Thomas Cook (India) Limited:

Q1 FY27 Earnings Conference Call – August 4, 2026

Management:

Mr. Mahesh Iyer: Managing Director and Chief Executive Officer – Thomas Cook (India) Limited
Mr. Vishal Suri: Managing Director and Chief Executive Officer – SOTC Travel Limited
Mr. Vikram Lalvani: Managing Director and Chief Executive Officer – Sterling Holidays Resorts
Mr. K. S. Ramakrishnan: Managing Director and Chief Executive Officer – DEI
Mr. Debasis Nandy: President and Group Chief Financial Officer – Thomas Cook (India) Limited
Mr. Brijesh Modi: Chief Financial Officer – Thomas Cook (India) Limited
Mr. Krishna Kumar: Chief Financial Officer – Sterling Holidays Resorts

Moderator: Ladies and gentlemen, good day, and welcome to Thomas Cook (India) Limited Q1FY27 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. Please note that this conference is being recorded.

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

Chetan Mahadik: Thank you, Sanya. Welcome, everyone, and thank you for joining us today on the Thomas Cook (India) Limited Q1FY27 Earnings Conference Call. From the company, we have with us Mr. Mahesh Iyer, the Managing Director and Chief Executive Officer and the senior management team. We would like to begin the call with brief opening remarks from the management and 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 afternoon, everyone, and thank you for joining us as we discuss the Q1FY27 financial and operating performance.

Before we begin, I would like to introduce the management team joining me on the call today. I have with me on the call, Vikram Lalvani, Managing Director and CEO of Sterling Holiday Resorts; K.S. Ramakrishnan, Managing Director of DEI; Vishal Suri, Managing Director of SOTC; Debasis

Nandy, who is the Group CFO; Brijesh Modi, who is the CFO at Thomas Cook (India) Limited; and Urvashi Butani, who heads Investor Relationship.

Now coming to our performance.

The first quarter of FY27 was, in many ways, a good test of the resilience of our business. It reinforced that our performance is increasingly being shaped by decisions within our control, i.e where we choose to allocate our capital, the customer segments and markets we prioritize and our ability to execute with discipline while continuing to invest for future growth.

I am pleased to share that this was reflected across almost every part of our portfolio. Our India businesses led by foreign exchange, MICE and corporate travel continue to deliver healthy momentum and stable operating performance. Sterling Holidays delivered strong growth during the quarter, reflecting sustained demand, disciplined execution and the strength of its leisure hospitality business.

Importantly, the impact of the conflict in West Asia was limited to a few businesses with direct exposure to the region, primarily Desert Adventures, our destination management business in the Middle East, DEI and parts of our long-haul outbound travel portfolio. While these businesses weighed on our reported performance, the diversified nature of our portfolio helped absorb much of the disruption with the broader business continuing to perform steadily and demonstrating the resilience of our operating model.

Consolidated total income for the quarter stood at INR 21,530 million, a decline of 12% year-on-year. Excluding the business impacted by the geopolitical disruptions, our India operations remained stable on a year-on-year basis.

Excluding the GCC-based subsidiaries, (DEI and Desert Adventures), the consolidated results of the group registered a growth of 8% at an EBIT level for the quarter, highlighting the resilience of our underlying businesses.

Profit before tax for the quarter stood at INR 885 million, down 21% Y-o-Y, primarily due to the underperformance of Desert Adventures and DEI, our Middle East operations.

With that context, let me now take you through the performance of each of the businesses and the key drivers that shaped the quarter.

Starting with foreign exchange business, which delivered a positive performance during this year with segment revenue growing by 6%, EBIT by 8% and EBIT margins at a healthy 45.3%.

If you look at the LRS data, as published by RBI, for the period April and May '2026, across the three relevant categories: Education, Travel-related foreign exchange and Remittances - the education industry saw a decline of 27%, Travel-related Forex saw a decline of 8% and remittance declined by 14%.

Correspondingly, to give you a like-to-like comparison, our travel segment for the same period largely aligned with the industry trend, which is a decline of about 8%. However, on the education portfolio, we actually grew by 17%.

Our overall retail portfolio delivered an 8% Y-o-Y growth in turnover for the quarter, outperforming the underlying market. Following a relatively softer April and broadly stable May, June delivered a stronger performance than the previous year, reflecting improved business sentiments.

Our education portfolio remained a key growth driver, with turnover increasing by 36% year-on-year.

- This performance was supported by continued investments in our distribution and stronger partnership across leading NBFCs.
- We also witnessed encouraging traction from our Study Buddy Card program launched in partnership with Visa during the quarter.

Our corporate business portfolio recorded 9% growth in turnover, driven by higher wallet share from our existing relationships, new client acquisitions and continued expansion of our corporate relationships.

Our digital channels continued to gain traction during the quarter, reflecting our continued investment in strengthening our omnichannel proposition.

- Digital penetration improved to 23.5% compared to 20.4% last year, supported by higher customer engagement across our website. Transactions increased by 38%, TCPay app where our bookings increased threefold and WhatsApp channel, which saw a strong traction of 80-plus percent growth over the comparable period.

