

Thomas Cook (India) Ltd Chairman's Speech



Thomas Cook

Celebrating

125

Years In India

The journey continues

125 years and there is a lot more to see

29th Annual General Meeting
Tuesday, 28th March 2006
(November 2004 – October 2005)

Thomas
Cook

Ladies and Gentlemen:

It gives me great pleasure to welcome you to the 29th Annual General Meeting of your company and may I say that it is an honour to be your Chairman, because Thomas Cook is a very interesting company and a company with a lot of history, a company that celebrates its 125th anniversary, this year.

Economic Overview

The Indian economy has progressed remarkably well in the last 12 months. The UPA government under the leadership of Dr. Manmohan Singh, has continued to deliver growth in GDP of 7-8% per year and there has been talk recently of pushing the buttons to take the growth rate nearer to 10%. Per Capita income has been growing at 11% per annum and the demographic indicator shows that Indian population is very young with more than 50% being below the age of 25 years. All this augurs well for India to become a major economic power in the coming years.

Except for 2 areas of concern, first being infrastructure. Under the Golden Quadrangle scheme some excellent roads had been built. We can reach Pune now in 2 hours by road. Yet the airports across the country leave much to be desired, the ports, bridges, railways, power. All this will need efforts, money, privatisation perhaps. But primarily effort and determination of the Government. Without the infrastructure, the growth story will remain on paper.

Second area of concern is fiscal deficit. Although the Hon'ble Finance Minister has had remarkable achievements in this sphere and in his current budget, he has forecasted a revenue deficit of 2.1% of GDP and a fiscal deficit of a manageable 3.8% of the GDP.

Recent announcements regarding the path for convertibility of the Rupee has been heartening. With forex reserves at a record high of close to USD 150 billion and FDI and FII inflows touching USD 10 billion per year, it is high time for India to take the convertibility bull by the horn and take to the path of becoming a super economic power.

Travel Industry

Global Overview

The travel and tourism industry world wide is showing rapid growth. Europe is showing signs of recovery with Germany, the largest economy and the venue for the FIFA World Cup 2006, leading the way. UK and USA continue to be upbeat. China is growing at a rapid pace and so is India. The World Travel & Tourism Council (WTTC) and Accenture in its recent report said that various events, including the December 2004 Tsunami and the 2005 bombings in London and Egypt, did have local impact but did not significantly affect global tourism. According to the 2006 Tourism Satellite Accounting Research, Travel and Tourism spending exceeded USD 6 trillion globally in 2005 and revealed an industry growth of 5.7 per cent from 2004 to 2005. Assuming that the same growth rate will continue in 2006-2007 we are looking at an industry of almost USD 7 trillion.

According to WTTC, in 2006, the travel and tourism industry is expected to grow 4.6 per cent, to total USD 6.5 trillion. The Travel and Tourism industry is expected to represent 3.6 per cent of the total Gross Domestic Product in 2006, worldwide.

India

The WTTC has rated India as the third fastest emerging travel and tourism destination, globally, given the rise in middle-class travel demands.

Aided by the Government's "Incredible India" campaign, India is fast emerging as one of the most popular tourist destinations in the world. Indian tourism touched new heights with international

tourists' arrival growing by about 13% in 2005. India's emergence as a BPO hub, introduction of new airline operators and growing infrastructure thrust by the Government are indicators of the importance of the travel industry in India.

Even so, the total tourist arrival in India in 2005-2006 was a mere 3.9 million. If you compare this to Thailand which had close to 12 million in 2005, then you will argue with me when I say that I believe the tourism industry could become the fastest growing industry in India, given the right thrust.

Intense competition between private and government-owned carriers took the form of cuts in air fares. With more and more operators offering low cost airline services, competition has increased and this will undoubtedly provide a further impetus to the growth of tourism in India.

