

THOMAS COOK (INDIA) LIMITED
Q4 FY2023 Earnings Conference Call
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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the THOMAS COOK (INDIA) LIMITED Q4 FY2023 earnings conference call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand over the call to Mr. Akul Broachwala from IIFL Securities. Thank you and over to you Sir!

Akul Broachwala: Thank you Yusuf. Ladies and gentlemen good afternoon and thank you for joining us on the Q4 FY2023 earnings conference call of THOMAS COOK (INDIA) LIMITED. I invite the company's senior management team to discuss the results and business strategy. We will begin the call with opening remarks from Mr. Madhavan Managing Director followed by Management team and thereafter we will open the call for Q&A session. I would now like to hand over the call to Mr. Menon to take the proceedings forward. Thank you and over to you Sir!

Madhavan Menon: Let me thank everybody for participating on this call. Let me kick off by introducing everybody in the room from our side, I have Mahesh Iyer, CEO of THOMAS COOK (INDIA) LIMITED; Mr. Debasis Nandy, group CFO of Thomas Cook India Group; Mr. Vishal Suri, MD of SOTC; Mr. Vikram Lalvani, MD of Sterling Holidays; and Mr. Ramakrishnan MD and CEO of DEI. I am pleased to report that we announced a good set of results yesterday

for the financial year ended 2023, we reported a 163% increase in income from operations of Rs. 5,111 crores against which we reported an operating EBITDA of Rs. 277 crores and an operating PBT of Rs. 63 crores. The performance was primarily driven by Thomas Cook who reported an operating EBITDA of Rs. 277 crores, Sterling Holidays reporting at the same number as an EBITDA number, SOTC reporting a number of Rs. 28.5 crores and DEI reporting a number of Rs. 67.8 crores. The primary drivers in terms of our business segments were foreign exchange, corporate travel, the incentive business, hospitality, and the imaging business, all these businesses reported far better profitability than they had in the previous two years, which obviously as you are aware was disrupted by the pandemic. If I look from a cost and productivity level, how we did this, through the pandemic, we actually reduced our costs and for the financial year ended March 2023, you will see savings of 20% across the group. However, I just want to point out that several companies within the group are clocking at 30% plus in cost savings and our intent is to sustain these cost savings in the medium to longer term. So, there is cost rationalization. The second important point is the improved margins and if you look at our EBITA margin for the year ended 2023, it stands at 5.4% as compared to 3.6% for a similar period in the financial year ended 2020.

Obviously, all these numbers are showing significant growth because we had losses in the previous financial year as a result of the pandemic. A third important driver was the productivity improvements that we have achieved through automation and digitization relating to the delivery of products to customers. This is across all our segments, not just it is a foreign exchange that today delivers products both digitally as well as physically. You've got leisure which does the same thing. Our internal processes also have been automated to a significant aspect. The last point I want to make is that our cash and cash equivalents stood at Rs. 1,000 odd crores which is almost similar to our pre-COVID 2019 numbers. So, we are back in business. We are generating cash and I expect that in the coming quarters, we have a fair degree of visibility, with this I will leave to Mahesh and Debasis to address. Thank you.

Debasis Nandy: Thank you Madhavan. This is Debasis. I will just quickly highlight the financials for the quarter and for the year before I handover to Mahesh. So, we have had a great year, in the financial year 2023, our income from operations grew by 163% from Rs. 1,946 crores to Rs. 5,111 crores and we will get into details business-by-business, in the course of the next half an hour or so. Our costs remained under control as Madhavan pointed out leading to very healthy EBITDA. If you look at our operating EBITDA and I'll explain that in a minute. Our operating EBITDA as Madhavan pointed out was about Rs. 277 crores. We had made a loss of Rs. 126 crores last year but more importantly, this is even better than the pre-pandemic year of FY2020. In FY2020, we made an operating EBITDA of Rs. 251 crores which was at a margin of about 3.6%, and this year in spite of the top-line not being

comparable to what it was in FY2020 our operating EBITDA is at Rs. 277 crores which is a 5.4% EBITDA margin. We will keep on talking about operating EBITDA and let me just explain why we qualify this. So, there is an item in our financials that was given separately as a disclosure which is a mark-to-market loss on investment. This is the holding that we have of shares in Quest Corp. These shares are not held by Thomas Cook. The shares are actually held by the Thomas Cook Employee Trust, which is a separate entity. However, for accounting purposes, this is clubbed as part of the standalone and the group. The shares held by the trust are meant for allotment and distribution to employees over a period of time based on the way their ESOP mature and this cannot be used for anything else. There has been a significant change in values in the price of Quest shares during the year. Leading to mark-to-market and we have to measure the impact of this on the overall value of the investment made by the trust. So, this amount works out to a reduction in value, a notional loss of Rs. 35.3 crores. This was only foreclosed last year. So, while we have to consider that as part of EBITDA it does not impact operations in any way, which is why we are making a distinction in our conversation with an operating EBITDA and the reported EBITDA. As the volatility in the Quest shares stabilizes this amount will become immaterial hopefully in the years to come. And also, the other factor that influence is as and when the ESOP matures these shares would be given out to employees and therefore, we would not need a mark-to-market valuation anymore. Coming to the reported profit at an EBIT level and this is a reported EBIT and level we generated Rs. 117 crores against a loss of Rs. 258 crores showing the turn around with the business has made and at a PBT level our consolidated business made a profit of Rs. 26 crores against the loss of Rs. 323 crores last year. So, all-round improvement across. I will not take too much of time on this. The numbers are there in the investor presentation which has been circulated to you. And let us talk a little more about the business and handover this to Mahesh so that he can take you through that.