- We also continue to expand our digital distribution through quick commerce platform, Blinkit, enhancing convenience and accessibility for customers. We saw a 34% increase in the number of cards sold via this platform and are now present in 12 cities.

We continue to drive our emphasis on customer proposition on the product front too.

- We launched our One Currency Card with zero markup and zero cross-currency conversion charges, offering customers greater value and protection against currency volatility.
- We also expanded our borderless Forex card portfolio to 28 currencies with the addition of 16 new global currencies and launched a 10% value-back proposition for our customers.

On the network side, we continue to optimize our retail footprint while simultaneously strengthening our presence at key travel hubs. During the quarter, we operationalized new foreign exchange counters at Delhi Airport, Terminal 1 and Terminal 2, while continuing to optimize our branch network to enhance productivity and improve operational efficiency.

Moving on to the Travel segment.

The travel business reported a revenue of INR 17,106 million during the quarter, a decline of 14% year-on-year. Having said that, our India B2B and B2C businesses continued to demonstrate healthy momentum, with decline largely confined to business directly impacted by the conflict in West Asia.

Coming to our B2C portfolio, Q1 is typically a peak period on the leisure holiday side. Demand for short-haul and domestic destinations strengthened progressively as the quarter advanced as seen in the month-on-month trend. Both segments delivered a strong June, highlighting improved travel sentiment and customers' continued preference for shorter and regional travel.

Our domestic segment saw a 29% increase during the quarter.

We continue to witness encouraging traction in the spiritual travel segment. Increasing demand for pilgrimage circuits, premium spiritual experiences and destinations such as Kailash Mansarovar reinforces our confidence in the fast-growing category. Through our Bhakti and Darshan platforms, we remain well positioned to capture this fast-growing segment.

The short-haul business delivered a 6% growth. And if I have to exclude the Middle East, which was flat or rather de-grew substantially during this quarter, the increase in our short-haul portfolio is 21%.

Destinations such as Japan, Korea, China saw a combined increase of 38% year-on-year, while Vietnam and Cambodia delivered more than two-fold growth on a year-on-year comparison.

On the long-haul side, demand remained subdued during the quarter, owing to the conflict in West Asia with sales declining 28% year-on-year. In fact, if you look at the monthly trend, which we have presented this time, the performance was almost at par with the last year in April and improving in month-on-month in May. However, as the situation unfurled, we saw a corresponding impact on the performance too.

As we continue to scale our travel businesses, technology remains a key enabler of our customer engagement and operational efficiency. We continue to strengthen our digital ecosystem across both customer-facing and back-end platforms. Our AI-powered initiative, including conversational chatbots, AI-enabled quality monitoring, AI assist solutions and voice automation capabilities are helping improve customer engagement, enhance service quality and drive productivity across operations. Reflecting the growing adoption of our digital platforms and AI-led journeys, digital penetration reached 21% in Q1FY27.

Coming to the B2B side of the travel business, which accounts 63% of the reported travel numbers, there was a decline of 13% to INR11,192 million.

Let me provide a more nuanced analysis of the B2B segment, starting with segments that performed well.

Our MICE portfolio recorded a healthy 14% year-on-year growth and with turnover increasing to INR5,420 million.

As highlighted in our previous earnings call, we were seeing a robust pipeline building for the second half of the year despite corporates initially adopting a cautious wait-and-watch approach. We are now witnessing that deferred demand translating into business, which is clearly reflected in our current quarter's performance.

The MICE business witnessed a dynamic demand trend during the quarter. Following a strong April, activity moderated in May, owing to the timing of certain large events before rebounding sharply in June. The stronger finish to the quarter reflects improved execution of our order pipeline.

During the quarter, we successfully managed over 110 groups ranging in size from 50 to 2,400 delegates, underscoring our ability to execute even across diverse scale and customer requirements. The business continued to maintain a balanced portfolio with approximately 23% of the turnover generated from domestic MICE and 77% from international, providing us a well-diversified demand base.

Coming to our corporate travel portfolio, which I must highlight here is reported on a net basis, saw an increase of 7% in revenue to INR350 million with gross turnover crossing INR7 billion with an increase of 15% Y-o-Y.

Corporate travel maintained a consistent growth trajectory throughout the quarter. Following a stable April, momentum strengthened in May and remained healthy in June, reflecting sustained business travel demand, higher wallet share from existing clients and continued client acquisitions.

We added 7 new accounts across sectors, including financial services, automobile, IT, insurance and education.

Air transactions volume grew by 14%. International air volumes increased by nearly 17% and hotel volumes grew by 33%, reflecting healthy business travel demand and continuous focus on customer acquisition.

On the DMS portfolio, we reported a 31% decline to INR5,422 million. Of this, the India DMS portfolio remained stable during the quarter. This is a traditionally lean quarter for the India inbound business.

On the international DMS side, revenues declined by 33% for the quarter.

Asian Trails, which cover the Asia Pacific region delivered a stable performance supported by growth in China and improving contributions from Cambodia, Malaysia and Singapore.

