



5 MINUTE STOCK IDEA

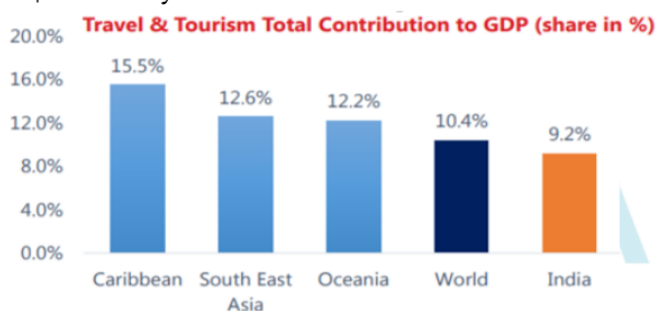
BY SMART SYNC INVESTMENT ADVISORY SERVICES

THOMAS COOK INDIA

WHAT WE LIKE

LONG RUNWAY FOR THE TRAVEL INDUSTRY

- Travel and Tourism was the largest service industry in India and was worth \$234 bn in 2018.
- Tourism generated \$194 bn or 6.8% of India's GDP in 2019 and supported 39.8 mn jobs which are 8% of total employment.
- The sector is expected to grow @ a CAGR of 6.9% to \$460 bn by 2028 which would be 9.9% of GDP.



STRONG BALANCE SHEET & RISING PROMOTER STAKE

Despite all the problems that the industry is facing, which have led to a lot of bankruptcies including Thomas Cook UK and Cox & Kings, Thomas Cook India is weathering the storm on the basis of its resilient balance sheet with zero long-term debt at the standalone level and consolidated external debt of Rs 440 Cr. It has amassed cash & cash equivalents of Rs 720 Cr as of Dec '21.

The promoter shareholding has also increased to above 70% which is a great sign of the faith the promoters have in the company's future.

IMPROVING BUSINESS ACROSS THE BOARD

TCIL is seeing a phenomenal rise in revenues across all segments in Q3FY22 from the low base last year including

- 7x YoY growth in Leisure Travel,
- 8.8x YoY growth in MICE,
- 3.3x YoY growth in DMS,
- 2.7x YoY growth in Corporate Travel
- 1.5x YoY growth in DEI,
- 1x YoY growth in Forex,
- 80% YoY growth in Sterling

All businesses are seeing good momentum which bodes well for the future of the company and the industry.

Post-COVID, most holiday destinations across the world are seeing high volumes due to the pent up demand from the last 2 years which is very encouraging for the travel and tourism industry.

WHAT WE DON'T LIKE

TECHNOLOGY DISRUPTION/OBSOLESCENCE

Travel and tourism has gone through a lot of changes. With the advent of technology, increasing awareness, digital media platforms and online travel aggregators, our style and preferences related to travel are changing all the time.

TCL will have to be on the edge to constantly innovate and upgrade itself in order to remain ahead of the competition and stay relevant in the ever-changing travel industry, especially with the rise of online travel aggregators like MakeMyTrip.

INVESTMENT IN STERLING RESORTS:

TCL paid around 900 Cr to buy Sterling Resorts in the year 2013. It has also spent a decent amount on upgrades and renovation over the years.

After 9 years, the Sterling business has still not turned profitable, & it is much behind industry leaders like Club Mahindra.

INTEGRATION RISK & DIFFICULTY IN VALUING THE BUSINESS

Thomas Cook India's investment in diversified businesses in divergent geographies requires harmonious integration of people, assets, processes and systems. Any new integration comes with its own set of issues and thus repeated integration efforts can prove to be a drag on overall growth efforts.

Thomas Cook India has acquired multiple businesses in different fields which are at various stages of development. Thus, assessing the intrinsic value of the whole entity remains a challenge.

INCONSISTENT MANAGEMENT DISCLOSURE

Thomas Cook India used to hold investor con calls every quarter to discuss the developments in the company in the past.

But since the start of COVID, they have stopped doing quarterly investor con calls, which has been detrimental to minority shareholders as these con calls are the only mechanism for them to directly access the management, unlike institutional investors who have many other ways.

We at SSS hope that management takes note of this and stays consistent to its previous ways.

For More details: <http://smartsyncservices.com/thomas-cook-india/>

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