Mahesh Iyer: Thank you Debasis and good afternoon, everyone. I would now quickly jump into the segmental numbers and I think that is where the business essence lies. So, I will kind of walk you through each of the segments that we have and I will kind of move you through the full year that is FY2023 as well as Q4 FY2023. To begin with foreign exchange, the segment that we have had a stellar year in the year that went by FY2023. If you look at income from operations grew almost 2X from about Rs. 110 crores to Rs. 246 crores that is more than 100% growth as far as the revenue from income from operations is concerned and if you look the same number on quarter-on-quarter basis moved from Rs. 38 crores to Rs. 65 crores. Now if I look at the profitability for the same period. For the full year FY2023 it moved from a loss of Rs. 3 Crores in FY2022 to a profit of Rs. 72 crores and income from operations point of view moved from about Rs. 110 crores to about Rs. 246 crores. So that is almost doubling in terms of income from operations and almost like four times or 5X in terms of profitability. The underlying thread to this performance has been very steady combat as far as volumes are concerned. Further full-

year FY2023 foreign exchange volumes are back to 82% of the pre-pandemic level whereas for the quarter that is Q4 for FY2023, the volumes are at 93%. So, when I compare it to quarter-on-quarter, we have seen improvement but as you would know that the recovery to pre-pandemic in the previous quarter was lower, but for the full year it stands at 82% and for the last quarter it stands at 93%. Now when we look at recovery within the segments of foreign exchange the retail segment is actually on top of the pre-pandemic level. We are at about close to 103% of the pre-pandemic level driven by the student segment which is operating at about 35% higher than what it was in the pre-pandemic level. The travel-related segment which is a part of the retail form exchange segment continues to be lagging and it is close to 75% kind of trailing the kind of numbers we would see in terms of travel. If I look at the prepaid card business, which largely is reflective of the cooperative movement that is happening, our prepaid portfolio has grown by about 80% as compared to the previous comparable quarter for Q4 FY2023. In terms of share volumes, we did about \$81 million in Q4 FY2022 and the same volume in the current year is at \$141 million. For the full year, we are at about \$550 million of prepaid card loans and I think that is one of the best that we have done in a very, very long time. If I look at the float of the business, we are sitting at about close to Rs. 850+ crores of float that is there as a part of the prepaid portfolio. Again, noteworthy here to mention is the digital transformation. Madhavan spoke about the investments that we have made and how it is paying out for us. If we look at our digital adoption rate which is customers coming and doing digital transactions from us which is about 11% of our total retail portfolio. For the B2B business that we conduct through the same digital route, we have about 10% options. So overall about 20% or 21% of the overall retail business is actually happening through digital channels and we continue to invest in it. The recent directive from RBI in terms of e-KYC being enabled to authorized dealers like Thomas Cook, I believe will allow us to further invest in the technology and reduce the friction that comes in completing the last mile fulfillment as far as the customers are concerned so clearly from a growth perspective foreign exchange is set well. We believe as travel happens in the next quarter, which is traditionally the largest seasonal quarter for the holiday business, we would see the recovery on the travel side of retail for foreign exchange and that should add to the profitability going forward. Coming to the segments on travel and travel-related services obviously, there are multiple segments in there. As you know it comprises of holidays which is B2C, we have got holidays that is B2B that we call as MICE, it has got corporate travel and we have got DMS which is overseas inbound business as well as India inbound business. Each of them as Madhavan told are in different stages of recovery and I will try and give you a sense on each of those verticals. To begin with I think from a recovery point of view, overall recovery for the travel business stands at about 78% this is an overall sum which includes India inbound, overseas inbound as well as domestic and international outbound. Now if I break that up into each of the segments, to begin with from corporate travel, we are already trending as we have been saying in the last two quarters, corporate travel was very quick to combine

both from a volume and value perspective, we are trending above pre-pandemic and we continue to see momentum in terms of the growth that we see in this business. This is also at the backdrop of new acquisitions our new clients that you acquired during the quarter and they have started to trade full throttle in the current quarter. Also, important to mention here that the mix of business between international and domestic which used to be skewed towards domestic in the previous quarter has now found balance and we are trending at similar ratios that used to be pre-pandemic which is 60% to international and 40% to domestic. Though volume wise there are skewed 90:10 but in terms of value international now counts for about 60%. Now from a yield point of view this international traffic or international volumes is almost very well because that is where we make our margins and clearly the comeback on that volumes will add to our bottom-line going forward. Also, to mention here that we are also doing some real high-tech integration in terms of technology for some of our large customers, which will then eliminate the need of people related touch for transactions, as you know these are travel management services for large corporate again happens to be little more people intensive. We are bringing in technology which then talks to the employee self-service portal that each of the corporates have and that will kind of ease out the journey in terms of booking of tickets, booking of hotels and more importantly the way we invoice customers and collect payments. So clearly it is an end-to-end journey. We have started the pilot on it with few of our customers and we expect to continue that journey going forward. Coming to the B2B business of MICE which is the holidays, we have had a very good set of numbers both from SOTC and Thomas Cook, the two brands that represent this business in the market. This is against the backdrop of some large wins we have had. As you would know, we have been speaking about the Government contracts that we have got. This is a new set of business segments that we have entered in the last three quarters. We managed the Khelo India games that happened in MP. We also won the mandate for the Khelo India games that are going to happen in Uttar Pradesh towards the end of this month. We are also one of the three vendors who provide services for the G20 event that is happening including the World Tourism Council that is going to happen in Jammu and Kashmir between the 22nd and 24th of May so clearly the Government business has become a sizable portion of our MICE portfolio. It is a very profitable segment, makes us money and we kind of diversified our portfolio not only on the international side but also on the domestic side. Also, important to mention here that on the MICE side, we have brought in new technologies which automates a lot of processes more importantly because it involves dealers far and few, and it is important that the entire process of collection of documentation processing of visa is all routed through a centralized system. So, we made that customer self-service app enabled for this set of customers also which has brought in productivity benefits on the MICE side of the business. Coming to the leisure side of the business again from a recovery point of view the overall business is about close to 65% recovery, but for the current quarter, we are seeing a recovery close to about 69%. Now you must also keep in mind that this quarter which is the quarter