Private Safaris in Southern Africa and East Africa continued to grow with revenue growing by 17% and 4%, respectively.

The broader decline in the performance was largely attributable to the geopolitical disruption impacting Desert Adventures operations, where revenue declined by 89%, coupled with softer inbound tourism trends in the U.S., which weighed on the overall performance of the Allied TPro, where the topline declined by 40%.

Total Travel segment EBIT declined by 50% year-on-year to INR 405 million. It is important to note that majority of the decline stems from our Desert Adventures business in the Middle East. While business volumes were immediately impacted by geopolitical situation, the associated cost base could not be adjusted at the same pace. As a result, the impact on profitability during the quarter was more pronounced.

Before I hand over the call to Vikram for his comments on Sterling Holiday, I would like to conclude by saying that this quarter reaffirmed the resilience of our core India businesses and our strength of diversified portfolio. While geopolitical developments continue to influence part of our international operations, we remain encouraged by the momentum across our domestic and short-haul business and by the strategic investments we have made over the past few years. As we move through the year, our focus remains on executing consistently, responding with agility and continuing to build a stronger, more resilient business for the long term.

With this, I hand over the call to Vikram.

Vikram Lalvani: Thanks, Mahesh. Good afternoon, everyone, and thank you for joining us today. My name is Vikram Lalvani. I'm the MD and CEO of Sterling Holiday Resorts Limited. And I'm also joined by Mr. L. Krishna Kumar, who is the CFO of the company, and we are based in Chennai.

It is my pleasure to welcome you to discuss our Sterling performance for the first quarter of FY27. Q1FY27 represents a defining milestone in Sterling's journey. It has been our best quarter ever across all quarters, and we've demonstrated 26 consecutive profitable quarters as well.

While it is our strongest operating and financial quarter in the company's history, we believe its significance extends well beyond the numbers. It reflects the emergence of a business that has fundamentally transformed itself over the last couple of years into a scalable, profitable and a resilient hospitality platform.

Today, I would like to focus my remarks around 7 key themes. The first one being record operating and financial performance. Q1FY27 represents the quarter in Sterling's history where virtually every business metric improved simultaneously.

Revenue from operations reached INR 1.7 billion, growing 21% year-on-year. EBITDA increased 21% to over INR620 million, while maintaining an industry-leading EBITDA margin of 37%.

Profit before tax grew faster, 30% year-on-year, taking our PBT margins to 28%, an expansion of 200 basis points over the same period last year. Operating free cash flow also increased by 30%, reinforcing that our earnings are translating into strong cash generation and, hence, a stronger balance sheet.

Profitability continues to grow faster than revenue, demonstrating improving operating leverage, disciplined cost management and increasing maturity of our business model. Our financial position is stronger today than any other time of the past. Sterling remains debt-free with cash reserves exceeding INR3.7 billion, providing significant strategic flexibility to invest in expansion, technology, leadership, guest experience and future growth opportunities.

A strong balance sheet is not an objective by itself; it's an enabler. It gives us the confidence to invest in these opportunities and create long-term shareholder value without compromising on financial discipline.

Taken together, these results reinforce a simple but a powerful message, which we would like to tell you. This is not a quarter driven by one exceptional initiative; it was a quarter where every growth engine delivered.

Point number two, quality of earnings continued to strengthen. Our occupancy improved 700 basis points to 77% despite a significant increase in available inventory year-on-year. At the same time, our average room rates also increased by 10% to an all-time high of INR7,809. Together, this drove a 20% increase in total RevPAR, one of the clearest indicators of revenue productivity in our industry.

Room revenues increased 29% and food and beverage continued to grow over 15%. Demand continues to outpace supply additions, supported by stronger commercial execution, disciplined revenue management, scalable distribution through Sterling One and an increasing influence of the Sterling brand.

Point number three, our portfolio strength and a visible growth pipeline. Today, Sterling operates over 78 resorts, hotels and retreats with nearly 3,800 rooms in over 65 destinations. Our year-on-year growth has been 28% in terms of number of resorts and hotels and 17% in terms of number of rooms. That's also making us one of the fastest-growing players in the listed space.

We have a visible development pipeline of over 35 resorts, hotels and retreats, representing more than 2,000 additional rooms, spanning leisure resorts, experiential destinations and business hotels. Our growth has been guided by an asset-right approach that balances owned, leased and managed properties while maintaining capital efficiency.

Point four, customer excellence, our strongest competitive advantage. Our Net Promoter Score remains above 81%. Sterling Kanha has received TripAdvisor's prestigious “Best of the Best” award for the fourth consecutive year, placing it amongst a very select group of resort properties globally, top 1%, and making Sterling the only resort brand to receive this distinction 4 years in a row and in succession.

In addition, 28 Sterling resorts received TripAdvisor's Travelers' Choice awards, rating us in top 10% globally amongst all accommodations. Even more encouraging is that 12 resorts have now earned this recognition for 3 consecutive years, while 21 resorts have been recognized for this for 2 consecutive years.

