

**Thomas Cook (I) Ltd.****₹235****Travel Smooth & Safe...!!!****Buy**

Sep 01, 2017

**Company Background**

Thomas Cook Ltd is the largest integrated travel and travel related financial services company in India. Company offers a range of services that include foreign exchange, corporate travel, leisure travel, and insurance. It operates through 261 locations in 102 cities, 81 PSAs and 96 Gold Circle Partner outlets to have a wider spread and network across the country. It has presence in countries outside India through its branches/representative offices in USA, Spain, UK, Japan, China, Hungary, Finland, Portugal, Italy, Germany, Brazil, Ukraine, Russia, Australia, Nepal, Bhutan and France. It operates in 2 segments, namely foreign exchange and financial services, and travel and related services. Foreign Exchange and Financial Services deals with providing travel related foreign exchange & payment solutions. It has launched its online portals to compete with competitors. It also offers credit cards and financial services relating to travel insurance. It was originally promoted by Thomas Cook Group Ltd. Thomas Cook is the founder of the group, he commenced business in the United Kingdom in 1841 which included organizing group tours called Cook's Tours.

**Key Highlights**

- ➔ Company had reported quarterly results for June 2017, company's top line item increased by 166% to ₹ 7885.60 mn, operating profit improved to ₹ 561.60 mn as compared to previous quarter and financial charges also rose by 33.50% to ₹ 131.10 mn for June quarter.
- ➔ For June 2017, company's bottom line rose to 257.30 mn and depreciation also marginally increased by 5.24% to 46.2 mn. It recommend dividend at 37.5% for the FY 2017.
- ➔ Tourism in India accounts for 7.5% of the GDP and is the third largest foreign exchange earner for the country. Per capita income in India is expected to grow at a CAGR of 8.09%, during 2015-19.
- ➔ Indian government has allowed 100% FDI in tourism construction projects, including the development of hotels, resorts and recreational facilities.
- ➔ Under the Budget 2017, the government allotted \$ 142.78 mn for Integrated development of tourist circuits under Swadesh Darshan scheme.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	5,135.8	17,539.0	17,388.1
Rev. growth (%)	36.93	241.50	(0.86)
EBITDA (INR mn)	1,077.0	1,115.5	689.9
Net profit (INR mn)	332.1	53.9	(83.6)
Shares outstanding (mn)	317.0	365.9	366.8
EPS (INR)	0.9	0.2	0.0
EPS growth (%)	(50.56)	(83.15)	(100.00)
P/E (x)	234.94	1252.00	0.00
RONW (%)	3.03	0.42	(0.87)
ROCE (%)	7.46	3.56	3.07

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**Info Codes**

Reuters	: THOM.BO
Bloomberg	: TC IN
NSE	: THOMASCOOK
BSE	: 500413

**Market Data**

52 Wk Range (₹)	: 178/254
Shares in Issue (mn)	: 366.8
Market. Cap ( bn)	: 86.26
BSE 2 Wk Avg Vol	: 7581

**Share Holding Pattern (%)**

Promoters Holding	: 67.65
Public & Others	: 10.33
Corporate Holding	: 02.00
Foreign Institution	: 07.20
Institutions	: 12.82

**Investment Theme**

Thomas Cook is one of India's largest foreign exchange dealers in both the wholesale and retail segments. During FY 2016-17, overall Foreign Exchange business volumes decreased by 2% as compared to previous year. During the financial year, the foreign exchange earnings of company amounted to ₹ 333.24 mn, whereas, expenditure had incurred ₹ 125.43 mn. Travel and tourism is one of the largest service industries in India and has tremendous potential as one of the key contributors to the growth of the nation. India has emerged as the world's fastest-growing outbound market and in absolute numbers it is second only to China. The sector's total contribution to GDP is expected to increase to \$ 136.2 bn by the end of 2016 and is expected to further grow to \$ 280.5 bn by 2026. From the above facts and government involvement, sector will have growth prospect.

**Travel Smart & Cashless...!!!**

## Financial Statements

## Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	5,008.9	17,235.1	244.1	17,142.4	(0.5)
Other Income	126.9	303.9	139.5	245.7	(19.2)
Change in Stocks	0.0	0.0	0.0	0.0	0.0
Raw Material Con.	0.0	0.0	0.0	0.0	0.0
Employee Exp.	2,156.6	1,796.8	(16.7)	1,769.2	(1.5)
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	1,863.7	15,052.4	707.7	14,958.4	(0.6)
Operating Exp.	4,020.3	16,849.2	319.1	16,727.6	(0.7)
Operating Profit	1,115.5	689.8	(38.2)	660.5	(4.2)
Total Interest	481.5	442.9	(8.0)	538.6	21.6
Gross Profit	634.0	246.9	(61.1)	121.9	(50.6)
Net Dep.	147.8	173.6	17.5	176.2	1.5
Total Taxation	154.1	19.5	(87.3)	29.3	50.3
Net Profit/Loss	332.1	53.9	(83.8)	(83.6)	(255.1)

