Thomas Cook (India) Limited
11th Floor, Marathon Futurex
N. M. Joshi Marg, Lower Parel (East),
Mumbai - 400 013.
Board No.: +91-22-4242 7000
Fax No. : +91-22-2302 2864

Thomas Cook

May 23, 2024

The Manager,
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Scrip Code: 500413

Fax No.: 2272 2037/39/41/61

The Manager,
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051
Scrip Code: THOMASCOOK

Fax No.: 2659 8237/38

Dear Sir/ Madam,

Subject: Transcript of the Analyst and Investor Earning Conference Call

In furtherance of our intimations dated May 7, 2024, May 16, 2024 and May 17, 2024 giving intimations on the Q4 &FY24 Earning Conference Call for the Analysts and Investors and pursuant to Regulations 30 and 40(2)(oa) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please note that the transcript of the Earnings Conference Call held on May 17, 2024 has been uploaded on the website of the Company within the prescribed timeline and can be accessed on the following web link:

https://resources.thomascook.in/downloads/TCIL_Q4_FY24_Earnings_call_transcript.pdf

This is for your information and records.

Thank you,
Yours faithfully
For **Thomas Cook (India) Limited**

AMIT JYOTINDRA PAREKH
Digitally signed by AMIT JYOTINDRA PAREKH
Date: 2024.05.23 18:34:41 +05'30'

Amit J. Parekh
Company Secretary & Compliance Officer

Encl.: a/a

Thomas Cook (India) Limited:

Q4 FY 24 Earnings Conference Call - May 17, 2024

Management:

Mr. Madhavan Menon: Executive Chairman – Thomas Cook (India) Limited
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
Mr. Brijesh Modi: Chief Financial Officer - Thomas Cook (India) Limited
Mr. Vishal Suri: Managing Director and Chief Executive Officer - SOTC
Mr. Dipak Deva: Managing Director Travel Corporation (India) Ltd.
Mr Vikram Lalvani: Managing Director and Chief Executive Officer- Sterling Holidays Resorts
Mr. Krishna Kumar: Chief Financial Officer- Sterling Holidays Resorts
Mr. Ramakrishnan - Managing Director and Chief Executive Officer - DEI

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '24 Conference Call of Thomas Cook (India) Limited, hosted by IIFL Securities Limited. 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. Viral Shah from IIFL Securities. Thank you, and over to you, Mr. Shah.

Viral Shah: Yes, thank you, Michelle. Good morning, everyone. Welcome to the Thomas Cook (India) Limited Fourth Quarter and FY '24 Earnings Conference Call. Today, we have with us Mr. Madhavan Menon, Executive Chairman of Thomas Cook (India) Limited, and senior management team. Without much ado, I invite Mr. Madhavan to begin the call with his opening remarks, post which, we will take the Q&A session. Thank you, and over to you, sir.

Madhavan Menon: Thank you, Michelle. Thank you, Viral. Good morning, ladies and gentlemen. Thank you for joining the conference call after the fourth quarter of the financial year. I just want to introduce the people around the table. We've got Mr. Mahesh Iyer, Managing Director and CEO of Thomas Cook (India) Limited; Mr. Vishal Suri, Managing Director of SOTC Limited; Mr. Dipak Deva, Managing Director of TCI Limited; Mr. Vikram Lalvani, Managing Director and CEO of Sterling Holidays; Mr. Ramakrishnan, President and CEO of DEI; we've got Mr. Debasis Nandy, who is Group CFO; we've got Mr. Brijesh Modi, who is the CFO for Thomas Cook (India) Limited; and Mr. Krishna Kumar, who is CFO for Sterling Holidays.

I think the numbers speak for themselves. Effectively, this was the fourth successive quarter of profits in the post-pandemic era. Income from operations at a consolidated level, for the fourth quarter was 28% year-on-year. If you look at it from full year FY24, it was 45% year-on-year. If you look at the profit before tax, we are talking of growth from a loss of INR 62 million to a profit of INR 607 million for the quarter.

And if you look at it on a year-on-year basis, it's grown to INR 345 crores as against a loss in the same period previous year. Essentially, all businesses are back in profits. And we are now beginning to see a return to normalcy across every business as well as every geography. Admittedly, the volumes are still catching up in terms of transactions.

But however, on the back of higher input costs, we are actually able to show more profitability on lower low volumes. Our expectation is that we will witness a comeback to normalcy during the year of 2025. Having said that, some of our businesses have actually overtaken the pre-pandemic numbers even in terms of transactions and my colleagues will go into that detail. In terms of geography, some of our geographies have been a little slower. And I think, clearly, Hong Kong and Southeast Asia have been slower in recouping.

But having said that, I think Thomas Cook, Sterling Holidays, SOTC and TCI have led the charge back to profitability. In the case of TCI, as my colleague, Dipak Deva will explain, though we started late in the year, we actually caught up very fast. And in terms of prospects going forward, I think we will continue to see a good environment, both from the travel as well as from the tourism angle, and I differentiate this because of the outbound, we are seeing adequate demand on the inbound, which is tourism into India, we're also seeing a lot of demand. We are seeing similar signals across our businesses.

The last point I want to make is that you may have read about the announcement of our dividend of INR 0.60 per share. This has been driven and split into 2 parts, INR 0.40, which is the normal dividend and INR 0.20, which is the special dividend. And this, in our opinion, is a gratitude to our shareholders for having stood by us. The last point before I hand over is the fact that our earnings per share has grown to INR 5.57 for the financial year ended 2024 as against INR 0.10 in the previous year. With this, I will hand over to Mahesh and to all my other colleagues who will give you introductory remarks, and then we'll come back to the question and answers.

Mahesh Iyer: Thank you, Madhavan, and good morning, everyone. Madhavan has already given us a summary of some of the profits for the year at a group level and I will straight on jump into the segments that we have for the businesses. And I'll talk about the forex and the travel-related services. Let's also tap Dipak here on the call. He will along with Debasis will cover the DMS (Destination Management Specialists) which is more overseas and India, and I'll take you through the B2C segments on the travel side.

