

Thomas Cook (India) Limited:

Q1 FY26 Earnings Conference Call – August 1, 2025

Management:

Mr. Mahesh Iyer: Managing Director and Chief Executive Officer – Thomas Cook (India) Limited

Mr. Debasis Nandy: President and Group Chief Financial Officer – Thomas Cook (India) Limited

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Mr. Krishna Kumar: Chief Financial Officer – Sterling Holidays Resorts

Moderator: Ladies and gentlemen, good day, and welcome to the Thomas Cook (India) Limited Q1 FY '26 Earnings Conference Call, hosted by Systematix Shares & Stocks. 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 star, then zero on your touchtone phone.

I now hand the conference over to Mr. Chetan Mahadik from Systematix. Thank you, and over to you, Mr. Mahadik.

Chetan Mahadik: Thank you, Shruthi. Welcome, everyone, and thank you for joining us on Thomas Cook (India) Limited's Q1 FY '26 Earnings Conference Call. From the company, we have with us Mr. Mahesh Iyer, Managing Director and CEO; and the senior management team. We would like to begin the call with brief opening remarks from the management, following which we will have the forum open for an interactive Q&A session.

I would now like to invite Mr. Mahesh Iyer to make the initial remarks. Thank you, and over to you, sir.

Mahesh Iyer: Thank you, Chetan. Good morning, everyone, and thank you for joining us as we discuss the Q1 FY '26 financial and operating performance. Before I begin, I would like to introduce my management team who is joining the call with me today. With me in the room, I have Debasis Nandy, who is the Group CFO for the Thomas Cook (India) Group; I've got Vikram Lalvani, Managing Director and CEO of Sterling Holiday Resorts; Brijesh Modi, CFO at Thomas Cook (India) Limited; and Urvashi Butani, who you already know, manages Investor Relationships. Before I talk about the operating results, I just wanted to give you a little background to the quarter that went by.

The period April to June quarter marked one of the most volatile periods for the travel and tourism industry since the COVID era, shaped by a convergence of global and domestic disruptions. On the domestic front, traveler sentiment was adversely impacted by the tragic incident in Pahalgam and the ensuing cross-border tensions.

The unfortunate aviation mishap in mid-June further tested this already fragile sentiment. The combined effect led to some cancellations and deferment. Internationally, the escalation of the Iran-Israel conflict disrupted civil aviation routes and fuel supply chains.

This was further compounded by persistent global trade tensions. This period typically represents a strong season for both our outbound and domestic travel. While April saw a strong start in-line with our expectation, the unfolding of disruptions led to a moderation in our growth momentum across May and June, and I will give you more details of the same when I cover the travel segment.

That said, I'm pleased to report that the resilience and the depth of our diversified portfolio has enabled us to deliver a consolidated top line of INR24,530 million, reflecting a healthy 15% growth over the same quarter last year despite the challenging environment. On the profitability front, our profit before tax, excluding a one-time ex gratia payment of INR171 million stood at INR1,284 million, marking an 18% increase over the same quarter last year.

Notably, our PBT margins improved year-on-year from 5.1% to 5.2%, driven by continued operational efficiency. Before we get into the details of the results, I want to highlight CRISIL recently upgraded our rating to AA. This is the highest in India's travel and tourism sector, and it's a clear reaffirmation of the group's leadership in the travel segment and strong parental support from Fairfax.

As a part of our digital transformation journey, we continue to harness the power of AI and conversational interfaces to enhance customer experience and drive operational efficiency across our core business segments. In the leisure travel segment, we have introduced Tacy for TCIL and Ezy for SOTC, our AI-powered assistant that provide real-time support, personalized recommendation and seamless planning, empowering customers with intuitive on travel assistance.

For corporate travel, our GenAI advisor, Dhruv, simplifies complex travel requirements, offering intelligent itineraries, policy aligned bookings and insightful reporting, driving both convenience and compliance for our customers. In the foreign exchange space, we extend our service delivery

through WhatsApp calling, bringing our offerings directly to customer preferred platforms, ensuring ease, accessibility and speed for everyday forex needs.

I will also -- I'm also happy to inform that our prepaid card is the first in India, which is now integrated with Google Pay along with Visa, allowing customers to add our prepaid card onto their Google wallet and use it seamlessly while overseas on an NFC-enabled platform. Together with these innovations, we reflect our commitment to leveraging emerging technologies to deliver smarter, faster and more personalized customer journey across our portfolio.

Moving on to the segmental performance. I'll begin with the financial services. The financial services segment reported revenues of INR842 million for Q1 FY 2026, reflecting a 7% decline Y-o-Y. However, on a sequential basis, the segment registered a 7% improvement. Unlike the travel segment where early bookings offered some insulation from last-minute disruption, the forex being more like a last-minute transaction driven felt a sharper impact. Many travelers chose to defer or cancel their plans altogether due to the unfolding geopolitical events that directly impacted our forex demand.

The year-on-year contraction was driven by a combination of macro and segment-specific challenges, and I'll highlight some of them in the subsequent paragraphs. The first one was the geopolitical environment that created uncertainty with regional -- with heightened regional tensions impacting travel-related forex flows.

We also had a lower Hajj travel during the period. As you will recollect that last year same time, we had large movement on Hajj that happened, this time, given the Middle East tensions that we had, the movement around the Hajj was comparatively lower. In addition to that, education segment and the recent RBI data that was published for the period April to May represent a 25% decline.

However, our portfolio continued to grow, albeit at a very slow pace. So we saw the impact of the student segment in the current quarter too. Other area -- one other area that kind of dampened our performance is our exit from Delhi Airport. It is something we've been speaking about for some time. We made a conscious decision not to renew our contract with Delhi Airport as it didn't make great commercial sense for us.

So from a comparison point of view, strictly in the current quarter, we have only 45 days of trading for Delhi Airport as compared to 90 days that we had in the comparable quarter last year. On the

EBIT front, the impact was a little more pronounced for us as each transaction declined affected our earnings. This is particularly more relevant for the prepaid card segment where we get volume-based incentives. And considering the lower demand that we saw in the current quarter, we thought it was prudent for us to look at our revenues at the lower slab, and we will adjust the slabs as we see volumes coming back.

Despite these headwinds, it is encouraging to note that our EBIT margin continued to remain strong. The business operating performance is resilient and our EBIT margins are at 44%, underscoring the strength of our efficiency and the underlying business model. From a transaction count perspective, despite the absence of Delhi Airport transaction counts, our retail transaction volume grew by about 3% and our total volume grew by about 4% to the comparable quarter last year.

On the prepaid card load side, we had a double-digit degrowth, 12% degrowth on the prepaid card volume. And as I said, this is a combination of various factors that I just mentioned above. From a digital adoption perspective, our foreign exchange business continues to be at about 20.4% of transactions are done digitally, and we continue to see our trajectory going up.

Our app bookings are up 3x year-on-year. And on WhatsApp, our transaction volumes are up 7x on a year-on-year comparison basis. Moving on to the travel and travel-related segments. The travel and travel-related segments grew by 18% Y-o-Y in Q1 FY '26 with strong contributions from both the B2B and B2C segment. Let me take you back to November when we launched our Europe holidays, November of 2024, when we launched our European holidays for the summer of 2025.