that went by Q4 FY2023 happens to be an investment quarter. So, the volumes are strictly not comparable to the sequential quarter, which is the December quarter purely because this quarter has an element of people not taking leaves because of exams and everything else. So, we are now moving to normalcy where we have two strengthen the seasonality of the business. So, this is a seasonal investment quarter where we invest into our marketing initiatives but despite that I am happy to report that both SOTC and Thomas Cook on the holiday business broke even or actually made a marginal set of money. So, the traditional investment quarter turned profitable for SOTC and Thomas Cook both. From a volume perspective, international travel continues to grow. The long-haul side of the business is beginning to come back and the pipeline for April to June seems very strong. Europe continues to be a favoured destination despite the challenges on input costs and visas, and we see a very strong momentum for the European destination for the coming summer. Last but not the least to comment on the DMS side of it, I think across the board we have seen improvements. I think if you can look at desert adventures out of the Middle East the volumes have come back. They actually reported profitability in the December quarter. The March quarter is relatively slower for them, but despite that, they came in much closer to break-even as far as their overseas business is concerned. If I look at the Southeast Asia, I think that is where the recovery has been slower that's purely because markets like Thailand and Bangkok opened much later during the year and the impact of China is not fully visible. China as you would all know opened only in February and the impact of the business is still to come back. So, we believe that Southeast Asia, Dubai, and Africa will start firing in the next quarter and we will start seeing results of that in our businesses in the coming quarters. Now I hand over to Vikram, for Sterling.

Vikram Lalvani: Yes, thanks, Mahesh. Good afternoon, ladies and gentlemen. My name is Vikram Lalvani and I represent Sterling Holiday Resorts Limited as its Managing Director and Chief Executive Officer. I am also joined by Mr. L. Krishnakumar, the Chief Financial Officer of Sterling Holiday Resort. It is a privilege once again to meet and interact with all of you this afternoon. As you may recollect during the previous earnings call on 3rd Feb 2023 in Q3 FY2023, I had indicated that Sterling is looking forward to closing this financial year of FY2023 with historic path-breaking numbers. I am delighted to announce the best-ever performance for Sterling in FY2023. Our turnover was close to Rs. 370 crores and EBITDA was Rs. 117 crores which is at 31%. This is a recovery of almost 6x on EBITDA terms over pre-pandemic precisely 542% increase and a growth of over 20% increase over FY2022. The operating free cash flow for FY2023 for the first time crossed Rs. 100 crores with Sterling and we closed at Rs. 113 crores against Rs. 58 crores of FY2022. For Q4 Sterling recorded a turnover of Rs. 89 crores and an EBITDA of Rs. 27 crores which is 30%. Q4 is traditionally non seasonal quarter for leisure but despite that our occupancies grew by 7% close to about 62% our average rates also increased by about 9% closing at 5,536. This resulted in an

overall revenue growth of almost 18 - 19% over the same period last year. For the quarter, Sterling recorded an operating free cash flow of Rs. 32 crores which is about 125% growth over the same period of the previous year. During the quarter Sterling also debuted two new destinations, Haridwar, Uttarakhand and Chail, Himachal and thus taking our portfolio strength to 40 resorts across 38 destinations and 2,500 keys as on 31st March 2023. Now from a year's perspective, what were the three most attributing factors to this change that has happened. One our improved resort business, the spends at resorts has gone up, average room rates are up, occupancies are up, and guest ratios are up. Drive for efficiencies, our membership vertical has driven a lot of efficiencies, throwing up a lot of cost efficiencies through premiumization and variabilization of costs which were otherwise fixed. We also expanded our footprint across the country on an asset-light model resulting in incremental revenues and new lines of businesses for the company. I shall very quickly elaborate some of the key operating levers that resulted in this FY2023 performance. Our volumes are healthy and we maintained an occupancy of about 66%, which is up from 55% over FY2022. Our average room rate growth is very healthy, 21% over the previous year. We closed at 6,268 while surpassing the pre-pandemic levels given by 43%. Pre-pandemic it was at 4,392. Our improved volumes and average room rates resulted in room revenue growth of almost 74% which is Rs. 150 crores in FY2023 from Rs. 86 crores in FY2022. Improved food and beverage business by over 75% over the previous year. We have closed Rs. 79 crores in food and beverage revenues in our resorts versus Rs. 45 crores in FY2022 and this is because of improved participation, improved spending, and new lines of businesses in food and beverage that resulted in this growth. The growth in guest occupancies and rates when compared to FY2022, cost optimization exercises were also undertaken since 2020 and the cost times continued to be maintained through FY2023. In the membership business, the focus continued to drive profitable sales and maximize the yields and fixed costs. With the continuous growth of our variable model of membership sales to that effect our onsite sales were at 53% in FY2023 when compared to only 38% in FY2022. Higher down payments of 48% in FY2023 compared to 41% in FY2022 and 30% in pre-pandemic levels. Therefore, the higher down payments also have a direct correlation with improved free cash flow. Strengthening the sales channel resulted in an improved average unit realization with a growth of almost 7% over the previous year. Sterling is confident that the buoyancy witnessed in FY2023 shall also have a positive impact in FY2024. Sterling shall continue to ramp up its business profitability in a more scalable manner even while entering FY2024. The thrush has continued to be on leveraging growth in the resort business sustaining cost efficiencies brought in so far and bringing about a strategic portfolio expansion rapidly as we enter even FY2024. In FY2023 Sterling added 6 new resorts across the country Madurai in Tamil Nadu, Kalimpong in West Bengal, Tiruvannamalai in Tamil Nadu, Pench in Madhya Pradesh, Chail in Himachal, and Haridwar in Uttarakhand and we shall add atleast another six resorts by H1FY2024 all in an asset-light model. Sterling resorts is one of the only hospitality chains to have launched a unique and proprietary distribution platform what we call

Sterling 1 in FY2023 that enabled channel partners across the length and breadth of the country and employees of corporate clients to access Sterling inventory in real-time and make reservations at pre-approved rates by a click of a button. This has enhanced our presence to 221 locations in India in FY2023 without the corresponding addition of any fixed costs. This also resulted in an increase in room revenues of Rs. 28 crores in FY2023 and this platform shall be further enhanced in FY2024 to yield even better results. Active participation in industry trade fairs we believe it also enhances brand presence.

