Preferential issue of Optionally Convertible Cumulative Redeemable Preference Shares (‘OCCRPS’) to Fairbridge Capital (Mauritius) Limited (the ‘Proposed funding’)

Frequently Asked Questions

1. What is the rationale for the proposed funding?

- Due to the global COVID-19 pandemic, our operations in India and overseas effectively came to a standstill from March 2020. The lockdowns across the globe, led to a complete suspension of all our business lines and we have not been able to resume our business activities in any significant way till date. Our revenues have declined almost to a negligible level and the impact of the pandemic on our financial performance and our resources is depicted in the Company’s financial results

- With the launch of various COVID-19 vaccines, currently, the situation is expected to improve and things are expected to progress slowly towards normalcy. Also, while people have resumed travelling for work, leisure travel is still not the priority. International flight operations have not yet started on full scale, but in fact, are restricted to only a couple of countries. International travel will also depend on various border controls and restrictions imposed by other countries. We anticipate that these challenging times will continue further. Given the current scenario and the financial position of the company, we need to infuse fresh funds in the company for its survival and revival.

2. What is the objective of proposed funding? How the funds will be utilized?

The primary object of the proposed funding is to meet the working capital / general corporate requirements of the Company. The funds are also proposed to be utilized for investment in/ lending to overseas joint venture / wholly owned subsidiary companies which will utilize the funds for their working capital / general corporate purposes.

3. Instead of raising funds through OCCRPS, why the company did not consider raising plain equity from the parent, particularly when SEBI has given relaxation with respect to open offer (raising open offer cap to 10% till March 2021) due to COVID-19 pandemic?

The decision to raise funds through OCCRPS was based on several factors, which are explained below:

- Thomas Cook India Group has always had a keen focus on cash generation and has had healthy cash flows in the past, which enabled the Company to tide through the difficult times on account of the pandemic. While the

Company needs funds to strengthen its balance sheet and to support growth and leverage opportunities as demand for travel increases, it does not wish to retain more cash on its balance sheet than what is required. Hence it decided to choose an instrument which would enable return of surplus funds without any procedural issues in the future.

- The Company is confident of achieving its growth targets for the future; however, on account of the highly dynamic situation related to COVID-19 and international travel, it is difficult to hazard a guess on the immediate timeline. Hence an option of conversion has been retained by the company as a measure of safety.
- OCCRPS provides the company the option of not having an extremely bloated equity base in the future which can depress financial parameters like Return on Equity and Earning per share. It also enables minimal dilution of minority shareholding.
- The instrument was chosen keeping in mind the current environment and the Company's goals as it was deemed to be the best choice by the management and the Board.

4. Instead of raising funds through OCCRPS, why did company not consider raising funds through Rights Issue / QIP or even raising debt (particularly when current leverage is not significant)?

The Company did consider alternate means of financing such as a rights issue, QIP or even debt, however these options were not pursued due to the following reasons:

- Raising funds by issuance of shares through a QIP /Rights process lacked certainty, since the industry has been badly hit and garnering adequate subscription to QIP/Rights issue would have been difficult. In addition, the issuance of shares through rights/QIP route is more time consuming and hence the faster route of preferential allotment to promoters was chosen.
- The travel and tourism industry has been the worst hit among all sectors and hence it was impossible to raise debts at sustainable interest rates. In any case, absolute debt (even if available at reasonable rates) would have increased the leverage which would have been detrimental to the Company's ratings.

5. How did the company arrive at 7% annual dividend rate and 3.69% redemption premium? What is the basis of the same and why it is not considered as excessive?

The Company had to abide by the limits set by the RBI under the ECB guidelines. The all-in-cost ceiling as per the RBI ECB regulations is prescribed through a spread over the benchmark rate. The benchmark rate in case of INR instruments refers to prevailing yield of the Government of India Securities of the corresponding maturity. In the current case, the benchmark rate will be 7-year government security yield = 6.19% (as on 16 February 2021) and a mandated spread of 450 bps, leading to an all-in-cost ceiling of = 10.69%.

Since the transaction is with the immediate parent, the transaction fell under the ambit of related party transactions from a Companies Act and Income Tax point of view. Hence, **an arm's length pricing** was adopted to comply with applicable regulations and audit requirements.

6. **These OCCRPS are convertible into equity shares of the company, any time within 18 months "at the option of the company". Can you explain what will be guiding principles/procedure the company will follow in the future date while deciding between "conversion OR repayment of OCCRPS"?**

The Company will continue to evaluate the on-ground progress on a regular basis and accordingly judge the situation and take its recommendation to the Board as and when it feels apt to convert the OCCRPS. The Independent Directors of the Board will then, based on the management's recommendation, analyse, debate and provide its final decision for conversion. Neither the promoter nor the nominee directors will participate in this process.

7. **Also does management intend to redeem these OCCRPS (in part or in full), if business prospects become better (say after 1 year or so) in order to limit excessive dilution of minority shareholders' economic interest?**

The OCCRPS has been issued with a tenor of 7 years with a flexibility to prepay in full or in part as the company deems fit. The reason for choosing an optionally convertible instrument is to ensure that any conversion is done only when absolutely necessary to minimise dilution of minority shareholders' economic interest. It is pertinent to mention that the option of conversion lies with the Issuer (i.e. the Company) and not the holder and such option can be exercised only upto the first 18 months. Post that, the instrument becomes essentially redeemable.

Further, the Company intends to redeem as much of the OCCRPS as possible once business gets back to normal. It is expected that as the vaccination progresses, the impact of the pandemic will gradually recede. Over a period of next 18 months, the company will be able to decide on how much of the proceeds they would like to redeem.