## 4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 <sup>st</sup>	Dec 13	Mar 15	Mar 16	Mar 17
<b>SOURCES OF FUNDS</b>	<b>7,441.2</b>	<b>13,326.4</b>	<b>15,226.7</b>	<b>15,202.6</b>
Equity Share capital	253.6	317.0	365.9	366.8
Equity Application Money	0.0	2.4	6.0	1.6
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	5,854.3	11,131.8	11,314.1	11,230.5
Secured Loans	19.7	20.5	31.6	40.2
Unsecured Loans	1,313.6	1,854.7	3,509.1	3,563.5
<b>USES OF FUNDS</b>	<b>7,441.2</b>	<b>13,326.4</b>	<b>15,226.7</b>	<b>15,202.6</b>
Gross Block	1,474.2	1,559.1	1,995.7	2,101.4
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	843.1	927.3	164.4	320.0
Net Block	631.1	631.8	1,831.3	1,781.4
Capital Work in Progress	41.3	11.7	29.7	57.7
Investments	5,932.9	11,583.1	12,239.5	12,276.7
Current Assets	3,645.8	5,577.3	8,304.0	8,133.4
Less : Current Liabilities	3,412.9	5,016.0	7,876.0	7,551.9
Total Net Current Assets	232.9	561.3	428.0	581.5
Misc. Expenses not writtenoff	603.0	538.5	698.2	505.3
<b>NOTE</b>				
Book Value of Unquoted Investments	5,932.9	10,332.5	12,239.5	9,684.2
Market Value of Quoted Investments	0.0	0.0	0.0	54,246.3
Contingent Liabilities	3,223.0	231.8	3,568.1	2,968.0
Dividend (%)	37.5	50.0	37.5	37.5

**Quarterly Income Sheets**

(₹ mn)

Quarter Ended	Sep 16	Dec 16	Mar 17	Jun 17
Net Sales	4,423.5	2,646.1	2,963.9	7,885.6
Cost Of Sales	4,372.3	2,857.6	3,078.9	7,324.0
Operating Profit	51.2	(211.5)	(115.0)	561.6
Other Income	193.2	211.3	21.5	36.5
Adjusted PBDIT	244.3	(0.2)	(93.5)	598.1
Financial Expenses	131.3	164.3	98.2	131.1
Depreciation	44.8	43.7	43.9	46.2
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	68.2	(208.2)	(235.6)	420.8
Tax Charges	32.1	(48.7)	(71.3)	163.5
Reported Profit	36.1	(159.5)	(164.3)	257.3
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	36.1	(159.5)	(164.3)	257.3

**52 Week Index Relative Percentage Appreciation**

**Thomas Cook vs SENSEX**
**Risks Associated**

- The company enters into foreign currency transactions in the Foreign Exchange & Leisure Travel Outbound businesses. The currency risk arising out of foreign currency transactions.
- The company is exposed to credit risk, which is the risk that counterparty will default on its contractual obligation resulting in a financial loss to the company.
- Entry is easy as it is not capital intensive, but a player needs to achieve economies of scale and access to distribution channel to compete.

**Scope of Growth**

- Electronic tourist authorisations, known as E-Tourist Visa, launched by the Government of India has resulted in rise in number of tourist visa issued in the country. During January - March 2017, around 4.67 lakh tourists arrived on e-Tourist Visa as compared to 3.21 lakh during January-March 2016, registering a growth of 45.6%.
- Indian government has also released a fresh category of visa – the medical visa (M visa) to encourage medical tourism in India. Indian medical tourism is expected to reach \$8 bn by 2020.
- The travel & tourism sector in India is estimated to account for 9% of the total employment opportunities generated in the country in 2016, providing employment to around 38.4 mn people during the same year. The number is expected to rise to 46.42 mn jobs by 2026.
- Tourism & hospitality will be having a cumulative FDI inflows of \$ 12.7 bn in FY 2016-17.

**In a Nutshell**

Travel and tourism is one of the largest service industries in India and has tremendous potential as one of the key contributors to the growth of the nation. India has emerged as the world's fastest-growing outbound market and in absolute numbers it is second only to China. The sector's total contribution to GDP is expected to increase to \$ 136.2 bn by the end of 2016 and is expected to further grow to \$ 280.5 bn by 2026. India's foreign exchange earnings through tourism increased by 32% year-on-year to reach \$ 2.278 bn in April 2017, as per data from Ministry of Tourism, Government of India. India's travel and tourism industry has huge growth potential. The tourism industry is also looking forward to the expansion of E-visa scheme which is expected to double the tourist inflow to India. India ranked 3rd among 184 countries in terms of travel & tourism's total contribution to GDP in 2016. In India, the sector's direct contribution to GDP is expected to grow by 7.9% per annum during 2016–26. The company is the largest integrated travel and travel related financial services company in India. It has two segments, namely foreign exchange and financial services, and travel and related services. It offers a range of services that include foreign exchange, corporate travel, leisure travel, and insurance. Company operates through 261 locations in 102 cities, 81 PSAs and 96 Gold Circle Partner outlets to have a wider spread and network across the country. For the FY 2016-17 company revenue marginally declined by 0.86% to ₹ 17388.10 mn, EBITDA also down by 38.15% to ₹ 689.90 mn and finally net profit was disappointed. Debt is continuing its upward journey, increased by 1.78% to ₹ 3603.7 mn for March 2017. Overall Sector has good future in long term view because of government initiation.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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