By late March and into April of 2025, we were witnessing strong forward booking momentum with outbound and domestic travel trending at about 24% to 25% over previous year. However, the series of external events that I mentioned before impacted our forward booking and our booking curve tapered as we progress between May and June. Outbound bookings began trending closer to mid-teens growth, while domestic travel reflected a negative forward booking growth trajectory.

Despite these challenges, our income from operations grew by 18% and our EBIT grew by 25%. Our EBIT margins improved from 3.9% to 4.1%, displaying our strong resilience from the forward booking that we saw and the diversified portfolio across the DMS Group and the various geographies that we operate in.

From a product mix perspective, domestic business was a little subdued during the current quarter, as I mentioned about the domestic disruptions that we had, but our international business actually grew by about 19% in the same quarter. The mix of B2B and B2C remains at 40% to 60%, 40% of the business is B2C and 60% of the business is B2B. And across those segments of DMS as well as MICE and corporate travel, we witnessed growth.

From a leisure travel segment perspective, given the uncertain environment, we also launched a comprehensive travel safety program just to get the confidence of the customer back into making that decision to travel. The product is called TravSure, which offers customers peace of mind and enhanced protection to their journey.

The program includes free rescheduling, cancellation in emergencies, additional trip protection and 24/7 customer service. With TravSure, travelers can confidently navigate uncertainties, knowing that their plans are safeguarded with responsive and reliable assistance every step of the way. Thomas Cook and SOTC also undertook a survey, and we published our India Holiday Report 2025.

Some of the key highlights that we saw out of that survey was, Indian travelers continue to show strong preference to guided tours with demand fairly evenly spread across 3 categories. The survey revealed that 35% of our respondents prefer group escorted tours, followed by 33% opting for customized private tours and 32% choosing semi-guided holidays.

And essentially, it means that two-third of our customer base are still looking forward to, in some shape or form, guided tours, and that's a strong reflection of the business model that we operate in. One of the other highlights that came out of the report that Europe continues to be one of the top international travel preference for Indians with 50% of our respondents selecting it as their most desired holiday region.

Its enduring appeal stems from a combination of rich cultural heritage, scenic beauty, iconic landmarks and multi-country itineraries that cater to families, couples and solo explorers alike. Southeast Asia continues to be one of the most dominant for the short-haul segment with Thailand, 46%; Singapore, 37%; and Malaysia, 32% ranking high on the travelers' radar. The region benefits from proximity, competitive pricing, easy visa and a variety of experiences from beaches to nightlife to shopping and adventure for the Indian market.

Southeast Asia offers a perfect blend of convenience and excitement, making it a key focus for the travel planners looking to cater to evolving preferences in 2025. From the B2B business segment point of view, corporate travel had the impact coming from the uncertainty around tariffs. The IT and ITES segment continues to be the largest contributor in our corporate travel business, and we saw some softness as far as volume is concerned because of the uncertainty around the large market like US and Canada. Having said so, our volumes continue to grow.

We had a modest growth of about 2% in terms of volume on our corporate travel business. We continue our journey on implementing technology. I'm happy to report that Thomas Cook is currently testing our in-house built travel solution for our customers called Travel One, integrated with AI, which is Dhruv, which essentially will allow customers to seamlessly manage their travel bookings. This also ensures that over a period of time, we will be able to move a lot of customers to self-serve and reducing the need for having a lot of people or touched to a transaction. On the meetings and incentives business, we continue to grow despite the challenging environment. I think the same benefit that we got on our B2C, our B2B business also had a strong forward booking pipeline before the global headwinds affected our business. The business volumes overall grew by about 12% in the current quarter with no government bookings that happened during the current quarter. We managed about close to 300 groups ranging from 50-1,000 delegates traveling across Europe, Austria, Spain, Australia, UK, UAE and many other markets.

Thomas Cook also managed 120 delegates for the International Solar Alliance, the Regional Committee Program in Sri Lanka, facilitating bilateral meetings with various Asia Pacific ministries. The MICE in-house Tour app, which is what we are building has gone live, which allows customers to get access to their information, real-time updates and also allows our tour partners or tour managers to seamlessly keep conversing with the customer.

With this update, I'd like to now hand over to Debasis, who will talk to you all about our DMS operations and DEI.

Debasis Nandy: Thank you, Mahesh. I'll now take you through the DMS business first and then followed by DEI. The DMS business, as you know, is split into the DMS India, which is represented by a company called Travel Corporation and DMS International. The business is essentially seasonal and for the India business— April to June was a lean quarter.

So it contributed to about 8% of the DMS business and the International, obviously, 92%. However, even in a lean quarter, the India business turnover grew by 36% year-on-year and reached INR 597 million of turnover. It is interesting to note that it has touched exactly the business that we did in FY '20, that is the year before the pandemic. So the India business has definitely surpassed the pre-pandemic levels. As far as the International business is concerned, it's done even better. It has grown by 28%. They reached a volume of INR722 crores, which is 1.8x higher than what it was pre-pandemic. Just to give you some color on the International DMS business. There are 5 entities here spread across Asia, Southeast and Middle East Asia, the USA., Africa and Australia. Asian Trails, which does the business in Southeast Asia and Australia contributes 40% of the business.

Desert Adventures, which does the business in Middle East contributes of 27%. Allied TPro, the unit in USA contributes 26%. So these are the 3 large ones contribute 93% of the total. The balance 7% is contributed by two entities in Africa. The South African entity, Private Safaris South Africa contributes about 5% and the Kenyan entity called Private Safaris East Africa contributes to about 2%.

As I said, overall sales grew by 29%, and this is primarily driven by the three large units. Asian sales reported a robust growth of 42% year-on-year. The countries which did very well are Thailand, Cambodia, Vietnam and China. In US, the Allied TPro unit reported a growth of about 31% over last year, largely driven by a significant contribution from the MICE segment.

And, of course, there are higher volumes in the FIT segment as well. Desert Adventures, the unit in the Middle East, in spite of facing severe geopolitical issues, they held sales steady. There's actually a 7% improvement over last year. As you also know that this is not the season for the Middle East. This is the summer season, and therefore, the sales are anyway muted.

Private Safaris in South Africa did very well. They reported a 19% year-on-year growth, driven by upselling initiatives, both in South Africa as well as in Namibia. East Africa is in recovery mode from last year. It has reached full recovery. And in fact, it was ahead of pandemic, but we lost one of our large customers, FTI due to insolvency sometime last year.

And the business is trying to rebuild by onboarding new customers in order to drive future growth. I will now move to DEI, the Digital Imaging Solutions. This is a business which is, as you know, headquartered in the Middle East and 45% of the business comes from the UAE and the surrounding

areas. And therefore, Q1 is not a peak period for the Imaging business. However, happy to report that the revenues held steady at INR210 crores.

It's marginally up by 1% over last year, driven by improvement in UAE, positive contribution from regions of Indonesia and Macau, where we added some new accounts. Our renewal rates remain strong. Seven key partnerships were renewed during the quarter, primarily UAE and Singapore. We also operationalized 2 of our new partnerships in China and India and signed 5 new ones across the UAE, Maldives, Hong Kong and Malaysia. At the same time, we are also closely evaluating sites which are less profitable.

And wherever we need to, we are exiting. We continue to maintain a sharp focus on profitability and operational efficiency. This is visible in the sharp increase in EBIT. There's a 61% growth, as you can see in the segment results in spite of the revenues being stable. Our EBIT margin has improved substantially from 3.2% last year to 5.1% this year, indicating the benefits of cost efficiencies and productivity led by the usage of technology.