To begin with, on the foreign exchange business, if you look at the income from operations, it actually grew 23% year-on-year from INR 246 crores to INR 302 crores. And consequently, the EBIT margins improved from

29% to 41%. As you will appreciate that in the previous calls, we had guided the market to a more like a 40%-45% range. I'm happy to report that for the full year, we actually ended the EBIT margin at about 41%. And if I just look at the quarter that went by, which is the fourth quarter for FY '24, EBIT margin actually expanded even faster. It was at 44%. EBIT for the business grew from INR 73 crores to INR 124 crores, registering a 70% jump on the backdrop of this improved revenue and a lot of cost transformation measures that we've undertaken in the business.

It's also noteworthy to mention here that the retail portfolio during the year grew 19%, aided by the student segment growing at about 15%, holiday business growing by about 57% and the remittance business growing by about 20%. Our digital penetration of transactions improved from 17% to 22% for FY '24 as compared to FY '23, which means our journey towards getting and acquiring customers digital is also playing off very well.

Our card portfolio improved by about 40%, roughly about $600 million to about $795 million, and that's a strong momentum that we have on the portfolio also. Consequently, the float that we generated on the business improved from roughly about INR 800 crores in FY '23 to about INR 1,200 crores in FY '24.

If I focus on the quarter for the business, for the foreign exchange business in specific, income from operations grew 6%, and you'll appreciate that the last quarter, I guided you to the fact that we had given up operations in Bangalore Airport. So the impact of that was visible there. But as we said, then too, it doesn't impact the profitability because it was more like a breakeven business because the payouts on the airports are much higher. And clearly, that's reflected here in the current quarter also.

While, the the revenue only grew by 6%, EBIT actually improved by 57%, and that's the reflection of the strength of the business. Some of the key drivers for this has been the retail volume growth, which grew again at 18% in the current quarter. And again, I want to highlight here that for the full year of FY '24, the retail growth was 19%. And in the last quarter, we actually grew at about 18%. So clearly, that's visible. We are seeing growth, and this is not a peak of any travel season in that sense. So the aided growth that comes in this business was not there. Despite that, our retail business actually grew by about 18%.

Also noteworthy to mention that despite the challenges on the IT/ITeS sector, FX to corporates actually came back closer to the 2019 levels. So our volumes were at 2019 levels, which was in the previous quarters sub-90%, 92% levels. So we are actually now seeing a 100% recovery in the March quarter also.

Card loads during this quarter improved by about 21% to end at about $171 million and gross margins improved from 1.2% to 1.4%. Notably, our digital adoption actually improved by 110 basis points for the quarter for the comparable quarter from 20% to about 21.5%. So clearly, across all lines of business within the foreign exchange, we actually saw double-digit growth and also an expansion in margin.

Some of the developments that we have done and which is important to update, the last time I spoke about a product on the prepaid side for the student, which was called Study Buddy, and I also guided the market to say that we are working on an enterprise product. And you would have seen that we have actually launched an Enterprise card, which is a green card. Again, it's a plastic that you contribute to the environment, and we believe that's the first of a kind that any travel company or any prepaid card company has launched in this market. So that also gives an edge to us to go to the corporates and say, you will do your bit when you spend on these cards to the environment. Again, it comes packed with a lot of features, which includes lounge access, calling cards and stuff like that, which our internal survey told us are things that corporates are looking for. So that's something that we did.

We also are currently running a Grand forex Festival where people can participate and stand to win a Harley-Davidson. So a lot of initiatives on that front. Two big developments during the quarter or rather just about in end of March and April has been our video KYC. If you recollect, we spoke about Ghar Baithe forex and delivery of forex in 2 hours, an extension of that has been the video KYC that we have launched. This essentially means customers can now order foreign exchange from the convenience of their home.

And if there is a currency involved, we'll deliver it to him in less than 2 hours. And if there is no currency involved and if it's a seamless remittance transaction or a card transaction, the entire KYC process will be completed digitally and the card will be delivered to him. So essentially, we're getting closer to the customer and actually ensuring that he has more reasons to come back and deal with us. So that's on the foreign exchange piece.

Moving on to the travel vertical. Coming to the income from operations growth. Income from operations on a year-on-year basis grew 54% from INR 3,643 crores to INR 5,618 crores and that growth has come on the backdrop of a smart turnaround in all travel businesses and Debasis and Dipak will talk about how the inbound business has contributed during this quarter. Other than that, the outbound business also came in very good.

Like you will appreciate that the period between Jan to March is not really the peak of the travel season. But despite this being an investment quarter, I'm happy to report that a lot of our businesses actually came in at profit or at a breakeven level. And that's a positive beginning where we are taking the seasonality out of travel and moving towards more like a stable quarters going forward.

EBIT margins on this business improved from just about 0.233% to 3.42%. And I will call out again, we guided the market to close to a 5% EBIT margin that we are targeting on this business. And I think the path towards that profitability seems very much in the near horizon. From a recovery point of view, long-haul recovery in the current quarter was close to about 78%. And for the full year, we were at about 72%.

And the short haul and domestic business actually trend higher than the pre-pandemic level. The MICE business again had a good quarter. You will appreciate that last year same time, we had the G20 and Khelo India volumes that were sitting in our books. This year, obviously, there's no G20 and there's no Khelo India that happened. Despite that, our volumes stood ground and the profitability and the margins on this business actually came much higher.

On the corporate travel side, the volumes continue to grow higher than pre-pandemic level actually grew about 16% as compared to the previous year. The mix of business continues to be lopsided towards domestic, 90% towards domestic and 10% to international. But from a value perspective, I think we are seeing the shift moving towards international.

So international recovery is close to about 45% as compared to 42% in the previous quarter and domestic remains at about 54%, 55%. The non-air services, which has been an important lever and strategy for us to grow our revenues and yields on this business has inched up from roughly about 4.5%- 5% to about 7% at the end of this quarter. And we expect this to move towards more like the 7% to 9% in the quarters to come. OBT adoption, which is an important productivity driver for us, has improved substantially. We have about 47% of our customer base now on online booking tool, which means now we have the ability or rather customers have their ability to issue their own tickets, and we can take that many hands off transactions.

All in all, I think within the foreign exchange, the travel businesses, I think we have seen some steady growth. And as Madhavan said, our forward bookings for the current quarter on the holiday side looks promising. We have about 18% growth over the previous year at the same time, and we believe that we are in for a good season ahead.

The impact of elections, what the states have gone through, we are actually visibly seeing a larger conversion, a large amount of people coming back and converting. So our expectation is that this year, we are going to see probably a longer summer. It may not end in June or first week of July. We will probably see this all the way running into August of 2024. On that note, I'd like to hand it over to Dipak to walk us through the inbound business and then Debasis will take it on. thank you.