Point number five, responsible growth by creating shared value. At Sterling, we believe that business success and societal impact are not mutually exclusive. In fact, they strengthen one another. As we continue to scale Sterling, we are equally committed to building a stronger and healthier communities around us.

Over the last 2 years, through our CSR initiatives, we have invested over INR 2crores towards strengthening dialysis infrastructure across the country. We have installed 38 dialysis machines across 7 Indian states, supported 19 hospitals and created an annual dialysis capacity of approximately 57,000 life-saving treatments as well as created local employment opportunities within these health care ecosystems. This is what doing good by doing well truly means.

Point number six, strong tailwinds delivered despite some meaningful headwinds. India continues to benefit from powerful structural tailwinds in tourism, especially domestic demand and organized hospitality. At the same time, rising operating costs, challenging supply chains due to global events and potential climate-related disruptions are headwinds that's coming our way. Delivering our strongest ever quarter despite these challenges reinforces our confidence in our execution capabilities.

Point number seven, our balance sheet is absolutely strong. Our development pipeline provides excellent visibility, and we continue to invest in digital transformation, artificial intelligence as strategic enablers for the next phase of growth as well as investing in leadership and the brand architecture as we scale. Combined with disciplined capital allocation and our asset-right strategy, we believe Sterling is well positioned for sustained value creation.

Before I hand it over to Ram of DEI, I would like to state a few comments in my closing remarks. A few years ago, our objective was to transform the business. Today, our objective is to compound that transformation. With one of the strongest balance sheets in the sector and expanding national footprint, a visible pipeline, industry-leading customer advocacy, disciplined capital allocation, we believe Sterling is exceptionally well positioned to deliver sustainable growth and enduring shareholder value.

Over the last 5 years, Sterling has built the foundations of a high-quality hospitality company. Over the next 5 years, our ambition is to translate this foundation into superior growth, stronger returns, increasing cash generation and sustained stakeholder value creation. We firmly believe that our journey has just begun.

Thank you, and we look forward to some of your questions as we go along. Over to you, Ram

K.S. Ramakrishnan: Thank you, Vikram. Good afternoon, ladies and gentlemen. My name is K.S. Ramakrishnan. I'm the MD of DEI. We've had a fairly challenging quarter, as you have all seen and heard. We posted INR 1,307 million of revenue in the Q1FY27 as compared to INR 2,097 million in Q1FY26, which has led to from a positive EBIT of INR 106 million in the last year same quarter, to INR 152 million negative EBIT for this quarter.

Obviously, this has been directly related to our 50% dependence of our overall global business falling in the Middle East, which has been heavily impacted due to the ongoing geopolitical issues, which seems to have not improved during the quarter. We're hoping and praying that, that gets better as we go along.

The revenue drop also has been compounded by a few other business decisions that we took of closing some nonprofitable sites in China, namely Universal, and some end of contract terms in Bahamas Given this as a challenge, we as the management of DEI took immediate action of working on cost optimizations.

We have considerably reduced our losses by reducing sites that do not make profits to be completely closed. Labor control has been fully enhanced and brought to a fairly reasonable optimization that we'll see in the coming quarters. The overheads have been strongly better. We've again worked strongly on getting some sustainable changes on the overheads from a long-term basis. This will help us when business comes back.

We've also added to it renegotiating some of the terms with the Middle Eastern partners due to the situation, and we have got some positive response that helps us to optimize and makes our cost much better, hopefully to deliver better results in the coming quarters. We shall await the volumes for our tech to go in full steam to make it better. That's all from my side. Thank you.

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

Chetan Mahadik: A few questions. Firstly, on travel. So, excluding the impact of the geopolitical disruption, how has the underlying demand trended in July and, say, early August across the outbound leisure?

Mahesh Iyer: Is there any more questions or that's the only question you had?

Chetan Mahadik: On travel, I have one more, that is, say, customers, if you see, have shifted from Europe and westbound destination towards Japan, Vietnam and China. So, do these newer destinations carry, say, comparable margins? Or does it change significantly? These were on travel first.

Mahesh Iyer: Chetan, let me address both the questions. Your first question on the long-haul trend. While it's kind of a little early to say that we are seeing a shift in the trend as far as the long haul is concerned because the impact of the war is not fully absorbed. What happens is there are statements that are made and there are these missiles that fly at odd days and that kind of makes it difficult for customers to make a decision or firm up their decision on travel.

What I can definitely confirm is that the desire to travel continues to be very, very strong and the Europe and the westbound market is always going to remain stronger in times to come also. At this point in time, what we have witnessed in July and some of the trends in August are reflecting a better outcome in terms of conversion as compared to what we saw in the period April to June.

So yes, that trend is definitely looking better. Whether this will all translate into a higher outcome as compared to what we had on the comparable period last year, it's a little too early days to say.

To your second question on the short-haul side, yes, what we are also witnessing is the demand from the westbound long-haul flights or long-haul travel is now moving to short-haul destinations. And that part of the business, as I mentioned before in my commentary also, is seeing double-digit growth, and we continue to witness similar trends even today.