To that effect, Sterling has participated in several hospitality trade shows in Q4 and we will still further strengthen Sterling's presence in the hospitality landscape in the country. To conclude, we are extremely upbeat and buoyant for our outlook even in Q1 FY2024 as well as for the remaining parts of the financial year. Thank you so much.

KS Ramakrishnan: Hi. Good evening, everyone. This is KS Ramakrishnan. I am the CEO, DEI. We have had a fantastic FY2022-2023. Like the numbers say we have double-digit growth from the previous year and it has also been our finest in the most profitable year in the history of our existence from the beginning itself. From an Indian rupee perspective, I would put it that from Rs. 474 crores in FY2022 to touch Rs. 810 crores in FY2023. Mind you this growth has happened to keep the fact that China, Hong Kong, and Macau were still not open for us. As the year it has been extremely not only good on revenue but also on our EBIT and profit. We have had the highest profit recorded in the year from all of our past performance years. Again, like Mahesh and the others said we have also had a lot of cost controls that has happened through the pandemic that will be continued through this process. While we also had a lot of growth happening in the existing markets that we were operating. Quite a few of our competitors folded up their business in the last two years of the pandemic, which we got an opportunity of picking up at a much better revenue share rate that made us more profitable our revenue had a grow to. As far as the year goes, the results are very clearly showing what we have done. Talking about forward-looking. I think we have an even more exciting and interesting three years ahead of us as our plan goes on quite a few areas from a growth perspective or a revenue perspective, we have three geographies that we are highly focusing on growth. Saudi Arabia is opening up in a very big way. All of you must have heard about the number of attractions and amount of tourism that Saudi Arabia is planning to attract in the next decade. We are ahead of the curve there. We are already in the most wanted RFP of attractions out there while we also secured two or three contracts for us for the current year itself. We have also a sizable growth planned up on other accounts signed up in the Far East. Indonesia in particular is one of our most profitable countries of operations where we have more than four odd locations opening in this quarter as we speak. Malaysia and Maldives are another one where we have already opened three and two locations and we have another half a dozen of them lined up in the

next two quarters. Along with this revenue growth in new geographies, there is also a sizable revenue growth in existing geographies. China opened up in February- March and April we have had an outstanding April so the way it looks like China from our schedule plan would be at least 2.5 times higher than what we have anticipated from a budgeting perspective.

So, China has opened in a very big way. Both our key partners Shanghai Disney and Universal Studios are throwing in an attendance of an excess of 10 million guests a year, which is what they originally planned. During the pandemic, it all had dropped down between 2 and 4 million so we have seen a huge, huge uptake up there in China. China was a challenging country for us for the last three years of the pandemic. This probably will become one of our most profitable countries in this coming year or year next along with that in markets like UAE we still hold our pole position, we have not lost a single contract and we have been renewing every contract of ours with the exception of losing one in Abu Dhabi which our competition took over and unfortunately the first two months results fortunately for us and unfortunately for them does not seem to be even hitting 30%. With all that looking good and great from a technology perspective, we also invested our time during the pandemic and post-pandemic on upgrading and re-looking at our entire technology solution for imaging and we are now coming to the culmination of its benefits. The project is running for more or less nearly on time with absolute delays of two months. We are still within reach so we will be unleashing a technology solution called Hummingbird by the end of the third quarter and the benefits of that are going to be unison levels at least 20 to 30% better off than where we were. It is also scheduled to reduce our cost on labour by at least about 10 to 12% which would make EBIT even better. In fact, our last calendar year 2023 EBIT has already risen to about 19% from our average of 8 to 9% when Thomas Cook acquired us. So, with this change of Hummingbird, we see that margins even more better going ahead. Last but not the least, the Dubai balloon. Finally, the balloon has gone live in March. We have been doing extremely well. There are days when we have been having 100% occupancy on the balloon if the weather is good. Dubai has had bad weather for April and May so that is why our challenges are more on the flying of the balloon out there even in our budget for the balloon was always a lower one so we are very excited and looking forward. DEI has been having a brilliant last year and a more exciting one this year and the team is extremely excited about bringing in a lot more businesses than we have ever thought before so with that I will finish and thank you for your patience on whatever I said so far.

Debasis Nandy: Thank you, Ram. May I request Madhavan for the closing comments before we get into the question-and-answer section.

Madhavan Menon: I think I just want to reiterate what all of us have said that clearly there has been a full recovery in terms of profitability from the pandemic. I believe that the upside is essentially recovering. The balance which will take us beyond the pre-COVID levels both in terms of demand as well as cost benefit. I must also add that some of our destination management companies especially in Southeast Asia as well as here in India have been relatively slow in picking up, but just looking at the order book across all our segments, it is very evident that there is an upside from here and therefore I believe that we can expect better results across each of the group companies. With that I will end there and thank you for participating.

Moderator: Thank you. The first question is from the line of Mithun Aswath from Kivah Advisors. Please go ahead.