Dipak Deva: Thank you, Mahesh. Good morning. I'm Dipak Deva, I'm the Managing Director of Travel Corporation India, the DMS arm of the Thomas Cook Group based here in India. So I'd just like to talk about our growth. That has been 122% year-on-year for FY '24. As you all know, during COVID, there was a standstill.

There was no clients moving from overseas into India, which changed last year. Last year has been a phenomenal year for the inbound business. The last quarter, there was 82% year-on-year . So I'm delighted with the way the business has moved. The margins have remained strong and steady, which is also a good sign.

Now I'd move to the key drivers for this growth. Basically, demand for the long haul has come back from the key source markets of Europe and U.S.A. China has not been picking up business and China used to be a large inbound market for Europe with about 60 million people traveling there. That hasn't picked up. So there is demand that's available, they are traveling to different parts. The war in Gaza and Israel has also moved business to different parts of Asia, including India, and we have gained from that. And India's image is very positive overseas, and this definitely is helping the inbound business.

I'll now talk about some of the source markets where all this positivity is taking place. India basically has 5 key source markets: U.K., Germany, France, U.S.A. and Australia, which are the key markets. And for us, the growth has happened from all these markets. U.K. has grown close to about 180%, Germany over 250%, France 129%, U.S.A. over 50%. And interestingly, new markets have also emerged with Eastern Europe, which has given us a 150% increase from these markets.

I'll now just quickly touch upon the outlook for the coming year. We expect a growth of 18% for the coming year and as now business has stabilized. Incredible India will soon be releasing a new campaign, and we feel that this will definitely help demand. We expect Incredible India to really do a serious campaign post the elections are over. And last but not the least, being a long-haul destination, we need good airlines to bring people into India. And with Air India's investment of over 500 aircraft over the next year, especially the ones that have the new routes that are being opened in the next 12 months will definitely help us with inbound tourism. So with that, I would now like to hand over to Debasis Nandy.

Debasis Nandy: Thank you, Dipak. Good morning, everyone. So, Dipak has taken you through the India DMS, I'll just take you through the international DMS part of it. If you look at the international DMS, they performed very smartly during the year. Overall, they grew by about 27%, and it's about 16% for the quarter.

It is interesting to note that the international DMS segment now contributes to about 41% of the travel segment turnover. And this number used to be about 30% pre-COVID. So, they have gone well beyond, they have actually grown about 35% over the pre-COVID that is 2019/'20 numbers.

Where is it all coming from? It's actually coming from all over. Till last year, we were talking about the lack of growth in Asia. But in the current year, we are happy to state that all the regions are performing well. In the Middle East, our unit Desert Adventures is actually showing very good volumes in spite of the fact that there is major disturbance going on because of the conflict in Israel. And also because of the fact that in the last quarter, operations were hampered to some extent because of the weather conditions in Dubai and Abu Dhabi. But the demand will be getting primarily driven by the CIS countries, obviously, from India and as well as the developing sports segment.

The demand from Europe is a little muted because of the geopolitical issues and the economic problems that we know about. As far as Africa is concerned, booked average in East Africa and South Africa continue to do well. South Africa especially has shown a sharp turnaround and they keep increasing volumes driven by the European markets.

U.S.A., the unit, which is called AlliedTPro continues to do well. Volumes are far higher than what it used to be in the previous year or even in 2019. And we are looking forward to a great summer.

Last, but not least, Asian Trails, which was a unit, which recovered later than anybody else, is showing very strong volumes in countries like Thailand, Malaysia and Vietnam. Even key countries like Laos and Cambodia, which are not expected to do well, has started doing very well, and the sales are now exceeding pre-pandemic levels. We expect the DMS segment to continue to do well in '24, '25 in spite of whatever geopolitical and economic issues are there across the world.

One last point, unrelated to DMS, but I wanted to make is, this year has been a bit different for us in the sense that the Q4, which is a Jan-March quarter, we normally took it as the investment quarter, and we either reported a loss or very minimal profit. But this year it's been a very sharp turnaround, and we are now showing a substantial, a healthy profit for this quarter as well. And this has never happened before. And so it's probably the beginning of a new future for us. Thank you. And I'll now hand over to Vikram. Over to you, Vikram, for Sterling.

Vikram Lalvani: Good morning. Thanks, Debasis. Good morning, ladies and gentlemen. My name is Vikram Lalvani, and I'm from Sterling Holiday Resorts Limited. I'm Managing Director and the Chief Executive Officer of Sterling. I'm joined by Mr. L. Krishna Kumar, who is the Chief Financial Officer at Sterling Holiday Resorts Limited. It's a privilege to interact with all of you again today. Sterling has delivered a strong performance in Q4, Jan-Feb-March with a growth of 39% in revenues to INR 1,179 million, driven primarily by the growth in ARR by 7%, an increase in non-member occupancies by 9% from 62% to 71% and higher room inventories also by 12%.

During this quarter, Sterling has also launched 3 new resorts Athirappilly in Kerala, Pushkar in Rajasthan and Sariska in Rajasthan, resulting in this increased room supply. Our food and beverage revenues also grew handsomely by 15% this quarter as well as the sale of room nights by 13%. All this resulted in a growth in EBITDA of 67% to INR 451 million, with a very healthy EBITDA margin of 38% in this industry. Sterling has ended the financial year FY '24 with its best-ever results again for the second time in a row.

Sterling grew by 24% over the previous years to INR4,557 million on account of the growth in sale of room nights and resort spends. The EBITDA increased by 46% to close at INR1,711 million, while the EBITDA margins have also grown from 31.7% of FY '23 to 37.1% in FY '24. The operating free cash flow or OFCF also grew by 6% year-over-year. With strong cash collections and higher margins, the company is also happy to report that we've become completely debt-free as on March 31, 2024.

The company's focus continues to strengthen its presence in the hospitality space with a clear focus on organic growth in its current portfolio and adding new streams of revenues through asset-right expansions. As mentioned in the previous quarters, the company has also retired acquisition of long-term membership products in June – July of 2023. And despite this the company has been able to deliver a strong growth-oriented performance in FY '24 because of its direction towards hospitality.