From a margin perspective, they are very similar to the kind of margins we make on the long-haul products. It is only important to mention here that the average ticket price differs on the long-haul side versus short haul, the delta between the two will be anywhere between 20% to 25% in terms of a average ticket value for a transaction.

Chetan Mahadik: Understood. And next on the Forex part. So, we recently operationalized the Delhi airport counters while optimizing some branch locations. So, going forward, do we strategize to acquire more airport counters than, say, more traditional kind of branches?

Mahesh Iyer: Chetan, I think I have alluded to this at some point in time in my previous conversation. Look, airport is not a focused strategy per se, but we are very opportunistic in that market. If there is a counter where we can be present at a price point that is, I would say, rewarding from a commercial perspective, we will go into it.

We don't step into airports for brand visibility or advertising because that's not the model we operate in. I think we have a very good brand, trustworthy in the market. So, we don't need to really go out there and put those monies at airports to advertise. So, we take a very calibrated, calculated move in terms of the airports that we enter.

So if you look at our entry into Delhi Airport, this is something that we thought it fits the commercial construct that we have and made commercial sense for us to remain invested. That's why we went into Delhi Airport. But otherwise, as a model, we are not going at it. Yes, if there are airports that come at terms that are mutually beneficial to us, we will definitely evaluate that.

Chetan Mahadik: Okay. And on our hospitality business. So, our ARR has seen a healthy growth of around 9% to 10%. So apart from any real rate growth, was it driven by a geographic mix shift in any of our, say, slightly premium theme-based restaurants or something else?

Vikram Lalvani: See, average room rates grew by 10%, but simultaneously, even the volume grew to almost 77%. One, it obviously was the summer period. And domestic is our key source of business. And we leverage the domestic as a key source of business as well. Over a period of time, as we kept expanding as well, Sterling has added different, I would say in a simple form, different classes of hotels. So it has different levels or different segmentation.

So, we've moved away from just being a mid-scale player towards upper upscale, upscale and upper mid-scale as well. So, what happens in such situations, your ability to expand the rates as and when the demand is increasing, actually, that enables us actually to do so in a much more fungible manner. So that's how we've actually managed to leverage and get this average rate growth simultaneously with the volume growth. So, both of them actually grew simultaneously. And that's why the total revenue per available room also grew by almost 20%.

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

Anil Shah: My question is on Digital Imaging. I asked this question in a different format in terms of a much more shorter period of time last quarter, whether our EBITDA or EBIT loss had peaked. Obviously, it's worsened from the Q4 levels. But on a more sustainable basis, my question on Digital Imaging is, what's the capital employed in this business, both from a capex perspective in terms of a regular capex or regular upgradation of the technology and instrumentation, etc?

And the opex involved in the management bandwidth, what is the best-case ROCE that we can really make? And what's the best EBIT that we can make on a normalized basis? Because obviously, from what I understand, there is a lot of capital also involved in this particular business and so is a lot of opex. So if you could just throw some light more on a medium- to longer-term perspective on Digital Imaging as such?

K.S. Ramakrishnan: Okay. I'll take one part of it and ask Debasis to help me with the ROCE. From a capital perspective, our largest capital that we've deployed in the last 5 years probably is only on our technology upgrade that we've gone through.

So on a regular day-to-day basis, the capital requirement is not so large, if I may address that. And the largest that we've put is on the technology upgrade that's going to be sustainable and delivering more than required in the next 5 to 7 years. So that's one piece of it. So, it's not intensive that way.

From a day-to-day operational level, it's not very large from an operational level on the Capex because most of our contracts are such that we go and operate in a premise which is already ready and done by our partner. So, there's no large setup costs, except for some hardware and the software that's already invested.

Debasis, you can fill me up with the rest, if you want to.

Debasis Nandy: So, Anil, if you look at the segment results, you'll see that the net assets employed in the photo imaging services, which is crucial to DEI, is at INR 243 crores. INR 243 crores is the net asset.

As far as the other question is on what would be the likely in a normal quarter or a normal year where we do not have the geopolitical risk, et cetera, what should be the expected sort of EBIT range? So typically, in a normal year, DEI should be working in the range of EBIT margin should be in the range of about 6%, 7% on sales. And so, we can honestly do the math on that and figure out what the sort of return on capital that we can expect.

Anil Shah: In terms of INR 243 crores is the net capital that we're deploying in this business. Obviously, a reasonable large part of that was upgradation, which we did in the last few years, if I'm right. And you think from the next few years' perspective, is there a lot of spend on capex or on upgradation that is yet to happen? Because this part of technology is constantly evolving and you need to be right up there. So, is there a constant spend that we need to do there?

K.S. Ramakrishnan: So, the business that we are in is in imaging, and we capture emotions of guests and deliver that. We are not a technology company per se. We have only built technology that helps us deliver that seamlessly. More than 50%- 60% of that amount has gone towards not just upgrading, but the revamping. This will last for the next 5 to 10 years. So, there won't be any ongoing cost of any substantial nature near to what's already been done so far.

