

Thomas Cook India Q4FY20

Financial Results & Highlights

Brief Company Introduction

Thomas Cook India is one of India's oldest companies which was established in 1881. It is an integrated travel and travel related financial services company. They provide a wide range of services from packaged tours and forex services to visa support and travel insurance. Thomas Cook has been credited with a number of innovations in the travel industry, which include the world's first packaged tour, first prepaid hotel, first holiday brochure and even the conceptualization of the first traveller's cheques.

Standalone Financials (In Crs)								
	Q4FY20	Q4FY19	YoY %	Q3FY20	QoQ %	FY20	FY19	YoY%
Sales	251.0	391.2	-35.84%	436.8	-42.54%	2190.5	2327.7	-5.89%
PBT	-83.5*	-23.8	-250.84%	6.7	-1346.27%	-21.8*	34.5	-163.19%
PAT	-66.3	-9.9	-569.70%	6.7	-1089.55%	-24.9	20.8	-219.71%
Consolidated Financials (In Crs)								
	Q4FY20	Q4FY19	YoY %	Q3FY20	QoQ %	FY20	FY19	YoY%
Sales	1109.0	1437.8	-22.87%	1757.9	-36.91%	6948.3	6718.7	3.42%
PBT	-120.0**	-18.2	-559.34%	16.8	-814.29%	-68.8**	57.3	-220.07%
PAT	-15.9	-19.3	17.62%	8.7	-282.76%	-17.8	-35.9	50.42%

*Contains an exceptional item of Rs (25) Cr on account of stamp duty payable pursuant to the Composite Scheme of Arrangement and Amalgamation.

**Contains an exceptional item of Rs (38.95) Cr which represents impairment losses from DEI acquisition and the above Rs 25 Cr.

Detailed Results:

1. Consolidated Q4 revenues fell 23% YoY while FY20 revenues grew 3.4% YoY.
2. Total cash and cash equivalents maintained at Rs 1123.8 Cr on 31st May 2020.
3. The company is targeting cost savings of Rs 562.7 Cr in FY21. Some of the key focus areas here are:
 1. Aligning payroll costs: Salary cut of 10-30% for India operations and up to 50% for overseas operations
 2. Hiring Freeze
 3. Integration of key functions of TCIL & SOTC
 4. Scaling down marketing spends and discretionary expenses such as marketing, IT and administrative costs
 5. Re-negotiating rental payments and seeking waivers (especially at airports)
 6. Strict monitoring of fixed costs
 7. Branch network realignment: Closure of 41 TCIL branches
 8. DSO realignment: for better debtor management and to reduce interest cost

4. COVID-19 has hit the industry hard and the company is expecting FY21 to be significantly lower than FY20. The recovery in the business segment in FY21 over FY20 is as follows:
 1. B2B Travel: 28% of FY20 levels
 2. B2C Travel: 35% of FY20 levels
 3. Forex: 60% of FY20 levels
 4. DMS+DEI: 30% of FY20 levels
5. Consolidated Depreciation has risen 124% YoY in Q4 due to the consolidation of the DEI group along with the Ind AS 116 impact of Rs 18.2 Cr.
6. The segment performance in Q4FY20 is as follows:
 1. Financial Services: Down 5% YoY
 2. Travel & Related Services: Down 30% YoY
 3. VO & Resorts: Down 14% YoY
7. The segment performance in FY20 is as follows:
 1. Financial Services: Up 6% YoY
 2. Travel & Related Services: Down 5% YoY
 3. VO & Resorts: Up 2% YoY
8. The gross margins across different travel segments in Q4FY20 are:
 1. Outbound: 16%
 2. Inbound: 26%
 3. MICE: 17%
 4. Domestic: 19%
 5. Corporate Travel: 5%
 6. DMS: 15%
9. CRISIL reaffirmed its long term rating of AA- for the company.
10. New products and services launched in the year so far are:
 1. TCIL entered into a strategic long term agreement with Experience Hub, the trade and promotion arm of Yas Island-Abu Dhabi, one of the world's fastest-growing leisure and entertainment destinations.
 2. TCIL and SOTC launched Holiday Plus enabling customers to book land packages bundled with real-time flight inventory.
 3. TCIL launched Smart Weekends 2020, micro-cations across domestic & international destinations; also Bike Trips across spectacular routes within India and Bhutan.
 4. TCIL's unique #BingeOnBharat campaign offered Indians the benefit of 15 domestic holidays in 2020 at a truly affordable price of Rs 1.5 lakhs per person.
11. As of June 17th, Thomas Cook and SOTC have reopened 157 retail travel outlets across 77 cities.
12. In Sterling Resorts, revenue from operations grew to Rs 269 Cr in FY20 from Rs 261.9 Cr last year while occupancy rate remained stable at 64% in FY20. The ARR rose to Rs 4392 vs Rs 3756 a year ago.

Analyst's View:

Thomas Cook is the biggest travel company in India. They have been innovators in the sector for more than a century now. The company is going through the toughest of times with the travel industry being hit hard due to COVID-19. The management is doing well to use this period of slow operations to focus internally and improve the cost structure and operations of the company while seeking to reimagine how the industry will be changed from the ongoing pandemic. It remains to be seen how long it will take for things to normalize for the travel industry and how consumer behaviour will evolve from COVID-19. Nonetheless, given the company's resilient balance sheet and the management focus on improving the internals of the company and to focus on new avenues for the industry, Thomas Cook seems to be a resilient travel industry stock in an industry plagued with shutdowns and bankruptcies these days.

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