Sterling also continues to leverage its technology-based proprietary distribution channels, SterlingOne to ramp up occupancies from various source markets in India in the most scalable manner without adding fixed costs. We have over 4,500 active partners, resulting in a total of 25% of the room nights sold in FY '24 without adding any incremental fixed costs again.

Sterling has also reengineered its back-end ERP and the front-end property management systems in FY '24, in line with the requirements of the hospitality industry with cloud-based scalable solutions for future expansions. With the company's focus and direction as mentioned above, we are also happy to inform you that exit Q4 FY '24, Sterling has remained profitable for 15 consecutive quarters. We are also glad, are delighted to keep you informed that we have for the second consecutive year, been featured as the best in customer ratings in TripAdvisor. Our brand has been featured for Sterling Kanha in the Boutique Hotels category and is rated as a top 1% globally out of 8.6 million listings, and this is the second time in a row.

26 of our resorts have been recognized as top 10 globally. This apart from the coveted recognition that Sterling's Alleppey resort received in the travel plus leisure for the best domestic resort during the past year. This is a testament to the growing strength of the Sterling brand. Sterling shall continue to expand its portfolio, and we have a healthy pipeline of over 20 resorts in India to be added in the next 15 months.

The company shall continue to focus on balanced and a strategic expansion on an asset-right model. In FY '25, the company should continue to focus its stride in the hospitality space and leverage opportunities for both organic growth and expansion. With continued favorable macroeconomic factors, we continue to remain positive even into the FY '25. Thank you.

K.S. Ramakrishnan: Good morning, ladies and gentlemen. My name is K.S. Ramakrishnan, and I am the MD and CEO of Digiphoto Entertainment Imaging, DEI. A warm welcome to this call, and thank you very much for being patient and hearing all of us. Our quarter-on-quarter comparison from 2024 versus '23, we've had a 5% growth, INR 222 crores in 2024 versus INR 212 crores in '23 as a quarter.

On the year, we have had a 17% growth on the full year, which is a from INR 789 crores to INR 922 crores. Some of the things that worked in our favor on the growth has come from -- our revenue has grown at 5% range despite some of the low-margin price predominantly in U.S.A. and China. Saudi operations have started earlier than what we had planned for, although they're small in nature.

The new partnerships that we have signed up which has been the largest in the quarter was 17 partnerships. We've renewed 22 partnerships during the same quarter. And we also have started testing the pilot version of our new technology, WeC. I'll tell a little more about it after I finish the year's assessment on our performance. On our year's performance, I think we have totally covered 15 new partnerships in the year 2024 against 2023. And we have renewed 34 partnerships in the same time. It is noteworthy to mention that in the last quarter, which has been the most robust quarter from our portfolio renewal rate, more than 73%

of our portfolio has been renewed in the first quarter itself, which makes us more viable to look for new partnerships in the next few quarters.

Also in KSA, in Saudi Arabia we have started we've started operations in 5 sites, and that has the potential of doing about INR 21 crores in a complete year. The biggest spurt of growth in new business was in Indonesia, particularly with the Taman Safari Group, which is the large group that we acquired with revenues to the tune of roughly about INR 35 crores to INR 40 crores. Again, this is from an overall perspective the outlook is extremely healthy. We have increased our focus on GCC opportunities, mainly Saudi, Qatar and Egypt to follow. We are also looking at expanding further on profitable Asian markets, where our margins are better. So Indonesia as I said and Malaysia are two places where we had a lot of traction happening.

With the overall imaging platform WeC our new technology, we have been successfully been able to do our MVP version, our minimal viable product version in Maldives and has been running pretty smoothly for the last 2 months. The enhanced version with all the more B2B features is under UAT as we speak. We have new features like Facial recognition, and payment integration, mobile based, web based, instant fulfilment, that will really help us in expanding our portfolio and making our margins a bit better. After monitoring this will be ready to release in the end of second or early third quarter of this year. That's all from my side. Thank you very much.

Urvashi Butani: Michelle, you can go ahead and take the questions, please.

Moderator: Thank you very much ma'am. We will now begin with the question-and-answer session. The first question is from the line of Himanshu Nayyar from Systematix.

Himanshu Nayyar: Congratulations on a great performance across the 4 divisions. So I had a couple of questions. Firstly, while the trajectory of the other businesses is quite well understood and appreciated. I mean, if you could give us some more color on the forex business specifically because we are seeing soft growth but record margins there. So as we build in estimates for this business, what should we look at? Should we look at the 4Q trajectory as a more steady trajectory for the business or FY '24 as a whole, would that be a good benchmark to have?

Mahesh Iyer: Himanshu, Mahesh, and I'll take that question. I think first, to begin with, I think we've been saying this. It's a large business. Annual volume on this business is about $3.5 billion. And we've always guided saying that this business can grow at about 10% to 12% year-on-year, and that's the kind of growth rate we're talking about. Specifically talking about the current quarter that went by. As I said, the retail volumes have grown by 18%.

So there's absolutely nothing wrong as far as volume is concerned. Because there is an election that's going to come, we've seen a little bit of a drop on the wholesale side of the volumes. And as we have been saying, wholesale is not a focus area. Our focus has been building scale on the retail side, whether it's the student market, whether it's the remittance market, whether it's the corporates or whether it is the holiday product.

So I think we are taking strides on those segments. And my expectation continues to be that the retail business will continue to grow at high double-digit numbers. Corporate portfolio will grow at about 12%- 15% and overall business will grow at about 10% to 12%. The sweet spot of this business is the gross margin that we operate at. And the closer we get to the customer with a lot of our digital initiatives, my expectation is that margins will continue to improve. We're actually seeing a 20 basis point improvement in an overall gross margin. But if you look at the retail margin in specific it has actually improved by about 25 basis points. So clearly, the trajectory for growth is very strong and with a lot of digital initiatives that we have put in place, I expect this to continue to ride for the next few quarters.

Himanshu Nayyar: Understood. Got it. So second bit was on our overall near-term and FY '25 outlook, now that we have seen broadly a normalization in our businesses for most of the segments. Do we expect for FY '25 a mid-teens sort of growth for the entire business or with some normalization still pending, as you said, on long haul, et cetera.

Should we expect a better number in FY '25 and then normalization of the trajectory, FY '26 onwards. And for the very near term, with the elections in the current quarter and the high base that we now have for 1Q. I mean, with elections, do we see some sluggishness in our current quarter performance? If you can comment on these 2?