Mithun Aswath: I have a few questions. I just wanted to understand on the travel-related business. The EBIT margin even in the December quarter was only about 2% and this quarter it is flat so I just wanted to understand what level of business or if we reach pre-covid levels, I think on an annual basis you used to do around Rs. 6,000 crores in the travel-related business. Just wanted to understand what level of profitability or EBIT can this business generate because this is the most sizable business but does not really deliver any profitability meaningfully despite revenues being close to Rs. 1,000 crores. Wanted to understand what are the reasons for that?

Mahesh Iyer: Mitun this is Mahesh here let me take that question and I will get Debasis or anyone to get in and clarify. To begin with I think you must understand that the segment result that you are looking at here is a combination of multiple travel verticals here. One as I mentioned during the course of my commentary, you have the B2C holiday business. We have the B2B holiday business. We have inbound business in India. We have the inbound overseas business and we also have corporate travel business sitting in here. So, if you look at it, it is a sum total of multiple units or I would say companies who are all getting consolidated herein and each of them have their set off seasonality. Also, you must bear in mind that when you look at the recognition of segmental revenue versus segmental profit, they are very different. Each of the segments is accounted very differently because in the case of corporate travel segment you are only taking the revenues whereas in the case of holiday segments you have to take the entire value of sales into the revenue, hence if you look at the EBIT margins, it may not be the right way to look at it. Obviously on a comparable basis when you start comparing it year on year, you will start seeing this flowing in through but clearly for the current quarter in question as Madhavan also mentioned and I also elaborated during the course of our conversation different businesses are at different stages of recovery. We expect the margins to be stabilizing on the EBIT margins on the business to be anywhere between

7-8% and that is what we have seen. We expect that we should get in the next quarter, which is where you will see a large part of our outbound business firing in but again you will see the inbound business fire into the October-March quarter, so they will come back in that quarter. So, you will see the seasonality element of it and clearly from a measurement point of view it should not be a sequential quarter, but it should be a quarter-on-quarter comparison.

Debasis Nandy: Just to add to what Mahesh is saying. Traditionally Q4 is also what we call our investment quarter because this is the quarter which is where we spend a lot of money on marketing ahead of the busy season which is between April and September and this also happens to be a low season as far as most of the parts to the travel segments are concerned. The top-line remains a little depressed and the cost goes up because of the marketing spends. The benefits of which actually we rip in Q1 and Q2 so as Mahesh correctly pointed out if you look at our business quarter-wise in sequence you will not get the right flavor let us put it this way. It has to be a quarter-on-quarter in terms of last year versus this year because the business has very strong seasonality.

Mithun Aswath: I was just trying to understand. If we were to go back to pre-pandemic levels in the travel-related business and we get to a normalized level of business there, what sort of EBIT could that business also generate compared to what we were generating pre-pandemic which was more in the order of maybe around 2.5-3%. Is there a big delta potential because last quarter you reported about 2% on 700 crores top-line. So, just wanted to get a sense of that and whether you are targeting to get back to pre-pandemic levels in FY2024 or will it take longer.

Debasis Nandy: Quite definitely so in fact, if you look at our FY2020 which is the last pre-pandemic year, our EBIT margins on the travel segment were about 2.4% for the full year. We have done quite a bit of work since then in terms of automation which has led to an increase in productivity and in terms of reduction to our costs. Our cost aspiration as Mahesh and Madhavan both talked about has been to the order of about 30% across most of our company. Now all that would give benefit as the sales start rising. You have seen that our travel sales at over a level is still not compatible to what it was in the pre-pandemic days. For example, the total travel segment sales were Rs. 5,742 crores in FY2019-2020 as opposed to about Rs. 3,600 crores. At overall say about 65 to 70% for the full year. Now this number is growing but our margins are at a better level than what it was earlier so as we gradually inch upwards Rs. 5,000 crores number, you will see more and more profitability coming in. So, I am quite confident and I do not want to give you a percentage number in terms of how much improvement in EBIT

be we are very sure that you will see more and more profits coming out of the travel segment in FY2023-2024 that is the current financial year.

Mahesh Iyer: And if I can just add to what Debasis said it is also important to note that for the year ended FY2020 some of the businesses that we have required which is overseas DMS when we acquired we realized that there has to be a lot of transformation that had to happen both from a business and cost optimization point of view so all of that has taken place during the pandemic and as they come back to full-scale business, the color of their profitability will definitely change and will add to the segmental profits in each of the units that we operate in the country.

Debasis Nandy: In fact, we are seeing profit happening already. I mean as Madhavan and later on Mahesh was mentioning some of the overseas units for example if I have to name some of them, desert adventures which is Dubai based unit operating the Middle-East or private safaris in East Africa and the unit that we have in the US LIT Pro, all of them ended the year at all-time high in terms of sales and all of them. All of them were loss-making in the year 2019-2020. All of them have now come back to profitability so which has added to the overall group profits. Now going forward in FY2024 we expect that they will surpass the numbers they have posted last year and therefore it will add to the overall profitability of this segment.

Mithun Aswath: So, is it safe to say that in FY2023 we will reach FY2020 travel rates and revenue, 3,600 crores will go back to 5,700 or is that being too optimistic and why would we not notice that especially since the hospitality sector overall I think in the country has bounced back quite smartly so just wanted to understand.

Mahesh Iyer: Mitun you are almost right. We are not saying that we will not reach back. Our internal estimates are that we will bounce back. As I said, different markets operate very differently, right. As we saw, we expected China to open much faster, did not open the way it had to. So, we had some setbacks there but clearly, if you ask me the position from here to the next 12 months, we definitely believe that we should surpass the pre-pandemic levels in most of the businesses that we operate in, specifically in the travel segments.