8. **Why an option to public was not given to subscribe to additional shares of the Company? Why rights issue of shares was not considered?**

Management of the company believes that in current times when the future of travel is uncertain, achieving the necessary subscription could pose a challenge. Additionally, going down the rights issue route could have delayed the entire process of fund raise by a minimum of three (3) months.

9. How are the terms of OCCRPS have been finalized and negotiated?

Terms and conditions of OCCRPS have been finalized based on discussions between the Company and its promoters keeping in mind the current and future financial position and business prospects of the Company and in compliance with the RBI's ECB guidelines and governance norms as defined by law.

The entire structure of the issue was debated and recommended by the Audit Committee and approved by the Board on February 20, 2021, wherein the independent directors of the Board approved the proposal and the nominee directors recused themselves from participating.

10. What will be the terms of the preferential issue?

Nature of security to be issued	Optionally Convertible Cumulative Redeemable Preference Shares ('OCCRPS' or 'Preference Shares')
No of OCCRPS to be issued	Up to 45,00,00,000 (Forty-Five Crore) OCCRPS
Price at which OCCRPS are proposed to be issued	The Preference Shares are proposed to be issued at par at Rs. 10/- per Preference Share
Amount of funding proposed to be raised	Up to Rs. 450,00,00,000/- (Rupees Four Hundred and Fifty Crore only)
Manner of issue	Preferential allotment
Preference Dividend rate / Redemption premium	All-in-cost of 10.69% including dividend and redemption premium. The recommended annual Dividend is 7% and Redemption premium is 3.69% for the period till redemption
Conversion clause	Preference Shares to be converted into equity shares of the Company at the option of the Company within the period of 18 months from the date of allotment. The conversion price will be determined as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("SEBI ICDR Regulations") basis a reference date which shall be 30 days prior to the shareholder meeting held for approval of the preferential allotment of the OCCRPS
Redemption	The preference shares can be redeemed in part or in full ahead of the total tenure. The redemption shall be

	limited to the amount of subscription amount received in INR
Minimum average maturity period (MAMP)	A MAMP of 5 years will be maintained on all outstanding Preference Shares (i.e. on the balance post the conversion into equity shares, if any)
Total tenure	Up to 7 years, subject to maintenance of the minimum average maturity period of 5 years on all outstanding Preference Shares (i.e. on the balance post the conversion into equity shares, if any)
Purpose of funding	To meet working capital / general corporate purpose requirements of the Company and for investment/ lending to overseas JV/ WOS for the same purpose and other permissible purposes (including any purposes as may be permitted in terms of the specific approval of the Reserve Bank of India, if and where required)
Voting rights	Preference Shares shall carry voting rights in accordance with the provisions of Section 47(2) of the Act (including any statutory modifications or re-enactments thereof for the time being in force)
The priority with respect to payment of dividend or repayment of capital vis-à-vis equity shares	Preference Shares shall carry a preferential right vis-à-vis equity shares of the Company with respect to payment of dividend and repayment of capital
The participation in surplus assets and profits, on winding-up which may remain after the entire capital has been repaid	Preference Shares shall in winding up be entitled to rank, as regards repayment of capital and arrears of dividend, whether declared or not, up to the commencement of the winding up, in priority to the equity shares but shall not be entitled to any further participation in profits or assets or surplus fund

11. Whether the dividend of 7% will be mandatorily paid to the promoter or will be it cumulative over the period and will be paid only once?

Dividend of 7% is to be paid annually. However, in case, if in any year, the payment is not made considering the profitability and cash flow position of the company, the same will be paid cumulatively and will be paid when the company has enough funds to pay.

12. What will be the price at which conversion will happen and how that price is determined?

- In terms of the applicable provisions of the SEBI ICDR Regulations, the floor price at which the Equity Shares shall be issued upon conversion of the Preference Shares, is Rs. 47.30 per Equity Share, being higher of the following:

a. Average of the weekly high and low of the volume weighted average price of the Equity Shares of the Company quoted on NSE, during the twenty-six (26) weeks preceding the Relevant Date, i.e. Rs. 39.30 per Equity Share; or

b. Average of the weekly high and low of the volume weighted average price of the Equity Shares of the Company quoted on NSE, during the two (2) weeks preceding the Relevant Date i.e. Rs. 47.30 per Equity Share.

- The pricing of the Equity Shares to be allotted on preferential basis upon conversion of the Preference Shares, is Rs. 47.30 per Equity Share which is not lower than the floor price determined in the manner set out above

- Relevant Date is considered as 24th February 2021 in accordance with SEBI Regulations. Relevant Date is basically a date which is 30 days prior to the date of EGM.

- Computation of above mentioned price is confirmed to be correct by Statutory Auditor of the Company and is also certified by a Category I Merchant Bank.

13. Are there any lock-in requirements pursuant to the proposed funding?

Yes, the entire pre-preferential issue shareholding of FCML shall be locked-in from the Relevant Date i.e. 24th February, 2021 up to a period of six months from the date of allotment as specified under Regulation 167(6) of the SEBI ICDR Regulations.

Further, the new OCCRPS allotted to FCML shall be locked in for a period of 1 year from the date of allotment.

14. What all approvals have been sought to proceed with the proposed funding?

Approval of board and shareholders is sought. Further, we have obtained a Loan Registration Number form the Reserve Bank of India in respect of the proposed funding. Also, in principle approval have been sought from BSE and NSE for the proposed allotment. We have also sought a certificate from the statutory auditor of the Company stating that the proposed funding is in accordance with applicable SEBI and Company Law Regulations.