Madhavan Menon: So let me address the first question that you raised in terms of what we see as the focus going forward. I think the point I need to make is while we're seeing normalization in terms of the absolute numbers, the reality is that the transaction base is still growing. And my expectation is that across all our businesses, without exception, you're going to see the transaction volumes come back to normal over the next year.

So I think that's an important point that must be considered when you consider FY '25. The second aspect that I want to mention is that the objective of each of our businesses is to sustain margins. It's not about going back into a discounting game or this thing. So I think each of my colleagues have mentioned it in one form or the other that they're focusing on retaining their margins where they are.

And this is a new environment that we are facing in the post COVID situation where we've seen that our input costs across all our businesses have actually grown, whether you look at air fares, whether you look at hotel rates, whether you look at transfers, guides, everybody's rates have gone up. And we live in a world where there is a degree of inflation that's factoring itself as well as disruptions in the supply chain.

So I think that's another factor. The third factor is that we've kept our costs under tight control. Regardless of the businesses that you're talking about, obviously, we need to factor in, for example, DEI went into 2 large parks post-COVID and therefore, they're hiring increased in those segments.

But if you look at headcount, if you look at employee costs across all the other segments, we are actually holding fairly firm in what we are pursuing. The last aspect that I want to mention is the fact that technology is being constantly upgraded. Gone are the days when you used to take 5 years over a project. Today, we constantly have projects running. And the primary focus has been on productivity.

So in summary, I'm talking about sustained margins, I'm talking about controlled costs, and I'm talking about continued improvement in productivity through the introduction of technology. So that's the part I'm addressing. Anybody else wants to add in?

Mahesh Iyer: So Himanshu, I'll take the second part of your question, which is the sluggishness on account of elections. As I mentioned in my commentary, we did see in parts where states were going into elections, the inquiries actually coming down. But post those states having finished their elections, the inquiries have actually bumped up and so has the conversion.

So as I said, we expect that this year, we are going to see probably a long tail to summer, and our expectation is that it may run well into August, mid-August or so. So yes, there's no sluggishness per se. We are witnessing an 18% growth in terms of our overall volumes as compared to previous year, and we expect that trend to continue.

Himanshu Nayyar: Understood. And final question would be on the capex. We see INR 104 crores capex number for the year if you look at the cash flow statement. So if you could just give a broad breakup on where we are spending this money? And going forward with our asset-light strategy, I don't think we'll be spending this much going forward next couple of years. So with the strong cash generation, any color if you can give on future capital allocation plans, if you have thought about that? That's it from my side.

Debasis Nandy: I'll take that question of yours. So this year, the spend that we have seen is largely on technology, especially in two key units, one is DEI and the other is Sterling. DEI, as you know, is embarking on their next phase of technology improvements. They are completely upgrading their technology. I won't say even upgrading, it's a completely new technology that they're introducing which should be available to them later this year.

And this expenditure, INR100 crores, a large part of it actually is accounted for by DEI. The second unit, where technology upgradation happened is in Sterling, which is for the booking systems and for their back-end operations, and they have spent a good amount of money on that. We discussed this in the past that our spend is largely going to be on technology and a bit of the usual stuff of wherever there are branches being set up.

We haven't done too much of branch set up this year. But our capex is not expected to be in this range. We expect it to go down, most of this technology development spends happen once in 3 or 4 years. So we don't expect to maintain this level of spend in the years coming.

Vikram Lalvani: Let me just step in also for Sterling and add on to what Debasis has said. You are right. In Sterling, what has happened? Yes, our future approach is currently asset-right. We are adding on new hotels and inventories on the basis of either revenue shares, leases or management contracts. The capex that we had spent was about INR10 crores to INR15 crores during the year. That was primarily one apart from amount towards technology, but a larger part of the amount was actually towards upgrading our existing products, our existing rooms, repairing our existing room and upgrading our existing rooms. .

Because as you've seen in the entire shift that has taken place, we are getting new customers in the hospitality space. And we are competing with the rest of the brands. So to a large extent, our own resorts that were there, we did spend some amount of capex on adding new facilities in those resorts and upgrading the existing rooms in those resorts.

So that's why even for the coming year, FY '25 to a large extent, the capex allocation would be only towards upgrading our existing products as well as adding new facilities within our existing products and it will be in this range. So that's how we are looking at even in FY '25. Going ahead, we could possibly even evaluate a couple of greenfield projects but that could be towards the end of FY '25 or FY '26. So that's why from a Sterling perspective, I thought I'll add that on.

K.S. Ramakrishnan: Yes, I can add a bit on the DEI perspective where this technology change, like Debasis mentioned on an average in the world it's one in three years but in our case it will be after 7 years. In fact, we have been very patient to make sure that we build something that's completely ahead of the curve as we build . And as I've mentioned in my earlier conversation, we are changing to an FR based solution.

So any guest that comes to a park doesn't need to take a picture, turn and go off. He can just go and instantly access his images on his mobile just by facial recognition. So a large part of it has been done in '24 and some more that will be done in '25 but we believe that this will be a robust investment for us for the next decade as such.

Moderator: Thank you. The next question is from the line of Dhaval Desai from Girik Capital. Please go ahead.

Dhaval Desai: Great set of numbers. A couple of questions from my side. First is on the recovery compared to the pre-COVID time. So India outbound in FY '19 was around INR2,600 crores by when do you think we can get back to that number? Yes, that's my first question.

Mahesh Iyer: So, Dhaval, this is Mahesh. Two parts to it, I think you must look at the India outbound in two parts, there is B2B and B2C sitting there. The B2B is represented by the MICE part of the businesses, which is SOTC and Thomas Cook both representing that part.

As far as that part of the business is concerned, we are already trending ahead of the pre pandemic, in fact, 15%, 20% ahead of the pre pandemic. If you look at the holiday side of it, B2C part of it, over there, there are 3 subsegments to it, there is short haul, domestic and long-haul. As I mentioned, short haul and domestic is already trending to the pre-pandemic level, and the long haul is where the recovery is subpar or sub pre pandemic.

For the quarter ended March '24, we were about 77%, 78% to the pre-pandemic level. Our expectation, as we have guided before, is that FY '25 should see more like 100% recovery to the long haul. I will also call out here that we are seeing some trend changes. The long haul is getting redefined in some form.