The Government's Tenth 5-year plan (2002-2007) treats tourism as a major engine of economic growth and employment generation. Under the Plan, total resources of Rs. 29 billion have been allocated towards tourism. One is therefore hopeful of a major growth in the sector.

The Year Ahead

The recent Union Budget gave a clear indication of the Indian Government's increased thrust towards the tourism industry. The Government is fully seized with the importance of the sector in earning foreign exchange and creating employment.

With the development of new destinations, tourist inflow is expected to increase. The impact of service tax on the industry is likely to lower net margins, albeit marginally.

The measures taken on the infrastructure front will indirectly improve the prospects of the Indian hospitality sector. If these measures are implemented, then it will go a long way in promoting India as a well-connected tourist destination.

Given the strong emphasis of the government on the promotion of tourism and improvement of the tourist infrastructure and the vast untapped potential of India as a destination, there is little doubt that future prospects for Indian tourism are bright.

Thomas Cook

The Thomas Cook India financial year began with a natural disaster of huge proportions Tsunami. Added to that have been the unprecedented rains in Mumbai, Bangalore and Chennai affecting world sentiment towards India. This has also been the year for cuts in airfares and commissions and travel advisories issued against India. Thomas Cook has managed to overcome these factors and has showed steady growth.

Financial Services

The Company's Financial Services business bore the brunt of nature and other economic factors including lower inflow of foreign exchange arising from lower prevalent interest rates in foreign currency accounts.

Travel

The Company's Travel and Travel Related Services has done well despite reduction in commission structure and reduced airfares. The company has shown above average growth in the leisure businesses (Inbound and Outbound). Innovative products, new destinations, better vendor negotiations, cost control and specific pricing strategies have substantially helped.

Other Businesses

The subsidiary Companies involved in Cargo and Insurance businesses performed extremely well showing both top and bottom line growths. Focus on customer service, improved product pricing and development of new products were the corner stones of success.

The operations in Sri Lanka were severely hit by Tsunami but are courageously recovering from the disaster. Operations in Mauritius performed well showing considerable improvement over last year. Opening of new company branches and enhanced customer service, continues helping the business stride forward.

Change in Share Holding

I want to take this opportunity to inform and introduce you to the new shareholding pattern of the Company.

Thomas Cook AG has sold its entire 60% stake in its Indian subsidiary Thomas Cook India (TCIL) to Dubai Financial LLC, a subsidiary of Dubai Investment Group. The transaction was finalised on January 21, 2006.

I have assumed the post of Chairman of the company and Mr. Sayanta Basu has taken over as Additional Director and Deputy Chairman. The other Directors who have been inducted are Ms. Jacqueline Gorski, Mr. AbdulHakeem Kamkar, Mr. A. V. Rajwade and Mr. Dilip De.

Dubai Investment Group (DIG) is the global financial investment arm of Dubai Holding. Headquartered in the emirate of Dubai and with local offices that stretch from New York through London to Kuala Lumpur, the Group focuses on long and short-term investments with the potential to deliver exceptional and sustainable performance.

DIG is structured as a conglomerate of investment companies operating around core expertise in the asset classes of Global Securities, Real Estate and Fund Management. The Group has created and manages a diversified and rapidly expanding portfolio of direct and indirect investments. It focuses on key sectors including Financials, Industrials, Telecommunications, Travel & Tourism and Hotels.

Closing Comment

With the Government's thrust on travel and tourism and with Thomas Cook occupying a unique position in the travel trade, it would be very exciting to work with a highly motivated team in Thomas Cook India and go for higher growth and success. I know that Dubai Financial LLC and Dubai Investment Group are totally committed to India and my efforts will be to create synergy between Thomas Cook and its shareholders.

In conclusion, I will fail in my duty if I were not to acknowledge the efforts and guidance of the Thomas Cook AG management and its previous Board of Directors. I will also fail in my duty if I were not to acknowledge the excellent work of the management team which has delivered these results and I am sure you will join me in applauding their performance.

I thank you.



Udayan Bose