With this, I'll hand over to Vikram for an overview of the leisure hospitality segment. Over to you, Vikram.

Vikram Lalvani: Thanks, Nandy. Good morning, ladies and gentlemen. My name is Vikram Lalvani. I'm the Managing Director and the CEO of Sterling Holiday Resorts Limited. I'm joined by my colleague, L. Krishna Kumar, who is our Chief Financial Officer. We are both based in Chennai. Thank you so much for joining us today as we present the Q1 Sterling performance of FY '26. We are pleased to share that Sterling has delivered actually its best ever Q1 performance this year, setting a robust foundation for FY '26. This also marks our 21st consecutive profitable quarter, and it signifies the growing strength of Sterling brand in India's hospitality space.

So with this, we can clearly state that our transformation is complete, and now we are in a phase of growth. We have successfully in Q1, capitalized on the tailwinds in Q1, a period where generally, the fundamentals of leisure travel is strong due to the holiday season. Having said that, in Q1, we also witnessed some temporary headwinds.

The Operation Sindoor did affect business in our Northern resorts. We had actually 3 of our resorts that were affected, which is Jaisalmer, Amritsar and Mount Abu, especially those in Rajasthan and

it affected business in Rajasthan, Himachal and Uttarakhand, which amounts to approximately 900 rooms or 19 resorts, which is almost 33% of our inventory.

This impact fortunately lasted for only about 2 weeks during this peak season. However, the strength of our portfolio across the rest of the country in the South, West and East helped offset this opportunity loss, resulting in a strong performance this quarter. A few pointers on the performance highlights for Q1.

Our total revenue for Q1 stood at INR1,357 million, 8% growth over Q1 FY '25, driven by a strong growth in both room and food and beverage incomes. The EBITDA grew 25% year-on-year to INR528 million, with a healthy EBITDA margin of 38.9%, up from 33.6% in Q1FY25, which makes it one of the best quarters that we've had.

We continue to remain a debt-free company, and our cash reserves have crossed more than INR3,000 million as we speak today. Our free cash flow generated during the quarter is a little over INR300 million. Our room revenue grew 11%. Our food and beverage revenues grew 16%, and this is despite a 21% increase in the available inventory.

Our average rates also stood at close to INR7,100, reflecting strong pricing strength and positioning and the evolving positioning of Sterling in the upscale leisure segment. A little more details on some of the operational highlights. Our guest nights grew by 12%.

The occupancy stood at 62% with an increased supply of nearly 50,000 room nights this quarter or approximately 540 rooms per day quarter-over-quarter. Having said that, we do have headrooms more in occupancy, and that will put Sterling in a position where we can actually grow further as we keep scaling the company.

We also added two new resorts, one in Rudraprayag and the other in outer Lansdowne. This is in line with the fact that Sterling has, over the last couple of years, created new destinations, and we will continue to do so, thus having a first-mover advantage in this whole aspect of it. Our total network now is close to 3,300 rooms.

In our partnered and managed resorts, we earned nearly 10% of the revenue generated during the quarter and amounts to almost 20% of the EBITDA, underscoring the strength of our operations in

the capital-free segment of resorts. Little on the customer experience and the brand, we continue to be recognized as a preferred brand, predominantly in the leisure hospitality space.

30 resorts received TripAdvisor Travelers' Choice Awards with one of the resorts being top 10% globally and one of the resorts being the 'Best of the Best' for the third consecutive year that is top 1% globally amongst 8 million listings. Our average TripAdvisor ratings improved with 36 resorts now rated over 4.5 stars on 5 and 16 resorts of ours now rated 5 stars on 5.

Our Net Promoter Score touched a new high of 81% with 40% of our resorts now scoring over 80%, a clear reflection of guest delight and consistent service delivery. This becomes important because as we keep scaling the company, we are also completely focused on the quality metrics at the resorts. A little bit about sustainability and community impact under our ESG initiative, Sterling Sankalp, we continue to embed sustainability and social responsibility into our operations.

Heat pumps and solar installations are being installed in many of our hill resorts as we speak. Plastic bottled water has been replaced by in-house bottling plants at multiple properties, and we have a plan to actually ramp that up in more properties as well.

Our partnership with Fairfax India Charitable Foundation has enabled the installation of dialysis machines across seven hospitals, furthering our social impact footprint. A little bit on the portfolio part. Last year, we grew our inventory by 22%, one of the highest in the industry.

We strengthened our presence in key markets like Rajasthan, Uttarakhand and in key segments like wildlife. Looking ahead, we have over 20 resorts in the pipeline that's good schedule to open between -- in the next 3 to 4 quarters, and they are predominantly on an asset-light model. We also continue to optimize our own assets through incremental investments in our own resorts.

We sweat our own resorts by incrementally adding additional rooms. Within our existing portfolio, we have 5 to 6 resorts at the intersection of business and leisure in Tier 2 and Tier 3 towns, and we have seen this model succeed.

While our focus on the leisure segment continues, we are also looking to expand in the business-cum-leisure segments across Tier 2 and Tier 3 towns. In short, we -- with a strong quarter in the start of the year, driven by robust fundamentals around domestic travel demand, we are generally

optimistic about FY '26. The strong base built over the last 3 to 4 years positions us well now for continued growth.

We remain cautiously optimistic about Q2, traditionally the lowest quarter for the leisure travel due to muted demand. This is precisely why we are consciously reshaping our portfolio mix by introducing more leisure-cum-business hotels, leveraging the transferability of our customers from leisure into business travel as well.

You may recall that while Q1 has historically been our strongest quarter due to the concerted efforts of the evolving portfolio mix, Q3 emerged as our best-performing quarter last year. We expect a similar trend this year as well. And hence, we're looking that H2 will be far better than H1, and we are confident of closing FY '26 also on a strong note. Thank you so much for your continued support, and thank you so much.

Urvashi Butani: Please go ahead with the Q&A.

Moderator: The first question is from the line of Chetan Mahadik from Systematix.

Chetan Mahadik: Congratulations on a healthy set of numbers. So my first question is on Sterling. So Sterling has rapidly expanded its resort footprint to around 62 resorts with plans to, say, add more 14 to 15 more in FY '26. What are the specific long-term average occupancy and ARR targets for Sterling once these new resorts mature?

Vikram Lalvani: This is Vikram Lalvani here. So typically, when we add resorts and especially if it's in the leisure space, it would take at least about 1 or 2 quarters to completely ramp. As I said that we've actually increased our inventory by almost 50,000 room nights quarter-over-quarter. And with that also, we have a 62% occupancy, which actually -- that means we have actually grown our occupancies by almost -- in terms of room nights by almost 19% to 21%. But because of the growth in supply, it's looking at 62%.

So typically, as I mentioned even in the past, at a steady state for leisure across the year, anything between 65% to 68% is actually an ideal occupancy to maintain. Having said that, I've also called out that we do have scope to up the occupancies as we keep going up. The average rates will range in the -- if we are at a peak season about INR7,100 to INR7,500. And obviously, in an off-peak season,

it could vary. But our focus has been more on growing the occupancy and the number of room nights more than typically trying to push up the average rates because of the growth in supply.

Also, it depends on what kind of hotels open and which kind of season it opens. So yes, we will look at about 20 hotels over the next 3 to 4 quarters. And they will all be in ramp phases. If we are able to quicker ramp them, depending on the timing of opening, I think then it could be more advantageous to us.