We are looking at people who are taking more shorter breaks, so whether it will remain now to be defined as long haul or it will be visible in the short haul growth is how we have to start looking at it. And as Madhavan alluded to it, look, while the input costs have gone up and the overall volumes look great. There is still a lot to do in terms of count of transactions. And I think the number of customers who deal with us and all that is coming back. Our expectation is FY '25 should see that recovery.

Dhaval Desai: Interesting. My second question is on Sterling. So, we are doing phenomenal there. The tailwind is also helping us, now going forward, will the margin trajectory be broadly in this range if we change the model to more greenfield resorts rather than the partnership model, what we're doing right now? So, what is your sense on the margin side? And also, at any point in time in future, would we think of demerging Sterling and listing it separately?

Vikram Lalvani: Let me take the first part of the question. Now generally, the margins in the hospitality space are about 30%, 35%, right? And in fact, several brands are eyeing to get towards 35% margins or EBITDA. And we have already reached that particular level. Now even going forward, it will be in this range of 34% to 36%. I think that's the right range to actually be in. So that's to do with the entire margin set

Now when we get into expansions in terms of an asset right, obviously, there is a balance that between -- when we say asset right is a balance between management contract rooms and taking P&L rooms, which are either on revenue shares or on lease. So that's the balance we will continue to maintain so that we are able to maintain this EBITDA of 34% to 36%. As far as potential Greenfields are concerned, which could possibly get into FY '26. We will do a careful evaluation of those Greenfields and the results that we would get and how fast we are able to turn them around. And then I would be able to comment on that. So that's my answer to that question.

Dhaval Desai: Sure, sir. Sir, the occupancy rate is around 61%, and we are also aggressively adding a lot of rooms. So would that number be at this level for '25 as well? Yes, your thoughts on it?

Vikram Lalvani: Okay. Good question because we keep adding on inventories. And as you're aware, in the leisure space, depending on seasonality, it does take time to ramp up the new inventories. But having said that, I will clearly state that we do have a headroom in occupancies. Typically, leisure occupancy should be at about 65% through the year because of the seasonality factor as well. So we do have a headroom in occupancies. And to that extent, we are looking at even bridging that headroom gap that we have and getting into faster ramp. So to that extent, our headroom is still available to us for future growth as well, both of the current properties within our portfolio as well as the new ones. So to that extent, we have an opportunity there.

Dhaval Desai: Okay. Wonderful.

Madhavan Menon: To answer your question, if I give you any answer, it will be speculative in nature. So let me say that there is nothing planned at the moment, and that's where we stand.

Dhaval Desai: Okay. Okay. Just last thing. What will be our ROCE for Sterling for '24?

Vikram Lalvani: I'll have to just get back to you on that. Just give me a minute, all right? So we can probably proceed, and I'll come back on that.

Dhaval Desai: I'm done with my question. You can just answer it during the call.

Moderator: The next question is from the line of Anushka Chitnis from Arihant Capital.

Anushka Chitnis: So I have a couple of questions. The first is about the DMS business. What is the current contribution of profitability on the travel side from the DMS business? And what can we expect from this next year? And my second question is regarding the associate income component on the P&L for the quarter has grown substantially Y-o-Y and Q-o-Q. So can you throw some light on that?

Debasis Nandy: So Anushka, on the DMS, as I think I mentioned this when I spoke, that DMS now contributed 41% of the turnover for the travel segment, which used to be about 30% pre-COVID. The business has grown about 27% during the year. So it effectively improved its contribution as a percentage of the overall mix substantially during the year. Your second question is on the breakup of the associate income. For the quarter or for the year? Sorry, I missed that. Are you talking about the quarter or the year?

Anushka Chitnis: Yes, sir, for the quarter.

Debasis Nandy: So for the quarter, the associate income is rising out of two of our JVs, two of our associate companies. The other one is a JV, which is TCI Go Vacations. There's income of about INR 13 million from there. The second is an associate company, which we have in Sri Lanka, which gives us INR5 million for a total of 17 million out of that. So that's the breakup.

Anushka Chitnis: Actually, the DMS question was regarding the contribution of the profitability to the travel business. So on the bottom line, how is it looking?

Debasis Nandy: We normally do not split the EBIT beyond the travel sector. We don't get into EBIT at a subsegment level. That's how we have always done it. But I can assure you one thing. But then if you look at DMS as a whole, it is certainly very profitable right now.

Moderator: Thank you. The next question is from the line of Jigar Jani from B&K Securities. Please go ahead.

Jigar Jani: Congratulations on a very good set of numbers. So 2 questions. One, coming back to the travel side. If you look at the leisure segment of this, we are now almost 60% compared to FY '20 level. So when you say that we will see a rebound in FY '25, overall, how much rebound from the pandemic levels do you expect for FY '25 and '26 overall.

And what implications will it have on the overall Travel segment margin? So right now, your EBIT margin is 3.4%. And considering that transactions are likely to come back and long haul is also slightly coming back, plus your DMS is getting profitable, which you mentioned in the presentation and press release. How do we see the travel-related margins going ahead? That's my first question. I would just ask my second question after this.

Mahesh Iyer: Jigar, I'll take that question. Mahesh here. As I said before, and I think this question came up before, too, we expect the recovery in 2025 on the travel segment to be almost closer to the pre-pandemic level. There will be some subsegments within that, let's say, our DMS operations here and there, which may not be 100% of the pre-pandemic. But I think the focus for us, as Madhavan has always emphasized, is to say that we are not discounting on our margins.

So we are actually going to see the travel segment EBIT margin is going to be improving for two reasons. One, when the volumes contract, your gross margins will stay intact. And that will flow through to your bottom line because the cost transformation that has happened will not let the cost go up. And the digital transformation that we have done will ensure that the productivity measures are kept in place. So clearly, we expect a lot of flow-through of the increased revenue to come to the bottom line. And hence, it's reasonable to estimate that our EBIT margins will improve from where we are currently based on the higher volumes that will come through.

From a recovery point of view, as I said, outbound businesses, we expect the recovery to be 100%. Dipak, during his conversation, spoke about inbound businesses and said how he expects the recovery to happen and expecting an 18%- 20% growth in the current year. And I think on the DMS business, Debasis alluded to it in that we had a strong growth in the financial year that went by. And our expectation next year is that we should be rather repeating a similar growth trend. And I think if you add those 3, you would see that our overall top line or revenue income from operations actually resonate to what we were in the 2019 year levels.