Debasis Nandy: And as we said ultimately what matters is the profitability. And let us hypothetically say that we do not reach 100% of FY2020 levels in terms of top-line, it will be much easier to reach the FY2020 benchmark in terms of profitability because of the improvement that we have done in productivity and cost management.

Mithun Aswath: I have couple of more questions but that is fine. Your finance costs are close to Rs. 90 crores despite having quite a large cash pile so I just wanted to understand how much of this Rs. 90 crores is linked to actual borrowing and can your finance cost or your interest cost come down what is your cost of borrowing?

Debasis Nandy: That's a good question actually and thank you for asking that. So, if I look at interest and finance charges the overall numbers are Rs. 89 crores in this year as compared to roughly about Rs. 61.6 crores last year. Now there are three components to this. One component is pure interest which is on loans short and long term and that has gone up from Rs. 24 crores last year to Rs. 33 crores in the current year, the Rs. 9 crores increase is largely due to the one long-term loan that we took during the year which is under the ECLG scheme of the Government. That is about 150 crores of the loans that we have taken during the year. The balance is on account of two other elements to this. One element is the lease rentals, okay. So, there is an interest element on the lease which in terms of accounting has to be classified under the interest and finance charges. Now that amount is about Rs. 13 crores in 2022 and in FY2023 is about Rs. 12 crores so more or less the same. So, there is no change in that and that would continue to be because we have a lot of shops and offices which are on lease so which will continue, the 12 to 13 crores number will continue as a base number. We are not planning to open any new branches or shops and therefore we do not expect any change in this number. The rest of it which is an amount of Rs. 43 crores in the current year and Rs. 24 crores in the year before pertains to what we call finance charges. Now these can be various things. These can be the bank charges that we pay for our bank guarantees that we issue, the credit card charges that we have to pay for collections. When you collect payments through net banking etc there are some gateway charges that we pay and of course on the foundation business we do import and export of physical currency. There is a bank charge relating to that. We call export import or EXIM charges so all of this find shelter under this heading called financial charges. This amount went up from Rs. 24 Crores to about Rs. 43 crores this year. This actually reflects the increase in the volume of the business. If you see in the corresponding period our income from operations went up from Rs. 1,888 crores in FY2022 to Rs. 5,047 crores in FY2023 so this is almost tripled. The finance charges are really connected to the volume of the business. Now will this continue the same proportion, or increase the same proportion, not really. It will move up in proportion but it will not be in direct proportion. For example, the finance charge, the Rs. 24 crores as a percentage of income from operation was 1.2% last year. This is not 0.8%. So, we expect there will be some variability and this will keep on going down as a percentage of the overall number but we cannot sort of push it away also as we have moved a significant part of the business online so a lot of sales are happening online and consequently a lot of our collection are happening on online so therefore bank charges will keep on coming, but this is connected to the volume of the business and therefore it brings in the necessary work. Does this answer your question?

Mithun Aswath: Yes, I am just trying to understand Since you have extra cash in an order of Rs. 500 crores rupees even if you are net of the borrowings. I'm trying to understand the income that you earn on the extra cash where is that going and is that more than interest out go and I am just trying to get a sense of why would have borrowings or large finance costs if you have surplus cash so I just wanted to understand and where are you utilizing that cash right now.

Debasis Nandy: So, let me handle that question.

So, our overall cash at a group level is roughly about Rs. 1,000 crores as Mahesh and Madhavan had talked about. Now that lies in various different buckets, all of it is not lying as freely available cash it also includes the float that we have on the prepaid cards that prepaid card float can be used for various things. We do put that in our fixed deposit but these are lying in foreign currency so we do put part of that in our foreign currency fixed deposit and do earn some income from that and that accounted for us as part of our other income. So that is there. Forex business is one of the largest businesses and therefore cash also forms, a bit like inventory if I can call it that way, the foreign exchange business and there will always be some amount of cash lying either physically or in the form of nostro accounts, etc. Now where is the opportunity of using this? One is of course in paying loans. So, if you look at our balance sheet you will find that our short-term borrowings has come down very substantially in March especially where Thomas Cook where most of the cash is lying or short-term borrowings are at a very low level but we do have Rs. 150 crores of long-term borrowing in Thomas Cook and in one other company which is ECLGS, it is a six-year loan and therefore we cannot really pre-pay that. We also have some longer-term loans in the overseas company where we had for handling some acquisitions which were taken pre-pandemic. We are paying it off over a period of time so that also will continue to stay. The float balances can be used for various things. One way of using that obviously is to do a swap into INR and use it to manage our business better. The soft cost is always cheaper than the short-term debt or overdraft and we use that money to manage our interest cost.

Mithun Aswath: Thank you Sir for all this. Just one last question on the DEI business. In the current quarter, we saw quite a dramatic fall in the EBIT compared to the December quarter despite revenues being more or less in line. So just wanted to understand any particular reason for fall in the profitability.

Debasis Nandy: I think Ram has dropped off on the call but let me try and answer that question. So, in the current quarter, we saw some changes in the cost structure. One major change was that the China business which was slow-moving throughout the year and dormant at times came back sometime in February as China got out of this COVID problem the business back. We have substantial business in China two major parks. One in Beijing and the

other in Shanghai, Universal Studios, and Disney Shanghai respectively. These two came back in operations. Now when it came back to operations these two typically are parks the share of revenue that we have to give to the park is on the higher side, higher side in the sense higher than the normal average as compared to what we do in other parts of the world like for example in Dubai where most of our business is located that increase the overall cost as a percentage of revenue. At the same time, the business towards the end of March, etc as summer started setting in, the Dubai business also started getting affected.

So, between the two, there was a mismatch in cost and revenue. With this will get corrected over time. It is a short-term thing that has happened for about a month or month and a half. Upset the sort of balance a bit, but we do not see that as an issue. In addition, as Ram pointed out during his presentation, the balloon in Dubai had just started off in the month of March. As the summer wins in Dubai, this business will come into full swing and we will see more and more profits coming out of DEI.