Debasis Nandy: So, Anil, DEI has been in existence for more than 20 years now. And for the first about 15 years of its life cycle, it worked on a particular technology, which it had obtained from a third party. And there were some updations on that, but not an upgradation, so to say. And only in 2020 or 2021, we realized that we are falling behind and we need to develop a new technology, which, as Ram pointed out, would last for another at least about 10 years or so.

So, there will be periodic sort of inputs to be given into technology, but that is not every year or every few years. It's probably every 10, 12 years that we need to probably upgrade the technology.

Anil Shah: And what would be a target IRR or ROCE that we really want to generate? Because at peak EBIT that we've done in the last 6 years, it's around INR 50 crores or something on this business. And I'm presuming that was one of the more normal years in the world.

Debasis Nandy: Yes, from the time we have acquired DEI, honestly, there have been only 2 normal years in the world. We acquired in late 2019. And the only 2 normal years was about, I think, about '23 and '24. Those are the 2 normal years that we had. But to come back to your question, our overall target is to deliver a 20% ROE. That's our long-term goal. And it is true that every business has to deliver at least that much because it cannot be that one business delivers more and one business delivers less. So that's the sort of return that we're looking for.

Anil Shah: Yes. And this EBIT obviously does not include any reduction for the corporate overheads, because it's a segmental EBIT.

Debasis Nandy: Yes. But the segment doesn't have much common or support expenses or support expenses. Everything is absorbed in the segment results. The structure we have for DEI is that it's headquartered in Dubai and spread across Asia and a bit of U.S. and stuff like that. But we do not ascribe any of DEI's expenses as common expenses. Okay? So, the entire expense of DEI is absorbed in that particular segment.

Anil Shah: Right. And just coming to the travel part of the business, somebody asked you about July, etc. So, from a full year perspective, assuming are not really absolutely normal. There is on and off, the switch is still on as far as the war is concerned. But assuming that we consider this to be normal, what kind of growth in travel are we looking for from FY27 perspective in terms of topline? And what kind of EBIT margins range you would like us to work with?

Mahesh Iyer: So, Anil, Mahesh again. We've kind of spoken about it in the past. I mean maybe this is not the right time for me to give you a guidance on what will be the FY27 outcome. As you rightly said, we are still in the midst of the war, and we see new statements emerging every day, which determines which way the flow of traffic or aircraft will fly. So those uncertainties continue to haunt us.

But just alluding to the point that I made previously to the question that was asked by Chetan, I think from a long-haul perspective, we are seeing some positive shift in the trend, that is, that whatever deficit that we were seeing previously, the deficit percentages have come down. So if you were looking at a 28%, 30% deficit on the long-haul side, now currently, they are trending slightly lower than that kind of levels.

Obviously, we are also seeing momentum or growth on the short haul and the domestic side of it. But as I qualified and said, the short-haul average ticket price or the average value of a package is lower than that of a long haul. So, there is that mix impact that will come into play.

Currently, very difficult for me to give you a forward-looking statement as to what my exit FY27 will be. But reasonable to expect that if the situations remain constant, we should be better in H2 as compared to H1.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, thank you for the opportunity. I wanted to understand. with regarding our Travel segment, if I look at the past 2 years, we've grown cumulatively, between FY24 and FY26, by 20%. And I think a lot of that would be due to price increases not necessarily long-haul or short-haul, but just the price increases of the end packages that we are providing. But our margins have declined at the same rate. So how should I look at the margins of the segment?

And what will drive either improvement in the take rates or EBIT margins of the segment going forward? And sir, my second question was, with the TCS rate reduction, how are we seeing the pricing scenario, are customers more accepting our packages right now versus maybe 1 year back?

Mahesh Iyer: So, Madhur, let me try and break this question into two parts and try and respond to you. Question one was in terms of our revenue growth. If you look at our revenue growth, the nature of the business is very cyclical, seasonal by nature. So, there's no straight line. If you look at the gross output for a full year and compare it, you will see the growth.

But you must also keep in mind that we never had a good stable year where all cylinders have fired, which means all geographies have operated at the same level. We had some or the other disruptions in some markets. So, an overperformance in one market is kind of underpinned by underperformance in some other markets. So that has been the situation that we are currently in.

And if you look at the case in point in the current quarter also, while the India business have remained fairly stable, we were impacted largely by the Middle East markets. So, we had a INR 200 crores shortfall in our top line sales, which has kind of impacted our overall profitability for the quarter.

To your reference on take rate, I'm presuming you're talking about gross margins, I think gross margins across the travel portfolio has remained stable. In fact, it's grown in some of our outbound segments from the comparable period and for the financial year FY26 and currently, if I look at FY27, the margins are actually looking better.

From an EBIT margin point of view, again, slightly uncertain at this point in time to give you a guidance on what kind of margins. But internally, we are working in a range of about 4% to 5%. That's the kind of range of EBIT margin that we are working with. That's the guidance I can give you at this point in time.

Again, there are uncertainties in the market, an impact in one of the business could take the overall performance down impacting the EBIT margin on a comparative basis. But on a stand-alone basis, if you were to measure, let's say, an outbound business out of India and look at the EBIT margin, they will translate in that 4%, 5% range that I spoke about.