Chetan Mahadik: Okay. And second question is on other income. So on a year-on-year basis, if you see it has increased 50% plus. Can you provide a breakup of this INR45 crores?

Debasis Nandy: Yes. This is Debasis. I'll take that question. So as you have rightly pointed out, overall other income has grown from INR266 million to INR440 million in the current quarter. A couple of reasons for that. I think the interest income on bank deposits has gone up by about INR79 million, out of the overall INR174 million, that INR79 million.

In addition, there's sponsorship income increase of about INR18 million, which is accruing entirely in Thomas Cook. There's a bit of exchange gain, that's about INR11 million. And then there is what you call miscellaneous income, which are -- which has increased by INR58 million, and there are a couple of components there. One is about INR28 million on account of convenience fees collected from various clients, etc.

And then there is corporate guarantee income. We give corporate guarantees to our -- all our subsidiaries as part of our transfer pricing process. And then, of course, there are other smaller parts of income. So all this adds up to INR174 million of increase.

Chetan Mahadik: Okay. And just one last question on foreign exchange. So in this quarter, we have seen a decline in revenue for forex, say, due to geopolitical tensions, weakness in education segment and I guess exit from Delhi Airport, as you have mentioned. So if you can put some light on how should we look at this segment for the rest of the year?

Mahesh Iyer: Chetan, I'll take that question, Mahesh here. Look, as I said, fundamentally, nothing has changed as far as the business is concerned. Our EBIT margin continues to be strong. Look, because it's the tail end of a transaction or a travel cycle, foreign exchange will always see that impact when there are global headwinds. So to that extent, we saw that happening in the quarter.

But my view is that, as confidence on travel comes back, international travel takes place, you will see this getting back to normalcy. Our estimation on this business continues to be the double-digit growth that we've spoken about in the past and with our guidance on EBIT margin between the 40%-45% range.

And I think we continue to hold on to it. I think it's also important to note here that on the prepaid card side, we've been very cautious in terms of our revenue accrual because currently, since we are trading slightly below what we were, we didn't take an aggressive position on it. And obviously, as and when the volumes come in, the slab will kick in, and there will be an opportunity for us to increase our revenues there.

We continue to engage with customers, building a lot of journey around our technology tools and our digital adoption. And I think all of that to me is trending in the right direction. So fundamentally, from a business perspective, I think the business prospects continue to remain strong. And I think for the full year, we should see a better outcome for the foreign exchange business.

Urvashi Butani: Go ahead Deepak.

Deepak Lalwani: Sir, first question is on the DMS business. We've seen phenomenal growth in this quarter. So is there any one-time event which led to this growth? And what can be the sustainable growth rate in this business? And similarly, for the MICE and B2C travel, if you can give any sense on the forward bookings and the MICE activity bookings that we have for the next 3 quarters for these two verticals, please?

Debasis Nandy: Yes. Okay. Deepak, this is Debasis here. I'll take the first question on DMS. DMS, to answer your question, it's largely been business as usual. The only exceptional item I can think of is that, there was a large MICE business that happened in USA., Allied T Pro, and the business was worth about \$4 million.

Now, if you look at the overall sales, there are about \$22.6 million this quarter vis-a-vis about \$17 million last year. So even if you take that one, there is a margin increase over last year. Other than that, the business has been usual. And in any case, the MICE business, as you know, is a contractual business, and therefore, this sort of business will keep on happening. We don't consider MICE business as one-time. But since you specifically asked this question, I thought I'll give you that input.

Mahesh Iyer: I'll take the second part of the question. Deepak, to give you some kind of guidance on forward booking. I think I kind of alluded to in my commentary, see today, we are living in a bit of an uncertain world. And what we have seen is some of the patterns as to how customers book and specifically the B2B segment has changed. So unlike in the past, where a lot of decisions were made 2 or 3 months in advance and specifically for the MICE portfolio, we are seeing that cycle to be much shorter today.

So from the time that we are conversing with the customer to closure and travel is essentially happening in less than 30 days. So if you ask me to kind of give you a sense on what the forward pipeline looks. It's a little more difficult because we are actually picking up business much closer to travel. So the pipeline is getting built in the same quarter that we are trading. So at this point in time, as I said, for the quarter that went by, despite the headwinds that we had, our volumes grew by about 12%.

I think we will continue to see that kind of trajectory going forward. I don't think nothing has fundamentally changed. There will be some amount of wait and watch that will happen before the decision is made. But clearly, I think the future opportunity on the business remains strong.

Deepak: Sure. Just a follow-up on this. Despite the weaker sentiment in this quarter, we've been able to grow. So should -- have you seen any green shoots starting July onwards? And although we are close -- the business model has changed to slightly shorter-term order bookings. So has anything improved from July onwards? If you can give a sense on that?

Mahesh Iyer: So Deepak, again, as I said, look, what happened is, for the B2C businesses, we had the headwinds coming right in the thick of a seasonally strong quarter for us. Our bookings took a beating post these events in the third week of April, and that sentiment continued because of multiple events that happened during the quarter. Post that, in July, we have definitely seen a bit of a trend reversal, if I use the word so, both on the international side, that is short haul as well as long haul. And on the domestic side, it's more like a recovery. From a negative territory, which is degrowth over last year, we're actually starting to see a positive trend where we are now getting closer to what we were at the same time last year.

Now the reason for the domestic part, as you clearly know, this was Kashmir. Kashmir is one of the largest portfolio or largest market in our portfolio, followed by Himachal, Uttarakhand and stuff like

that. So, obviously, that portfolio didn't fire because of Operation Sindoor, closure of airports and stuff like that. But when I look at the current trending, I think they're starting to look promising. And both the short haul and the long haul on the international side are starting to get to a better territory, which is more like the double-digit growth one would call it to be so.

I think we will see better turnout. And as Vikram also alluded to, we remain optimistic of H2 of current fiscal, and I think that's how the business will trend. And keep in mind that we are also entering into a bit of a festive season. And there will be some demand that will be driven by festive. And added to that, we've done the TravSure program, which is basically to reassure the customers, give them the flexibility of booking and stuff like that. We are trying to do a lot of things to get the confidence back and keep the sentiment going.

Deepak: Sure. Sir, second question is for the CFO, sir. So other income has become quite a significant part. So if you can split the cash between client funds and our own funds? And how should we look at the yield that we make on our cash book for the full year? So what kind of other income run rate because that run rate has been volatile for the last few quarters?

Debasis Nandy: Sorry, I didn't get the first part of your question. You're saying split the cash between -- the other income between client funds and my funds?

Deepak: No, no. I want to split between the cash that is our funds and the client funds. And on total cash, what kind of other income are we looking at?

Debasis Nandy: Okay. Well, I'll answer the first question, then I want to say something else on that. But my overall cash is INR2,248 crores. That's the total cash that I have. Against that, I have a gross debt of about INR280 crores. And my BPC float as of now is about INR1,570 crores. So that's what we have on the cash front.

Your second question is on the other income. See, the other income is a -- obviously, is a function of the cash that I have. But I must also say that the entire cash that I have is not deployed into fixed deposits because as you know, the BPC, while we are talking about BPC float as if it's cash on hand, not everything will be cash.