Ram Krishnan: Just to add to Debasis point one-time costs that had to be offered both in China and the balloon hit us in March and you would see that correctly. We have already seen the correction in April so I can assure you that was only a timing issue, nothing more than that.

Mithun Aswath: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Aditya Kumar from LMI. Please go ahead.

Aditya Kumar: Thank you for the opportunity. So, I have only one question like on the forex card when a person tops up in the card on any foreign currency then due to currency fluctuation who bears that risk of the currency fluctuation. The company or the customer that comes in between when the top up is made and the money is used?

Mahesh Iyer: So clearly, we do not have any open position as far as the prepaid product is concerned because let me try and walk you through a flow of a transaction. If you were to come to my counter and buy a card for \$1,000 you are going to pay me rupee equivalent for the \$1,000 and let us, say the rate is 82, so you will pay me Rs. 82,000 and I would do a back-to-back cover for that transaction and at the same time the money will be transferred to a foreign currency account, which is what we call as a nostro account and will be parked the float and if you have listened to the call you would have heard Debasis talking about the float balance in foreign currency. So effectively this goes and sits in the foreign currency account and as foreign currency balances and

when we talk about float, we convert that into rupee and talk about rupee balance. Now these floats that are in foreign currency are not kept idle but are deployed either for working capital through a swap mechanism or parked in long term FDs depending on the cycle of payment that we need to do to the merchants when the card are being used. Now at no point in time there is any exposure on this because it is completely hedged transaction at every level of the transaction. I hope that clarifies.

Aditya Kumar: When the transaction takes place, the price gets locked in right?

Madhavan Menon: Aditya we follow that across the board. All our foreign exchange transactions are fully hedged at the origination on confirmation of the transaction.

Aditya Kumar: All right, thank you.

Moderator: Thank you. The next question is from the line of Anushka Chitnis from Arihant Capital Markets. Please go ahead.

Anushka Chitnis: Thank you for giving me the opportunity. I only have one question in your Q4 consolidated statement there is an item of other income, I mean sorry other expenses are about Rs. 136 crores which is pretty high about 15% sequentially and 135% annually. Can you elaborate on why that is and what the consequences of that are?

Debasis Nandy: Thanks for the question. So, if you look at the detailing of that a lot of it as we mentioned sometime back this quarter is an investment quarter where we have spent money on marketing in anticipation of the business or rather to service the anticipated business in the Q1 and Q2 of the following year. So, the marketing expenses sit in others because there is no other place to keep it in the SEBI-mandated format that is the main reason for these expenses to go up. During this period, we also set up new counters at additional airports, details of which are given in the investor presentation and there are fixed airport rentals that kick in from the time we start appointing those counters and those are also added to the cost.

Anushka Chitnis: Got it thank you.

Moderator: Next question is from the line of Senthil Manikandan from Ithought PMS. Please go ahead.

Senthil Manikandan: Hi good afternoon. The first question is from the TCS side. What is your overall take on the TCS recognition by the Government and how it will impact our travel business?

Mahesh Iyer: Again, look I would think it is over load in that sense to say the impact of TCS, you must realize that it is not 20% because the 5% always existed. So, the incremental value is only 15% which is point number one. Point number two, I think it is not the cost, but it is basically. I would say upfront payment or upfront money that is getting blocked and we believe a lot of segments of customers who travel with us and across in the industry belong to either the MSME, SME or for that matter proprietorship and partnership. There are some advance tax payments that they do and we have an opportunity to offset this at the end of every quarter. Thirdly, I think from a diversified portfolio point of view that we see in our holidays business, we service short haul, we service long haul and we service domestic. So in the very shortest possible time you will see some amount of reaction where people will want to understand how it operates and actually see the mechanism of claiming the credits working for about a quarter word, the demand will probably shift to more short-haul and domestic destinations were the amount of money that one would need to block on account of this 15% will not be very large and very soon which is the winters which would step in much later the next quarter there will be returning to the market and people will see that this is only an upfront costs and nothing more. We do not anticipate anything much to be dramatically changing because this is available for a person to claim at the end of each quarter. So, to that extent, it will be neutral. Also, to mention here the announcement that happened on the credit card part of it in the last 48 hours actually cleared some more level playing field for us because that is one segment that was outside the ambit and would have led to people actually using credit cards to make payments which would have then escape the TCS ambit. So clearly, I think by closing that loop and bringing it under their LRS ambit kind of closes that loop. So, there is a level playing field and we believe it is going to be that much more because the appetite for customers to travel has not changed. If you were to use the word revenge travel people are traveling and I do not think it was 5 or 20, it is going to change because when five happened in October of 2020, we saw similar bit of flurry and sentiments in the market but in about a quarter period which is about three months we saw people accepting this so we do not expect too much of things to change in the marketplace.

Senthil Manikandan: Second question is on DMS entity so if you can provide what could be overall operating profit that you have generated last year on pre-pandemic level and what could be your expectation going forward. Particular with respect to DMS entities.

