

## Thomas Cook India Ltd.

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Price : Rs. 540  
Recommendation: Hold  
52-Week Range: Rs. 829 - 411

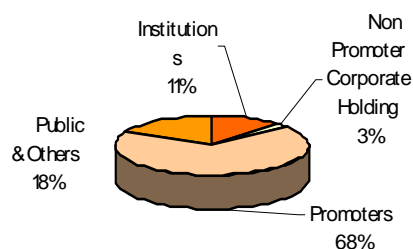
### Key Highlights

Particulars(Rs. Mn.)	Q4FY06	Q4FY05	y-o-y%
Net Sales	409.0	305.3	34.0%
PAT	34.1	89.9	-62.1%
EPS	2.3	6.2	28.7%

### Key Share Data

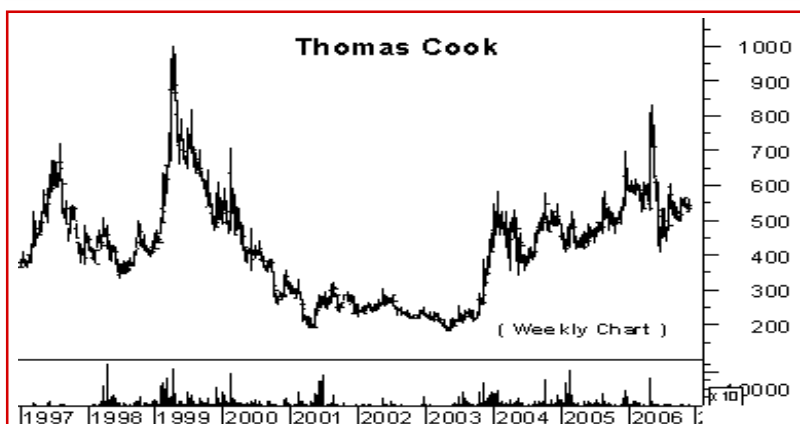
Market Cap	Rs. 7.9BN / \$ 175 MN
EV/Sales	3.7
EV/EBIDTA	9.9
Volume	1,900
No.of Shares o/s	14.6
Book Value	157.5
BSE / NSE	500413 / THOMASCOOK
Bloomberg	TC@IN

### Shareholding Pattern



### The Q4FY06 results of the company were below our expectations.

- The topline of the company grew by 34% from Rs. 305.2 mn to Rs. 409 mn. The growth was driven by growth in both its businesses i.e. travel and travel related services and financial services.
- The other income of the company declined from Rs. 64.62 mn to Rs. 15.2 mn.
- The operating margins of the company declined from 30.8% to 16.9%. We believe that this could be on account of certain expenses incurred by the company on restructuring of the business as well as certain costs related due to ongoing merger. Further the company has also incurred Rs. 14 mn towards the launch of its new brand i.e. 100 % Holidays.
- Interest cost of the company has increased to Rs. 4.41mn, which we believe would be on account of increased quantum of financial services business.
- Depreciation increased from Rs. 19.2 mn to Rs. 23.5 mn. Profit before tax declined from Rs. 138.4 mn to Rs. 56.4 mn.
- Profit after tax declined from Rs. 89.9 mn to Rs. 34.1 mn. EPS for the period stood at Rs. 2.3.
- For the 12 months ended October 2006, the topline of the company showed a growth of 29.1 % from Rs. 1.3 bn to Rs. 1.7 bn. The operating profits of the company declined from Rs. 516.1 mn to Rs. 465.8 mn, with the operating margins of the company declining from 30.8% to 23.8%. Net profit for the year declined from Rs. 284.8 mn to Rs. 207.6 mn. EPS for the period stood at Rs. 15.5.



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- The company has announced its plan to merge LKP Forex with the company in the previous quarter.

### Outlook

Thomas Cook has been restructuring its business for past four quarters now and that we believe would probably be the reason for higher expenses in the current year. We also believe that the margins of the business will expand once the restructuring is over.

**Quoting at 17 x CY07E EPS of Rs. 32 and 13.2 x CY08E EPS of Rs. 40.7 (consolidated earnings post merger with LKP), we expect the company to be a market out performer.**

Particulars (Rs. Mn)	Q4FY'06	Q4FY'05	y-o-y%	FY06	FY05	y-o-y%
Income from Operations	409.0	305.3	34.0%	1689.5	1308.6	29.1%
Other Income	15.2	64.6	-76.5%	63.2	112.6	-43.9%
Total Income	424.2	369.9	-42.5%	1752.7	1421.2	-14.8%
Total Expenditure	(339.9)	(211.3)	242.0%	(1286.9)	(905.1)	124.1%
Staff Cost	(135.3)	(82.6)	63.8%	(480.1)	(345.2)	39.1%
Advertising cost	(33.8)	(14.8)	128.2%	(138.5)	(98.9)	40.1%
Other expenditure	(170.8)	(113.9)	50.0%	(668.3)	(461.1)	44.9%
PBDIT	84.3	158.6	-46.8%	465.8	516.1	-9.8%
Interest	(4.4)	(1.0)	324.0%	(20.7)	(6.3)	228.4%
Depreciation	(23.5)	(19.2)	22.7%	(81.7)	(68.4)	19.5%
Profit before Tax	56.4	138.4	-59.2%	363.4	441.5	-17.7%
Provision for taxation	(24.0)	(42.5)	-43.6%	(128.6)	(149.3)	-13.9%
Deferred Tax ( net)	4.4	(3.4)	-229.5%	1.7	(2.6)	-165.8%
Fringe Benefit Tax	(2.7)	(2.6)	2.7%	(10.6)	(4.8)	118.8%
PAT BeforeE/O	34.1	89.9	-62.1%	226.0	284.8	-20.7%
Exceptional item,	0.0	0.0		(18.4)	0.0	
Net Profit	34.1	89.9	-62.1%	207.6	284.8	-27.1%
Equity	145.8	145.8	0.0%	145.8	145.8	0.0%
EPS	2.3	6.2		14.2	19.5	
OPM	16.9	30.8		23.8	30.8	
NPM	8.0	24.3		11.8	20.0	