Jigar Jani: Okay. Understood, sir. And does it imply that you could get mid-single-digit kind of margins on travel given all these factors are playing in our favor?

Mahesh Iyer: Well, Jigar, because that is what we have always maintained. Our ambition is to move our EBIT margin to close to that 5% range. We are currently about 3.5%. So there is some room for us to grow. But I think that will come from the volume groth that will come because we're not giving away our margins or the cost benefit that we have had over twhe few years. So we're going to retain that. So it's reasonable to expect that when the volume growth comes back, some of the improvements will stay with us.

Jigar Jani: Right, sir. And on the MICE business, obviously, we are sitting on a high base right now, even that FY '24 had G20 and Khelo India in that base. Steady state, we should see MICE also growing at a double-digit kind of 15% odd mark given that whatever you have spoken about inbound travel coming back overall. So 15% kind of growth should be expected on MICE given on the high base?

Mahesh Iyer: So Jigar, first, I think I'd like to mention here that MICE is not to be looked at from an inbound perspective. It's more from an outbound perspective. It's more like a B2B outbound. We are taking large incentive groups and events and conferences and stuff like that. Traditionally, this business has been growing at about 12%, 15% post-pandemic. Obviously, the recovery was slow because not too many markets were open and stuff like that. The domestic was the first to come back.

But post '22 and '23, the whole of FY '24, what we've seen is the recovery on the long-haul MICE, which is more international has come back very, very strongly. All the destinations are attracting India. India has become a very strong outbound market and enough and more tourism bodies are coming and investing in India and trying to attract customers to visit their countries.

So we see there's a strong demand coming. Appetite from corporate to spend is there. And you'll appreciate the fact that the entire MICE business is based on rewarding your distribution network. So if you talk about the paint companies, you talk about the insurance companies, you talk about a whole lot of people who depend on a large distribution network to distribute their products. This is more like an R&R program for them. So if you are going to see their volumes grow by 15%, 20%, it's reasonable to expect that they will be spending on the distribution networks, too. So yes, I would expect that you will see that teen double-digit growth.

Jigar Jani: Right, sir. And any acquisition plans given that across any of the businesses, given that we have been generating or we will generate significant free cash flows overall over the next couple of years and we have historically been acquiring companies to build businesses? Any plan in the future as of now?

Mahesh Iyer: Not really, Jigar. I think you've seen the pandemic did have an impact on us. We took a bit of a hit on our balance sheet. We're back into the cash generation cycle. Our objective is to start building the cash on our balance sheet, and we'd like to conserve some cash. We don't have anything in the horizon, neither are we in any conversation with anyone at this point in time.

Jigar Jani: Sure sir, thank you so much for answering the question and best of luck.

Vikram Lalvani: Yes. Vikram, here. Can I just step in? Mr. Dhaval had a question.**Krishna Kumar::** On the ROCE part, I think on the FY '24 financial results, if you take the capital employed, which is the return we have generated, it's close to around 20%.

Vikram Lalvani: It's 20% and it's ahead of the peer comparison.

Moderator: We'll take the next question from the line of Prolin Nandu from Edelweiss Public Alternatives.

Prolin Nandu: Sorry to harp on the same question which Jigar asked. So if I look at your FY '19 numbers, right, the total top line from the travel and related service was close to INR6,000 crores. And if I look at the breakup of that number, right, I mean there is a segment of MICE already, which was there in FY '19, right, which was, if I'm not wrong, I mean, close to around 18%, right? And travel outbound and inbound was close to around INR3,000 crores.

So what I'm confused is that when you mentioned that long haul is going to come back to normal. What is the number in absolute terms that we are comparing it with, right? and what is the number in FY '24? If you can help me. I mean otherwise, it's a bit confusing because MICE was already included, and you mentioned that MICE was part of the travel segment. But MICE is a separate pie chart item in your FY '19 presentation. So if you can give like-to-like numbers, that would be great.

Mahesh Iyer: Prolin, I think what I was trying to make a mention is because Jigar mentioned MICE with the breadth of inbound. And what I was trying to say is that for us, MICE is measured in terms of outbound and not inbound. I think that was the point I was making. So I just thought I'll give clarity on that.

Yes, in the overall travel segment, we have B2C, which is holidays. We have B2B, which is MICE and corporate travel. And then we have got inbound businesses in India and overseas. So that's how the entire travel segment is built up. What we are trying to tell you here is that if you look at the outbound business, there was roughly about INR2,400 crores in FY '20. And our expectation is that we will see that number coming back in FY '25. That's the point we are making, yes. And that comprises of your short haul as well as long haul.

And also, we have an outbound unit out of Hongkong that's also sitting in the outbound unit, and that would also be showing a recovery. You will realize that Hong Kong as a market didn't recover for a large part of 2023, and we expect the full recovery to happen in 2025.

Prolin Nandu: Sure. And what is that number? I get your point, and I'm looking at that INR2,400 crores. What was that number in FY '24 for the like-for-like comparison?

Mahesh Iyer: We were roughly about close to about INR1,400 crores.

Prolin Nandu: Okay. We were at INR1,400 crores. So that number should go back to INR2,400 crores is our estimate, right? Okay. And sir, this number itself going to INR2,400 crores will lead to a substantially -- I mean maybe the rest of the segment will also grow. And we are -- on an overall total basis, right, you have INR5,600 crores of top line. You have INR6,000 crores in FY '19 and maybe similar to kind of INR5,700 numbers in FY '20. So you mentioned that we would be on an overall basis right there, right? But we are pretty much there, right? So the growth should be substantially higher, right, in terms of overall revenue?

Mahesh Iyer: Yes. I think it's important, Prolin, to understand that the questions that were done was more about how do we see the trajectory on the outbound. As I said, from an overall travel perspective, we are already there. But I think it's all about saying what portion of the outbound recovery will you see because we've been always saying that we were a little backtracking on the long-haul side of it. We expect that recovery to come back. And will the INR1,000 crores addition will come out of long haul or accelerated pace on short haul? I think time will tell.

Prolin Nandu: Okay. Understood. Understood. No, that's very clear. And my last question would be on your free float, right? I mean this is close to INR1,200 crores. Now obviously, part of this free float fund some of the other businesses, right, in terms of working capital, right? But in terms of if we were to – punch in a number as to how much of this free flow can we invest in some of the risk-free instrument back in India at around 6.5%, 7%, what should that number be, Mahesh, according to you? What should that number be?

