Stock Update

Restructuring is positive in long run

Thomas Cook India
Reco: Hold | CMP: Rs277

Company details
Price target: Rs298
Market cap: Rs10,247 cr
52-week high/low: Rs303/202
NSE volume: (No of shares) 4.5 lakh
BSE code: 500413
NSE code: THOMASCOOK
Sharekhan code: THOMASCOOK
Free float: (No of shares) 12.2 cr

Shareholding pattern

Price chart

Key points

- **Event - Restructuring of business to simplify holding structure:** The Board of Thomas Cook India (TCIL) has approved corporate restructuring exercise where travel and related businesses, such as leisure travel services, foreign exchange, destination management services (SOTC) and vacation ownership business (Sterling Holidays) will be part of TCIL and human resource (HR) services, industrial asset management and allied services will be part of Quess Corp (Quess). Pursuant to the deal, shareholders will receive 1,889 shares of Quess (of Rs.10 each) for every 10,000 shares held in TCIL (of Re.1 each) Post the regulatory approval of restructuring, TCIL will not hold any stake in Quess Corp as existing shareholders of TCIL will receive shares of Quess in the proposed swap ratio.

- **Rationale behind restructuring:** The proposed deal will have several positives for TCIL and Quess in the coming years.
  - **Simplified structure:** The proposed deal will result in simplified structure of holdings, which will eliminate cross holdings and streamline businesses.
  - **Focus management:** Pursuant to the deal, similar businesses will be clubbed together, which will have focused management guiding each business vertical to achieve strong growth in the near future.
  - **Efficiency in fund raising:** With consolidation of like businesses under one umbrella, the company can leverage on combined strengths to raise funds efficiently for future growth prospects.
  - **Restructuring is positive in long run; maintain Hold:** The propose restructuring will simplify the group structuring and will help TCIL and Quess grow independently, thereby enhancing shareholders’ value in the near future. We maintain our current estimates (including Quess financials) and will consider the impact of the proposed restructuring post the regulatory approvals (wherein Quess financials will not be included). We maintain our Hold recommendation on the stock with an unchanged price target of Rs. 298.
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<tbody>
<tr>
<td>Net sales</td>
<td>6093.9</td>
<td>8588.0</td>
<td>10876.9</td>
<td>13384.3</td>
<td>16366.1</td>
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<tr>
<td>OPM(%)</td>
<td>3.0</td>
<td>3.6</td>
<td>4.1</td>
<td>5.3</td>
<td>5.4</td>
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<tr>
<td>Adjusted PAT</td>
<td>4.4</td>
<td>77.5</td>
<td>163.5</td>
<td>267.3</td>
<td>346.3</td>
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<tr>
<td>EPS (Rs)</td>
<td>0.1</td>
<td>2.1</td>
<td>4.5</td>
<td>7.3</td>
<td>9.4</td>
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<tr>
<td>PE(X)</td>
<td>2324.8</td>
<td>130.8</td>
<td>62.1</td>
<td>38.0</td>
<td>29.3</td>
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<tr>
<td>EV/EBIDTA (X)</td>
<td>53.9</td>
<td>32.0</td>
<td>22.2</td>
<td>13.5</td>
<td>10.3</td>
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<tr>
<td>RoE (%)</td>
<td>0.3</td>
<td>5.6</td>
<td>10.2</td>
<td>14.9</td>
<td>16.6</td>
</tr>
<tr>
<td>RoCE (%)</td>
<td>8.2</td>
<td>10.3</td>
<td>15.3</td>
<td>24.9</td>
<td>28.2</td>
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