There will be part of it will be in the form of receivables from corporate because when we are selling a card, we are loading a card, the corporate will not pay on day 1. It will pay in 7 days' time, which

is as per the credit period, 7 to 10 days' time. Some part of the cash we'll have to keep available for use, daily use. And only the balance I can then deploy depending on some algorithm that we use into long-term and short-term FDs. So this is not a straightforward calculation. But yes, other income, to sort of sum up, other income will keep on increasing as we grow the overall cash in the business.

Deepak: Sure. Sir, third question is on the Digital Imaging side. We've seen improvement in the profitability despite the top line being modest. So are the costs in terms of technology behind us? And what kind of sustainable profitability can we look at for the Digital Imaging segment?

Debasis Nandy: So you're right, and I did mention this during -- while I was talking about the Digital Imaging business. The growth in profitability can be attributed entirely to the cost rather than on the top line. And this has come through careful cost control and cost reduction initiatives launched by the business. And so, the cost benefit -- the benefits around cost has happened from -- largely from the indirect overheads.

Now, going forward, obviously, as you know, that we are also building a technology solution, a software, which will probably come into effect possibly from the third quarter onwards, and that should give us some productivity gains. It's a little difficult at this point of time to sort of visualize or anticipate clear as to exactly how much we'll gain, but maybe we'll take a little quarter or two to figure out what exactly is the financial benefit out of that.

There are obviously financial and non-financial benefits coming out of that. We also expect the top line to start growing over time over the next couple of quarters more in the second half of the year rather than in the first half. And that should overall -- improve the overall profitability of the business.

Mahesh Iyer: Debasis, if I can just come in and add. And Deepak, I just want to mention a point here. While the top line looks muted, please also remember that this is a conscious call. While we have also ensured that we went out and looked at our portfolio and weeded out some of the accounts where we thought that we weren't actually making a lot of money.

So some of those accounts had to be reconstituted and we had to renegotiate. So in that bargain, we let go of some accounts, and that also had impacted the top line. But, I guess, it's about putting the right blocks in place so that the long-term trajectory for the business remains strong.

Moderator: The next question is from the line of Praneeth, an Individual Investor.

Praneeth: Yes. So I had questions regarding DMS specifically to start with. So on the DMS B2B business, I understand that in the last con-call, you mentioned that we basically -- the product that we provide to other travel agents or whatever is a white label product. So that they can buy from Thomas Cook. So I was wondering why do people come to Thomas Cook to get these label products because their entire this thing in the market is that they make the packages so they try to procure it.

So I was wondering what is the reason of Thomas Cook particularly creating these white label products? And how is the overall competitive space particular to this? Is Thomas Cook the only one who is doing this particular service to other travel agents? Or how is it going forward? And in the B2C segment, I was wondering what -- is my understanding right that the B2C segment, DMS is basically what we sell under SOTC and Thomas Cook? Is that right understand?

Debasis Nandy: So I think we need to correct some of -- some concepts around this, the DMS business. The DMS business essentially is a B2B business and not a B2C, to begin with, okay? So it is distinctively B2B. There's no trace of a direct consumer business here. The way this business operates is that, our DMS businesses interact with overseas tour operators and serve their customers.

So maybe you can call it -- best you can call it a B2B2C business, but not a B2C business directly. So the way it works is the overseas tour operators would like their own retail customers to come to the country. And this country -- that country can be India or US or any other place where we have a presence. And they would request us for a particular itinerary or costing you can separate, create a particular itinerary along with obviously the costing around it.

And once we finalize the itinerary and the pricing around it, we -- it's a white label contract because the itinerary is actually created by us and also operated by us. That's why we call it a white label itinerary. However, that is the tour operator sells it to his B2C customers as their own itinerary.

So our job begins when the customer's customer, so to say, comes into the country, we sort of take care of them while they are in the country, take care of the hotel, the sightseeing and so on and so forth. Now, does that explain? I just want to understand that. Is the concept clear? I mean it's not a B2C.

Praneeth: I was actually wondering, so basically, you're saying that the overseas tour operators basically approach Thomas Cook to create a white label product. So technically, our customer, the travel agency itself, and they will be, let's say, a spokesperson or whatever for that particular market to the customer, right?

This is my understanding so far. So I was wondering, so is it a local itinerary or it's someone coming from India to go there? Or how is it? So is it because some person, some traveler wanted to get a package from India to, let's say, potentially Africa. So how does it work?

Debasis Nandy: Praneeth, I think, again, I have to, I think, focus on -- I'll give you some examples to make my point clear. Maybe I was not very clear the last time around. So where do you -- first of all, where do we operate the DMS business? It's operated in -- across Southeast and Middle East Asia, is operated in Africa, in USA. and Australia, okay?

And of course, India. But in this current quarter, India is a small part of it. So let's take an example of the business in Southeast Asia. We have a company called Asian Trails headquartered in Thailand. And let's talk hypothetically about an overseas operator trying to get an itinerary for Thailand, let's say. So Asian Trails will create a white label itinerary for Thailand, okay, and sell that package to the B2B operator overseas. The B2B operator will obviously sort of put his own markup and sell it to his B2C customer. That B2C customer comes into Thailand and its trip is then managed by Asian Trails. Okay?

Praneeth: So it's not a traveler from Thailand that's actually approaching?

Debasis Nandy: I'm sorry?

Praneeth: So basically, it's, let's say -- so in Thailand or if a traveler approaches Asian Trails, then...

Debasis Nandy: No, no. Traveler doesn't approach Asian Trails at all.

Praneeth: No, no. So the travel agency. So let's say, basically Asian Trails, let's say, someone from Thailand wants to go on a trip. And do they approach...

Debasis Nandy: No, no. It's inbound. Praneeth, it's inbound okay? It is not -- we are not talking about outbound trips here at all.

Praneeth: So basically, some Indian traveler want to...

Debasis Nandy: Let's say, a European, okay, let's take an example of DER Touristik, which is REWE, which is a German group, okay? It's a German tour operator just like Thomas Cook in India. Now, DER Touristik will get German customers, obviously, right? The German customer wants to go to Thailand. DER Touristik does not have a direct entity in Thailand, doesn't have a subsidiary in Thailand.

And therefore, it has to approach a local tour agent who knows -- has a clear understanding of the place and can organize the tour there. So they approach Asian Trails. And there will be many other people like Asian Trails. It's not the only one in Thailand. So they approach Asian Trails.

Asian Trails creates a tour for DER Touristik and DER Touristik sells that to his German customers. The German customer comes to -- flies into Thailand, is taken care of by the Asian Trails people, and then he goes back. He makes a payment to DER Touristik and DER Touristik makes a payment to Asian Trails. Is that slope clear now?

Praneeth: Yes, yes, it's much clearer. So I was wondering, I understand that we are basically a B2B service. So how prominent is this practice in the market? So basically, tour operators, they don't -- is in the market, do they not at all? What percentage of it the tour operators make itinerary themselves and operate it by themselves? And what percentage is usually that they approach some big player like B2B, like Thomas Cook, whichever country might it be to operate their tours? Like how is the market shaped in that way?

Debasis Nandy: Praneeth, almost the entire tour operator industry works like this, okay? Let's say, even if I take Thomas Cook for an example, in the -- let's say, I'm organizing a trip, I'll give you two examples, one for Europe and one for US. So if I'm taking, let's say, you come to me as a customer and you ask for it US I will call up Allied T Pro, which is my unit in US and ask him to create and itinerary for you, right?