Madhur Rathi: Sir, so how can we expect to see an improvement? I understand that our gross margins or take rates are stable right now, but how do we improve this going forward on a mid-term basis? Are there any drivers or this will become stable, and based on whatever geography or ups and down, seasonality in whichever geography, our EBIT margins would go up and down? So, I'm trying to understand on that front.

Mahesh Iyer: So Madhur, I think there's no one-size-fits-all kind of an answer to it because we are looking at different business models in that, one is a B2B business, other is a B2C business. You can extract some amount of pricing advantage you have on the B2C side. A lot of it is not available on the B2B because you are competing with other operators in that same space.

So yes, wherever it's a B2C bend, we have some leverage on the market, but please also be mindful that input costs have gone higher because the airline costs are higher, forex rates have changed on the side of being expensive. So, we have to be competitive in the marketplace and some of the tactical calls that we keep taking from time to time to keep the demand cycle going because there is a capacity that we've invested in, and we have to keep the capacity engaged. So that's what we do.

So again, just to give you a long answer in a short word is that our focus is to keep ourselves true to the margin that I mentioned, which is the range of 4% to 5%. There will be this quarterly seasonal variations that you will see, but the long-term strategy is to ensure that our take rates across B2B and B2C hover around the 14%, 15% range.

Madhur Rathi: Got it. And sir, on the TCS reduction, how is the impact of the same, like on the pricing and customer acceptance? Are customers more accepting?

Mahesh Iyer: So honestly, to be very frank, I haven't seen a big impact coming out of the TCS. Yes, it's been brought down to a stable 5%. It's a cash outgo and not necessarily a price because that is going to be claimed by the customer by filing its returns and stuff like that. So, I think people have taken this right. But is there a positive impact of it? I can't put a finger on it and say yes. But yes, it does help because 5% seems lower as compared to the previous rates that we were operating at.

Madhur Rathi: Got it. Sir, I wanted to understand that if we see our Travel segment, it is by and large flat since FY19. And I do understand that there have been disruptions. But sir, even so, it seems that there is some challenge in growing this division. So, what are, in your best judgment, once all the geopolitical issues stabilize, what is the expectation from this division? At what rate can this business grow over the next 5 years?

Mahesh Iyer: So, Madhur, again, I'll come back to the point that I gave. Again, it's not about one-size-fits-all here because there are multiple parts to this business. There is a B2B and a B2C side to the business. Again, within the B2B, there are DMS, which are inbound-focused business. And then I have India-focused B2B business, which is corporate and MICE.

So, if you look at our corporate and MICE business, we have been registering a 12%, 15% growth year-on-year. If I look at the B2C businesses, and again, post the pandemic, I think there is a shift in terms of how customers travel. The long-haul side of the portfolio, which used to be a larger portfolio, has shrunk and what we are seeing is the growth coming in the short haul and the domestic side of it.

Obviously, because the ATVs on domestic and short haul are lower, they don't reflect as growth on the overall portfolio. I mean that's one of the reasons why the overall growth, when you compared to 2019 to 2025 or 2026, you don't see that kind of number.

Again, keep in mind that when you look at 2019, most of the DMS companies that we acquired were loss-making then. Over the last 3- 4 years and post-pandemic, more specifically between 2023, 2024 and 2025, a lot of these businesses have undergone transformation. Their revenue have been growing at about 8% to 12% Y-o-Y. And we are seeing some of those benefits actually to slow down.

I mean if you look even at the current quarter, with the exception of the Middle East market and the U.S. market, the other three units actually fired well. Their revenue actually grew by 8%-12%, respectively. So we have seen growth that have come in, but there are pockets where there has been impact.

So overall, when you start looking at the overall bucket, you don't see the comparison in terms of growth. But if I have to plot each of that and put a 5-year graph to it, you will actually see the growth trends.

Debasis Nandy: Also, just to add to that, if you look at FY19, the travel services topline was INR 6,060 crores, and then we entered a period of degrowth because of COVID. And so that impacted the next 3 years. So, we actually went down from INR 6,060 crores in FY19. In FY22, the number had gone down. I'm not even talking about FY20), which is a peak period, but FY22 was INR 1,047 crores. So, we degrew by more than 80%.

And then we sort of climbed back. And if I look at FY26, which is the last financial year, we moved up to INR 6,700 crores. Now you can always argue that we actually went from INR 6,000 crores to

INR 6,700 in a matter of 6 or 7 years, but you must also consider there is a very abnormal period of 3 years in between, which pulled us down, and we managed to grow back.

I think we have to take it in the right perspective. Just taking 2 points from a chart is not the right way to look at it. I can also look at it in a different way, if you allow me. I can also look at FY23 figure of INR 3,600 crores versus today's figure of INR 6,700 crores. So, it will reflect a 3-year growth of roughly about INR 3,100 crores. So, if you chart an excel, you can interpret the way you like actually. So, it's very easy to do this.

Madhur Rathi: Actually, to be reasonable, to compare a normal year which FY19 was to FY26, which again was a normal year, by and large, is more sensible than to basically compare.