Debasis Nandy: See pre-pandemic which is the year 2019-2020 as you mentioned that almost all of them were loss making where we had bought them. Just go back a bit. We had bought them in the year FY2018 and we bought them at a very low value primarily because the fact that they were making losses that is the reason they were getting sold in any case. So, our immediate task was to take them over and turn them around through the structure through some amount of restructuring and automation. We got interrupted a bit by COVID, but we achieved that during the COVID and now they have reached the level of automation that is desired and which is why the productivity is much more, the markets which has opened up early like for example Dubai or Middle-East, Africa and USA they must already logging in profits. The market which opened up later Thailand, Indonesia, Vietnam and so on and so forth, which is the Asian market they are still under losses, but they are expected to recover and start becoming profitable in 2023-2024. So in short, we expect the DMS businesses as a as a group to be completely profitable going forward. The other part of DMS is also the inbound business that is there in India which is hosted under a company called Travel Corporation of India or TCI. Now TCI was not in operation for about two 2-1/2 years during COVID and just started operation sometime in November. This quarter Q4 has been a profitable quarter for them, although there are only about 40% of the pre-COVID volumes, which is expected because this was affecting the first full quarter they had. Going forward, the volumes will start going back to where they were at. At an overall margin level, I think the operating margin level of the inbound businesses whether in India or abroad or something about gross margin in the range of about 16% which is a decent gross margin. One area where we are making some additional margin was on the ECIS PCI scheme, ECIS scheme that the Government had floated and which is valid till about 2021 where some sort of subsidy if I may call that was being given for export. Unfortunately, that scheme has now been suspended, it is no longer there so that would reduce the profitability of the Indian unit. However, that would be more than made-up by the profits of the overseas units.

Senthil Manikandan: Thanks, and just one suggestion in the presentation going forward some more details on other entity it will be great within the travel segment.

Debasis Nandy: We will work towards that. Thank you for the feedback.

Senthil Manikandan: Thanks for the opportunity.

Moderator: Thank you. The next question is from the line of Shashank from Crescentia Strategist. Please go ahead.

Shashank: My question is regarding Sterling Resorts. I wanted to understand first thing is that how we compare ourselves with the absolute member number as compared to the competition which is also listed space And, the second subsequent point to the same is that how do we do the occupancy of the rooms because we are much below in terms of occupancy and is it comparable to pre-pandemic or how do we have to look at the numbers because there also we are much below the expected as of the competition is concerned.

Vikram Lalvani: So, let me just answer the first part of the question. Sterling has adopted a hybrid model of operation and in our case, what happens is based on how the market scenario is moving, we have that flexibility to optimize between the results of the membership number one. Number two we have in terms of a total number of members approximately about 80,000 members since the inception of Sterling in 1,986 of which about 33,000 up to 35,000 are actively holiday with us number two. Number three, even as an approach going forward, our approach is very clear is in terms of premiumization of these memberships which means I am not chasing volumes. I am not chasing units. I am not chasing numbers, but I am chasing them effectively and properly so that they stick with us for the time duration that we are with us. For example, I mentioned that the down payments are up. So, when a person has paid you a down payment of 70-80% the ability for that person to stick around. Number two when it premiumization we are actually giving those customers a better experience both at our resorts as well as through and end-to-end cycle and we will continue to strive and number three that is far more profitable way of doing business rather than actually chasing terms of number of units. So, our approach is very clear. We will continue to preimmunize the membership business and optimize between the segments that we have and we have done so and which is why we have seen a 6X kind of change even over pre-pandemic levels number one. Number two as far as the occupancy is concerned, the occupancy in FY2019-2020 was about 64% and what we have actually closed with is about 61%. So, there is an opportunity in the overall occupancy but having said that, we also measure the guest ratio. Our guest ratio has actually gone up, which has a direct significant impact on the turnover. So, the guest ratios which were typically about 35 to 40%, pre pandemic has gone up to 60 to 63% in the current financial year. So, there is a chance to optimize that even further. Number three leisure business is highly seasonal, so the months like July, August, Jan, Feb are extremely low month the month and April and May are extremely high month. Therefore, even in the past and sometimes we also do face situations where certain destinations are cut off because of every rains. It has happened in Kerala before. It has happened in Himachal before so during those times we are not able to actually fill up the inventory. So as a result, if you look at it from pure leisure business, I think 60 to 65% is the good score and it will be optimized to at least 65 to 68% yes it can be optimized for 65 to 68% for sure and that is what we are also working towards. So, we are

seeing an upward trajectory there as well. We balance out the occupancies and the yields and the rates, so to ensure that we actually maximize revenues through a period for that year. I hope that answers your question.

Shashank: Yes, to certain extent. So my second and the last question is that how do we compare with as what have you been telling for last couple of minutes that premiumization is the core for your business is concerned so again coming back to the question, the profitability of your unit as compared to the peer is it much better because what I understand it is not so how do you explain that particular thing when you are doing all the steps which you have spoken out, still the profitability as compared to the listed peers are not there.

Krishna Kumar: On the membership profitability alone if you look at it ours is a blended business. We have resorts that are generating around 35% operating margins and we have a membership business which also generally certain margin. The membership margins are marginally higher than the resort business and therefore we are profitable as far as membership is concerned and much more than the resort vertical but on a lower value scale. So that is definitely to be noted and in terms of base, I think we have a smaller base when compared to our peer members.

I think our peer members have a larger base and therefore the collection for them would be much on a larger scale and therefore not directly compatible as far as that is concerned.

And the point to note on occupancy is something which I want to add to what Vikram already had mentioned is over the pre-pandemic to the current we also added resorts and rooms. So, we actually added around 50,000 room nights over the period of three years and those have come up in hill stations and various other locations and the occupancy is also catching up and while we are reporting a 16 plus from occupancy over the year. There are months in the year or season in the year where we also touch 90% and beyond and in weekend we also do 100% capacity in many of the weekends in the April, May, June months also so that is something which I want to add to that what Vikram already had mentioned.

Akul Broachwala: Thank you so for much the management.

Madhavan Menon: Thank you everybody for joining the conference. If there are anymore clarifications, please reach out to Debasis Nandy. His numbers are available or e-mail address and we will happily respond to any queries that you may have or direct it to whichever companies you may have questions relating to them. Thank you very much.

Moderator: Thank you. On behalf of IIFL Securities which concludes this conference. Thank you for joining us and you may now disconnect your lines.

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