Allied TPro is my subsidiary, my 100% subsidiary. So it is Thomas Cook in another form. Now, let's take the second example. You want to go to Europe. I don't have a subsidiary or an entity in Europe. So I will depend on a local unit, a local DMC or destination management company to create an itinerary for you. So in that case, I will sort of outsource this program. And this is the most common thing in the tour industry.

Praneeth: So this is a very common practice. So basically, wherever I might approach...

Debasis Nandy: It's a global practice. And even in the domestic market, let's -- for example, if you go to -- let's take an example of Leh, Ladakh, for example. You go to Leh, Ladakh and you book a trip through ABC & Company. ABC & Company will actually get some local operator from Leh, Ladakh to create a tour for you because it doesn't have a business, doesn't have an office in Leh, Ladakh. Okay?

And this is the most common thing that happens in the travel industry. Probably 90% of the tours will happen in this fashion. Probably. I don't know the percentage, but I can sort of guesstimate 90% work will be done in this fashion because you need a local guy who has the knowledge of the terrain and the wherewithal to manage a tour there.

Praneeth: So wherever the, let's say, the -- so basically, whatever the procurement of the customer happens in whatever shape or form. But the thing is, when it comes to the operation part of the tour or itinerary part of it, we approach a strong partner in the particular region to operate the tour and complete the tour. Is that my understanding right?

Debasis Nandy: Absolutely right.

Praneeth: Got it. So since the business is run like this, so what do you think your particular market positioning is in the particular DMS as a market? Because till now I'm assuming that travel is very simplistic that travel agent might do this thing. But I was wondering -- so there's an entire B2B side of it. So I was wondering how is the market shape like that? How many players are there? And how is the competence?

Debasis Nandy: Praneeth, there are thousands of people like this, okay? Like Asian Trails. In Thailand, probably there are several thousand. I don't know how many thousand, honestly, but there are several thousand travel agents will be there. If you walk the streets of Mumbai, I don't know where you are from, but if you walk the streets of Mumbai, you see so many travel agents, right, along with Thomas Cook. It's a bit like that.

Praneeth: Yes. Got it. So -- but like how is -- and how do we particularly grow in this particular business? Like what -- how do we -- what is the strategy to growth in this particular DMS business? Like how does it work?

Debasis Nandy: That's a simple one. That is I think the simplest question so far. In the sense that the idea is to procure more and more B2B operators as your customers and you get that through

obviously -- and of course, retain the existing ones. The way you do that is to -- you take part in various trade shows, travel-related trade shows, etc, you approach them directly or through agent, so on and so forth. Just like you -- any other industry, you get new customers, corporate customers is the same way.

Praneeth: Understood. So I want to understand how these particular Thomas Cook brand names plays into play at this point of time. We have the details...

Debasis Nandy: Sorry, Praneeth, we are not using the Thomas Cook brand name, which is I specifically mentioned entities like Asian Trails or Desert Adventures. Those are the brand names. We don't use Thomas Cook's brand name beyond India, Mauritius and Sri Lanka.

Praneeth: I understood that part.

Moderator: Sorry to interrupt, Mr. Praneeth, can you join the queue again, sir? We have other participants waiting. The next question is from the line of Nirav Savai.

Nirav Savai: Yes. Sir, my question is an extension to the previous question on other income part. So is there any mark-to-market forex gain in this quarter, which is driving this other income? Or how do we read that?

Debasis Nandy: No, I mentioned the components very clearly. I talked about the increases coming in from interest on fixed deposit, basically interest income. I talked about increase in sponsorship income and about the increase in collecting convenience charge from customers. And I did talk about INR11 million of foreign exchange gain. So I think I gave the breakup very clearly.

Nirav Savai: Right. So when we look at an annual basis, what kind of overall other income we should look at, which one is obviously...?

Debasis Nandy: It's very difficult to say. I don't hazard a guess on that because, obviously, sponsorship income, convenience fees from customers and foreign exchange gain cannot be quantified at this stage. As far as the interest income is concerned, it will also depend on the cash that we have and the BPC float that we have is -- obviously, is a significant portion of that. So if the BPC float continues to grow, the income will grow. But other than that, on the existing cash flow, this is the sort of income that we have.

Nirav Savai: So when we look at the current cash is around about INR700 crores, excluding the float?

Debasis Nandy: Yes.

Nirav Savai: So is it right to assume about INR70-odd crores can come from the core interest income and rest can be...

Debasis Nandy: I don't think 10% is the current yield rate. And I would love to yield a 10% yield FD, if you can...

Nirav Savai: No, I'm saying assuming it will also increase it over a period of time?

Debasis Nandy: No. But you know very well, all of us know very well that the yield on deposits going down across the world, including India. Isn't it? So that 10% I don't think we ever got 10% yield on fixed deposits in the first place. In the current -- if you look at the current yield, it is much, much lower than that. And we don't know where it will go in the next 3 quarters. So I would not like to hazard a guess on what yield I'll get for the next 3 quarters.

Nirav Savai: Right. So basically, you are saying the sponsorship income has grown by about INR2 crores on a Y-o-Y basis. Apart from that, there are some miscellaneous income, which has gone by about INR6 crores on a Y-o-Y basis.

Debasis Nandy: Yes. And I said every income, our interest income has gone up by about INR8 crores.

Nirav Savai: INR8 crores. And what was the quantum, if I work at the absolute number last year in Q1?

Debasis Nandy: Last year, out of INR266 million, INR140 million was interest income. And this year, out of INR440 million, INR219 million is interest income.

Nirav Savai: Right, right, right. And this sponsorship income is something which is sustainable every quarter or it is lumpy in nature? Or how do we understand this?

Debasis Nandy: No, sponsorship income is really the income that we get from various overseas -- I mean, various overseas tourism boards rather, which is used for doing the campaigns. So this is -- this can be seasonal. This will depend on which country wants to do a campaign in India at what point of time. We don't control this. This is entirely a prerogative of the respective tourism boards

as to whether they want to run a campaign. So we cannot consider this as a sustained source of income. Yes, there is some income that comes in every quarter, but we cannot ascribe a sort of futuristic value to it.

Nirav Savai: Right, right. So we are seeing largely this INR12-odd crores going to about INR20 crores on the net interest income is something which is a key component of this growth. And apart from this sponsorship income and miscellaneous income, which you say generally it doesn't happen in every quarter is lumpy in nature.

That is the reason why other income overall appears to be lumpy because it has been oscillating between INR20 crores, INR25 crores and even INR50 crores last quarter, which is changing the entire earnings from the company standpoint. So would it be possible to give a range at least this can range between let's say INR100 crores to INR150 crores or anything?

Debasis Nandy: I'm sorry, we can't give you a range. I have told you the variables very clearly. I have told you the sponsorship income -- we do not control the sponsorship income. As I said, we -- there's an increase of INR11 million on account of foreign exchange fluctuation. We do not control the foreign exchange rates.

And on the bank deposits, yes, last year was -- interest income was INR14 crores. This year is about INR22 crores. So that's all I can tell you. I cannot really project other income. But all that I can tell you, yes, obviously, interest income will continue.

Now whether it will grow from INR22 crores or remain steady at that stage, will depend on two things. What is the float that we have and which will keep -- obviously we'll keep you posted on the float that we have and what's the market yield on fixed deposits.

Moderator: The next question is from the line of Anil Shah from Insightful Investment.

