brand strength and operational sustainability.

On the positive side, the company's strategic focus on digital transformation and market expansion is yielding results, as evidenced by the growth in various business segments. However, there are areas for improvement, such as managing the impact of currency fluctuations and geopolitical situations, which have affected profitability. The company is also working on recovering from setbacks in certain regions, like East Africa, where a key customer bankruptcy impacted sales. Overall, Thomas Cook's proactive approach to diversification and digital adoption positions it well for future growth, though it must remain vigilant in managing external risks and optimizing operational efficiencies.

THOMASCOOK Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Sailani Tours N	7.89	43.80	4.32%	-2.10%	-52.84%	0.00%	-57.14%
Thomas Cook (I)	6236.99	25.56	13.76%	2.86%	8.87%	-23.38%	-39.65%
Travels	53.51	18.01	26.77%				
Mahasagar Travel	5.38			18.21%	-20.96%	142.86%	-63.64%
Intl. Travel Hse	337.36	13.17	16.77%	-4.38%	8.51%	-27.59%	8.91%

Aspect	Commentary
Revenue	The company shows a strong revenue increase, with a significant year-over-year growth. This indicates a robust demand for its services and effective sales strategies. The quarterly growth, though smaller, suggests consistent performance. The focus should be on maintaining this upward trend while exploring new markets to sustain growth.
Profit & Loss	The operating profit and PAT figures reflect a healthy financial position, with the annual figures showing substantial growth. However, the quarterly PAT decline suggests potential short-term challenges. The company should focus on cost management and revenue diversification to stabilize quarterly profits.
Profitability Matrix	The profitability metrics indicate a solid operational efficiency, with decent margins across the board. The EPS, while positive, shows room for improvement. The company should aim to enhance its net profit margin by optimizing operational costs and increasing revenue streams.
Valuation Matrix	The valuation metrics suggest the company is reasonably valued, with a moderate P/E ratio and a healthy PEG ratio. The EV/EBITDA and P/B ratios indicate investor confidence. The company should focus on maintaining these valuations by delivering consistent financial performance.
Growth (YoY)	The year-over-year growth figures are impressive, particularly the PAT growth, which indicates strong profitability improvements. However, the negative EPS growth suggests challenges in per-share earnings. The company should address this by enhancing operational efficiencies and revenue per share.
Growth (QoQ)	The quarter-over-quarter growth figures show a mixed performance, with sales growth being positive but PAT declining. This suggests short-term challenges in profitability. The company should focus on addressing these issues to ensure consistent quarterly growth.
Capital Allocation	The capital allocation metrics reflect a strong return on equity and capital employed, indicating efficient use of resources. The company should continue to focus on optimizing its capital structure to enhance shareholder value and support future growth initiatives.
Holdings	The holdings structure shows a strong promoter holding, indicating confidence in the company's prospects. The diverse investor base, including FII and DII, suggests broad market interest. The company should maintain transparency and strong governance to retain investor confidence.
Leverage	The leverage metrics indicate a conservative financial structure, with a low debt-to-equity ratio. This suggests a strong balance sheet and financial stability. The company should continue to manage its debt levels prudently to maintain financial flexibility and support growth.

Analyst viewpoint: Thomas Cook's recent strategic advancements underscore the company's promising trajectory towards growth. With an impressive quarter-over-quarter sales growth of 2.84% and a year-over-year increase of 8.87%, the focus on digital transformation—such as video KYC and WhatsApp sales—positions it well in the market. The expansion into new territories with seven additional locations and participation in significant events like Kumbh Mela reflects a robust strategy aimed at broadening market reach. Valuation metrics such as a P/E of 25.6 and PEG of 1.02 suggest a healthy investor sentiment, while efficient capital allocation with a RoCE of 19.1% highlights the company's strong financial management. Furthermore, the corporate travel segment's growth of 13% year-on-year, especially in non-air and card businesses, showcases Thomas Cook's adeptness at diversifying revenue streams and margin expansion.

However, while the company's strategic initiatives are commendable, it is important to note that short-term challenges persist. The recent 23.42% quarterly decline in PAT indicates potential profitability issues that may need addressing through enhanced cost management and strategic revenue diversification. Managing these financial nuances effectively will be crucial to maintaining Thomas Cook's growth momentum in the short to mid-term. These considerations affirm our bullish stance on the company, considering its operational efficiencies and strategic direction, though vigilance over external risks and operational tweaks remains essential.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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