Debasis Nandy: I'm sorry, I have to interrupt. FY26 by no stretch of imagination was a normal year. You may remember that the year started off with the Pahalgam attack followed by the India-Pakistan war, followed by the disturbances in the Middle East and airspace issues. And of course, Mr. Trump was there right through this period. So FY26 is one of the worst years we faced in terms of geopolitical disturbances.

Madhur Rathi: Understood, sir. Now sir, lastly, sir, in our Financial Services segment, sir, now many new online technology-based disruptors have come up, BookMyForex and so on. So, is there any threat of disruption in the Forex booking side of the business?

Mahesh Iyer: So Madhur, I won't comment on any of the competition. I can only comment on what we do. I think if you look at our commentary to the market, we've said our digital adoption is close to about 24%. So we are present on all the digital channels that the customer wants to access our services. And 24% of our transactions today are done digitally, whether it's a WhatsApp journey, whether it's an app journey or it's a website journey. The customer can seamlessly interact with us.

For us, competition was there yesterday, it's going to be there today and it's going to be there tomorrow. I think we've stood our ground in terms of the product and offerings that we bring. And we've always been, I would say, market makers than followers. So, some of the things that we bring to the market, the market actually follows us.

So, I think we have an edge there. We are one of the oldest company in this space, one of the most trusted brands. The product portfolio that we have is one of the most robust that we have, and we keep innovating in our product portfolio also, which kind of keeps us ahead of the market. So, I think that's where I will park my statement. I wouldn't make any comparison to competition.

Moderator: The next question is from the line of Shivam Gupta from Trinetra Asset Managers.

Shivam Gupta: In an earlier call, management has guided like double-digit earnings growth in FY27 was achievable under normal condition. After the Q1 decline, do you still believe this is possible?

Mahesh Iyer: Shivam, I wish I could answer that question to you at this point in time. It's just 1 quarter in FY27. Despite the headwinds that we saw, we've had a good set of numbers, a stable set of numbers in some of our markets. Difficult to gauge that at this point in time, but our endeavour will be to still deliver a good outcome for the full year. That's what I can tell you. I really don't have an answer to say what will be my full year forecast at this point in time, given the environment which we operate in currently.

Shivam Gupta: Okay. And second, like excluding DEI and Desert Adventures, the group EBIT grew by 8%. Could you share the revenue and EBIT impact from these two GCC businesses separately?

Mahesh Iyer: Yes. Can you reach out to Urvashi, who is the Head of our Investor Relations, and she will share all those details with you. But just to give you a broad number, I think Ram alluded to it when he spoke about this drop in EBIT. That was INR 10 crores profit last year, which dropped to INR 15 crores loss this year. So that's a delta of INR 25 crores.

As far as Desert Adventures is concerned, I don't have the exact number, ballpark, I guess it's about INR 8 crores or INR 9 crores. That's about INR 90 million. But anyway, Urvashi will share the final numbers with you.

Moderator: The next question is from the line of from Soumya from Insightful Investments.

Soumya: So, my question was regarding DEI. As we've seen that the EBIT for this quarter has reduced on a Q-on-Q basis and the management has spoken about cost optimization measures as well as closing certain parks which were non-profitable. In the last call, it was told that the cost optimization gets implemented with a lag of around 30 to 60 days. So, I was just wondering if it will be possible to see an impact in the Q2 results that will be coming up in a few months.

Mahesh Iyer: Ram, you want me to take the question, or you want to comment?

K.S. Ramakrishnan: Yes, I can tell. You will definitely see some difference in the Q2 for sure. You're right. The lag takes about a month or two and absolutely correct. That's what I said in the last quarter, and you will see that difference. We also must keep in mind that the revenue has to go up. It's going up, but it's a little slow. But to answer you in a nutshell, yes, you will see differences in the cost optimization. A drastic correction you will see on that one. Mahesh, you could add to it if I missed something.

Mahesh Iyer: Yes. So, Soumya, just to add to what Ram just said, I think we have implemented some of those cost measures or cost prudence measures and some cost optimization measures also. We expect some of those benefits to come in Q2 and Q3 of FY27. But I think the more important aspect is while the cost is one side of it, the business is built on revenue and 50% of the dependency is on the Middle East market.

So, if you look at the Middle East market, currently, during the period, which is April-June, our recovery on that market was sub-20% or so. July is slightly better. We are looking at more like a 30%-35% recovery. And the recovery in the revenue will largely determine as to how the quality of the earnings will look in the subsequent quarters. So, we are focused on the cost is one side of it, and we would have done most of what we need to do, I think the revenue side of it has to fire, and that's currently our focus.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Mahesh Iyer for closing comments.

Mahesh Iyer: Thank you, ladies and gentlemen, for joining this call of Thomas Cook (India) Limited Group. As I said, the quarter was kind of marked with a lot of events that happened around us. Despite that, our India businesses and our hospitality business did exceedingly well during the quarter. We remain quite hopeful of the resilient nature of our business model and continue to do prudent capital allocation and management of our business to ensure that we maximize shareholder value. Thank you.

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