Anil Shah: Yes, sure. I just wanted to ask you on Sterling Resorts. Just wanted to understand what's exactly our positioning? What kind of clientele do we see there coming? Is it a lot of more of corporates doing their events there along with, obviously, large employees?

Is it more of families? And what -- I'm just not able to get clarity in terms of what exactly is the positioning? Is it premium? Is it luxury? Is it super-premium? Is it value? What exactly are we looking

to target? And how do we get this occupancy to move up? And are we looking to do any promotional pushes there? And what kind of target audience are we looking to do it?

Vikram Lalvani: This is Vikram Lalvani here. I'll answer your question. Now, in fact, let me eliminate certain points that you brought to us. We are certainly not luxury, and we are not ultra-luxury, okay? The way we have positioned ourselves in the last 4 years and when we started this transformation journey, we have positioned ourselves, as most of our mid-scale properties have actually moved up to an upper mid-scale level.

Some of them have moved into an upscale level and some of the new ones are moving in the upper upscale level. So actually, the range that we are playing with is the upper mid-scale to an upper upscale level. Now, in this whole mix, if you have to see from a leisure perspective our strength is in families, right? And so, the family holidayer typically is the one where we tend to become the first choice. And since now we are present in over 55 destinations, the transferability or the osmosis of the customer from one location to the other actually becomes very much easier.

Now, we also have a couple of hotels, as I said, that we are moving towards the business-cum-leisure, Tier 2, Tier 3 towns as of now, and we have approximately 5 or 6 of them, and they've been extremely successful. So those are hotels or resorts, our hotels, which are typically run on an efficiency-led model. So they would attract a lot of the corporate travelers or people who are coming for both leisure and corporate purpose. Having said that, in certain markets like Rajasthan, even in certain markets like Guruvayur, weddings play a large role. So the wedding business is typically the Rajasthan-led business, which is October to March.

So the purpose of travel can vary, like, for example, a wildlife resort where we've got the 'Best of the Best' also, and we are opening -- we have the largest network of wildlife resorts in the country, the only brand to have almost 15 wildlife resorts will attract a different purpose of travel. Now, Tipeshwar would attract a more upper upscale. Maybe a Gir would attract a more upper mid-scale. That's how it's actually getting classified. I hope that answers your question.

We also have MICE, which is Meetings, incentives business, especially this time of the year, plays a large role. Our Corporate Plus program actually is a white listed solution using Sterling ONE, which is our proprietary distribution platform that actually gets into corporates where corporate

employees can book their holidays or their corporate programs with us in a span of 30 seconds or less than a minute and fulfill the entire transaction.

So that's how varied the entire model is. And that it's better to be this way because in the event like how this quarter, Himachal completely is down, we try to leverage other segments into other resorts so as to mitigate any risks that may happen in 1 or 2 segments or in 1 or 2 regions. I trust I answered your question.

Anil Shah: Yes. Just as a follow-up on this. I mean, ex the members, and I know we don't take new members, but ex the old members who would still be the old Sterling members, is there a -- are we tracking in terms of a new client or a new individual family who comes in for one of our resorts and who is also a repeat customer, who's not a member, I repeat.

And do we have that kind of analysis, which is done, which kind of tells you that someone who comes into your resort goes back with an experience and he wants to come back to different resorts all across?

Vikram Lalvani: Right. It's a very good question. Let me answer this in two parts. Yes, we have stopped membership acquisition. And we are servicing our existing members, and we are servicing them exceedingly well, number one.

Number two, just like, you take for example, any city hotel, they vie for the crew business, which is a stable business through the year. So our -- in a leisure model, the membership business actually fills in that particular gap and gives you a constant revenue flow through the year. Number three, in terms of, you keep the -- not the members, you keep the other segments. There are -- the way we actually measure it is in form of two parts. One, who are the repeat accounts for us.

So like, for example, if it's a MICE account or a conferencing account, whether they do one, two, three Meetings, Incentives with us this year, are they repeating next year, probably in a different destination as well. So that is one way in which we see who are the repeat accounts. Number two, we see who are the repeat guests. Now they may stay with us in Ooty. The same guest could stay with us in a Rudraprayag that we've just opened for a pilgrimage purpose.

So when he wants to go on a pilgrimage, he may say to a Guruvayur, he may choose us in Guruvayur. And if he wants to go to a hill destination, he may choose a Munnar or an Alleppey if he wants a

backwater experience. So we also track it that way. In terms of the accounts, we have almost a 90% hit rate. In terms of the guests, it's actually -- in the last 2 years, we've started measuring and managing it pretty well. So actually, our ratio is approximately 15% to 18% today, and it's growing significantly.

Anil Shah: No. I'm sorry, can I just have a follow-up just to understand this.

Moderator: Sorry to interrupt, Mr. Anil. May we request you to join the queue and there are other participants. The next question is from the line of Mukul Verma from Varma Associates.

Mukul Verma: Congratulations on a good quarter. I have 3 questions. I just wanted to understand the growth guidance from a 3 years' perspective. Are we on track to grow our guidance on a consolidated basis by 12% to 15%? And what would be the margin trajectory?

Because if I look at the last 5 quarters, it's been 6%, except for March quarter. And if I just remove the one-off from June quarter, it's maintained at 6%. So is there a possibility of increase in margins going forward? And second question is on the taxation front, our tax rates are close to 33%, 34%. So will this remain like this going forward? Or is there a way we can move to a new system, which kind of reduces the tax burden?

Mahesh Iyer: Mr. Verma, this is Mahesh here, and I'll take your questions. And probably I'll get Debasis in to answer on the taxation side of it. We normally don't give any forward-looking guidance on it. And obviously, 3 years looks very long for us to kind of look at it that way. In the environment that we live in today, there are a lot of events that shape how travel industry will operate. So very difficult to give that kind of a long shot at it.

But clearly, I think from an intent point of view, as we've been saying at every call, we are focused on building scale. We are focused on bringing in more technology. We continue to focus on productivity. We continue to focus on margin management. And I think all of this helps us to improve our ratios, improve our margins as we go along. From an expansion of margins perspective, you would have seen that trajectory over the last 2, 3 years.

And we continue to chip off wherever we can to actually get better margins. But having said so, it's also important to understand that as markets mature and you find more competition coming in or you have this headwind events that happen, you will have to change your strategy. You got to get a

little more tactical in a certain period of time because you want to continue to maintain these kind of volumes because with volumes, comes economies of buying, comes some scale and all of that is very relevant for us in the industry.

So clearly, I think there's no one clear straight line answer for it. There are multiple levers that we look at it. These are important KPIs that we monitor. And rest assured, we will -- and as we have said, we will top industry growth rates. So if the travel industry is going to grow at 10% or 11%, we will top that growth rate for sure. And that's the only guidance I can give you at this point in time.

Mukul Verma: Yes, that's -- so if you can -- so what has been the industry growth rate kind of projected for the coming year? And if you can...

Mahesh Iyer: Mr. Verma, if you can look at it, I think multiple reports have been published on this. I think Debasis spoken about growth rates in the --. Yes, we will share some of those data points with you, but they are different. As you will appreciate that we operate B2B and B2C, there are different growth rates for each of those units and in different geographies. So I rather than giving you a straight one-line answer, I'd rather give you a breakup of it. I'm happy to come back to you and I'll get my investors team to get in touch with you for this one.

Mukul Verma: For sure. And one more thing. Recently, you had this tie-up with this Disney Cruise Line. So some updates on that of how things are?

Mahesh Iyer: So, as you know, this is a new cruise line that's starting off to sail from Singapore. This is a new offering, both Thomas Cook and SOTC brands have a tie-up with them, and then we are looking to promote. You will appreciate that just about after the pandemic, India had a cruise line Cordelia. It still sails, and it's now sailing within India and to Sri Lanka, and we had some great success. So we're trying to build because there's a lot of excitement around it.

It's a product that appeals to the younger generation, more importantly, kids, and we believe that's an opportunity for us to build some depth on the cruise tourism part of it. So that's an opportunity we saw, and hence, we have made a tie-up with it.

Mukul Verma: Absolutely. Yes.

Debasis Nandy: And Mr. Verma, Debasis here. I'd like to sort of try and answer your second question, which was on the taxation part. So as you know, the -- obviously, there are multiple

companies in the group. Thomas Cook, which is the -- or the Thomas Cook is the stand-alone company is obviously the largest contributor to profitability.

And it still continues to be the old regime purely because there are some MAT credits that are still available, and we would not like to lose those tax -- deferred tax assets. And that's why we are in the old regime, and we are likely to be there for the next 3 years or so. All the other Indian companies have migrated to the new tax regime is at 25%. The reason you see the tax rate at around 33%, 34% typically, and we have seen that last year as well as this year. There's obviously one reason is Thomas Cook, the largest profitable entity is at that rate.

And also, as you know, there are -- we have been talking about the units, the overseas units gradually coming out of losses into profitability. So, obviously, while a lot of them have come to profitability, a few of them still make a loss. And we haven't considered the sort of tax break on that. These are smaller units, and we haven't considered the tax break or guide for deferred tax asset because the law may not be there in those countries, which is why you are seeing a rate of about 33%, 34%. I guess this rate will continue for a while. And over a period of time, you'll see that reducing.

Mukul Verma: Great. So okay. Great. So for the next 3 years, we can look at the same tax structure and probably from the fourth or fifth year, we can look at a lower tax rate.

Debasis Nandy: Yes.

Moderator: The next question is from the line of Deepak from Unifi Capital.

Deepak: Sir, on the forex side, you mentioned that the cards business slowed down a bit. So if you can elaborate on that. And it seems to be -- and there seems to be a weakness in the wholesale side. So is it predominantly because of Hajj? And how are these two segments and in totality improving from July onwards?

Mahesh Iyer: So Deepak, on your first question on the prepaid portfolio, I think it's got to do with what you've seen in the last quarter, which is the international travel sentiment has been lower. Typically, on the forex business, we have dependency, both on the Thomas Cook, SOTC because we sell a lot of that to our own customers, and we also deal with third-party, which are other traveler

companies because foreign exchange doesn't necessarily cater to the Thomas Cook, SOTC piece only, but they also deal with other travel agents.

Now, the general sentiment was impacted because of the global events that we spoke about. As a result of which the uptake on the card was a little lower, and that's the impact. But as I said, we are definitely seeing the shift for customer preference moving to plastic from currency notes and the digital economy is taking shape.

I also spoke about our integration with Google Pay, which we believe will bring more convenience and security in the hands of the consumer. All of this is to ensure that our portfolio on the card continues to grow. To give you a perspective from a market share, we are close to about one-third of the market given the size and scale at which we operate.

And at that scale, you will find that there will be the spirits where you will find some bit of challenges coming in. But I think I still believe the business can continue to grow at about 10%, mirroring the kind of growth rates that you will see on the forex opportunity. It's all about acquiring new customers, building new partnerships. As we said, and there was a press note that we released, we also entered into an arrangement with Muthoot to expand our offerings and create a distribution base for our products.

So we continue to look at more opportunities to increase our portfolio on the prepaid card side. To your question on wholesale, while the Hajj did have a little bit of impact on the wholesale side of it because we supply currency to various constituents in the market, which are selling to their own customers, there was some impact. And I also spoke about the rule that RBI implemented sometime last year, which is the 75-25 rule, where they said that 75% of the currencies that I sell to other market participants in the foreign exchange, they have to in turn sell to the retail customers.

Now, typically, in the segments like FFMC, the full-fledged money changes in the forex business end up doing trades between themselves, which qualifies as wholesale transaction and not retail transaction. So, obviously, to that extent, they had to find new set of retail customers to whom they can go and sell. And in the absence of that, they were constrained to buy large volumes of currency. And obviously, that's also a compliance requirement from our end to ensure that we don't sell more than the norm, which is, if they cannot sell 75% to the retail customers, I cannot sell the next tranche of currency to them.

So essentially, there is a bit of a requirement from the regulator. So it's a compliance norm. So there is a little bit of dent that has come on account of that. But as I said, on a comparative basis, we are seeing that trajectory changing. And I think foreign exchange over the next 2 quarters should start seeing a better trajectory.

Deepak: Perfect. And on the travel segment, sir, while you've sustainably increased your margins, any -- and you've guided for 5% in the long term. Any thoughts on the margins for this current year, FY '26?

Mahesh Iyer: Difficult, Deepak, to quantify that. I think previously, Mr. Verma asked this question, and I did mention that, look, we have to be a little more tactical at some points in time. The markets are a little uncertain. We are witnessing geopolitical upheavals. So clearly, we want to be staying cautious. We don't want to just say that we will focus on margin enhancements.

We may have to be a little more competitive. We may have to just go out and look at expanding our market and stuff like that. So some tactical calls may come into play. And hence, I don't want to give you a forward guidance on it. I can just say that we are focused on margin management. It's an important lever and KPI for us, and we'll continue to review opportunities for enhancing that as and when we come across it.

Deepak: Okay. Got it. And the use of cash, if you can touch upon that, so INR700 crores on the balance sheet, are we looking at a big capex in any of the verticals and/or...

Mahesh Iyer: An asset-light model. Deepak, we've always been an asset-light model.

Deepak: Or looking at any increase in dividend payout?

Mahesh Iyer: No large investments. What we are looking at is only technology, some part of technology investments that we do, but they are small sums of money. There are no large capex plan at all.

Deepak: Okay. And is there a thinking from the Board to increase dividend payouts if the capex is going to be light?

Mahesh Iyer: Look, it's a decision at the Board level. I wouldn't want to kind of give any commentary on it. As and when the Board discusses and feels it appropriate, obviously, we'll come to know about

it. But I don't want to kind of go and talk about something that's outside my domain at this point in time.

Moderator: Due to time constraints, that was the last question. I now hand the conference over to the management for the closing comments. Over to you, sir.

Mahesh Iyer: Thank you. Thank you so much, Shruthi. Ladies and gentlemen, thank you so much for being on the call. As I said in my opening remarks, it was a difficult quarter, the April-June quarter because of the various geopolitical events that we saw shaping in the peak of a summer or a travel season as one would call it. Despite that, I think we put up a good performance out there.

Our profitability grew by 18% to INR128 crores, and our cash balance and our balance sheet looks very steady. We continue to invest in our markets, trying to improve customer experience and technology tools, all of which I believe in the long run will help the company to continue its growth trajectory. Thank you so much for your patience and for your questions on the call. If there are any follow-up questions, please reach out to Mr. Debasis Nandy or Urvashi, who will be more than happy to clarify this for you. Thank you so much.

Moderator: Thank you. On behalf of Systematix Shares & Stocks, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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