Mahesh Iyer: So Prolin, as you rightly said, when I say free float, these are floats coming out of my prepaid product on the foreign exchange business. Now in a form, this is restricted cash. This is not free cash, yes. And these are cardholder's funds. Hence, I need to ensure that we are well protected and well managed. We deploy them in instruments which are liquid by nature and at the same time interest-bearing. So we do a fair bit of treasury management on it.

If you look at our portfolio growth on the prepaid side, the last quarter, our portfolio grew by about 20%. Last year, year-on-year comparison portfolio grew by 14%. Typically, in a model like this, floats account for about anywhere between 4% to 5% of your overall portfolio. And we expect that this addition year-on-year will be anywhere between $20 million to $30 million.

Now we will be very, very cautious in how we deploy these funds because, as I said, these are cardholders' funds, and hence, it should be better managed and has to be in instruments which are liquid by nature. And that it's a Board-approved process that we follow, and we will continue to do prudent treasury management as far as these funds are concerned.

Prolin Nandu: But what would be that number? Sorry, again, to harp on it. The working capital requirement that is there in your other businesses, what could that number be right now which you are investing in safer instruments? I take your point that this is not free cash in a technical sense. But what would be that number out of INR1,200 crores that we are investing in risk-free instruments for a shorter tenure?

Mahesh Iyer: Prolin, we really don't invest into investments. We actually do swaps, yes, because what happens is you will appreciate that when I sell a prepaid card to a customer, I sell in foreign currency and he pays me in rupee and there is a delay from the time that I raised an invoice for the corporate to process the invoice and take the payment back to me. So in the intervening period, what I do is I take forwards and then I kind of manage the forward to swaps. That's the mechanism that I follow. But essentially, I really don't deploy funds out of these into my working capital. It's more about the day-to-day management in that sense. It's not a working capital in that sense.

Moderator: Thank you. The next question is from the line of Yash from Stallion Assets. Please go ahead.

Yash: First of all, I just want to congratulate the management and the entire Board for a successful turnaround for the business. I mean 2 years ago, we were north of INR250 crores of loss. And this year, we made INR250 crores of profit. So really, really well done on that front.

And my question basically is that looking forward to FY '25, given the expected demand recovery in your transaction volumes and your margin delta, especially in your travel business, and as we said that Q4 is the first quarter ever where Thomas Cook has made a profit, even before pre-COVID. Like FY '19, Q4, you had almost INR20 crores of loss. So you have -- I mean, I just feel that the business is at an inflection point right now. So do you feel that we can make about INR400 crores of PAT for the next year? How do you feel about that in terms of a trajectory going forward?

Mahesh Iyer: Yash, I'm sorry, I can't comment on a number like that. We have already guided to say what kind of growth trajectory we see and the kind of initiatives that we are taking to control or rather operate at the margins that we are at, manage our costs and focus on our productivity improvements. But to give a straight number to say what can that be, I'm sorry, I won't be able to comment on that.

Yash: Sure. No problems. No problems. I just wanted to understand that -- because your tax rate and our interest costs have been very volatile. So is it something that you can guide from FY '25?

Debasis Nandy: So maybe, Yash, Debasis here. I can take that question. So actually, interest costs are not volatile, to be honest. If you look at our current year interest cost and if you take the current quarter, which is probably a better presentation, our total finance charges, as I would like to put it, is about INR26 crores as against INR23 crores last year, same quarter last year.

Out of the INR26 crores, about INR5.5 crores is the real interest. About INR6.5 crores is the interest on lease rental, interest component of lease rental, which is more of accounting thing than anything else. And the balance, which is the bigger part, the INR14.5 crores, is bank charges for various things. This could be for usage of credit card. This could be for cash management charges. This could be for even payment gateway charges.

Important to note that these are volume related. This actually indicates when these charges, the bank cards go up. They indicate higher volumes of business. And most of this is actually recovered from the customer because, for example, payment gateway charges or credit card charges are actually recovered from the customer. We don't bear it.

So going forward, we'll continue to see a reduction in interest. For example, same quarter last year against the INR5.5 crores of actual interest, we have paid INR8 crores. But the bank charge has actually gone up from INR12 crores of last year to INR14.5 crores this year. That indicates the increase in volume. So at the overall level, yes, the overall finance cost will keep on going up, but it really indicates the improvement in volumes rather than charges for working capital.

Yash: Okay. Okay. And what about your tax rates? Do you think we can have like a normal 25% going forward? Or how do you look at that?

Debasis Nandy: I think our taxes are fairly normal. I mean I'm not really getting the drift of that question. Is there something specific that you say?

Yash: Because last quarter, your PBT was 61. I mean if you see the quarterly numbers, I mean, I think it was a 7% tax rate. So I mean it's fluctuating quite a lot.

Debasis Nandy: See, we are a group. We are not a one single company. And we are across multiple countries. So if you look at the tax rate, Thomas Cook, the stand-alone company operates at a higher level of tax and we are still in the old regime of tax and not the new regime. The rest of the company in India are on the new regime, which is at a lower rate.

There are also some of the companies in India and abroad have accumulated tax losses because of COVID, et cetera. And those are being utilized now. And therefore, the tax rate does look a little -- the ETR, so to say, the effective tax rate, does look a little off. But if you see the financial year, if you want to get guided, you can take the average tax rate for the full financial year and be guided by that at least for the next couple of years.

Moderator: Thank you. The next question is from the line of Anil K from K16adviser. Please go ahead.

Anil K: All my questions have been answered.

Moderator: Thank you. The next question is from the line of Naveen Baid from Nuvama Asset Management. Please go ahead.

Naveen Baid: Could you give some sense on what could be the growth and margin outlook on the DEI segment?

Ramakrishnan: Yes. So the outlook for DEI, as I said, we have increased focus on the GCC, mainly Saudi, Egypt and Qatar. And in UAE, we said that we have some more opportunity to grow. We also are expanding and looking at huge, more profitable business in the Asian market, mainly Indonesia and Malaysia. Indonesia and Malaysia have been important in the last years. Post pandemic, we've seen a rapid opportunity of growing this. More outlets are opening there. So those are 2 main areas. Our focus is to increase our offering and increase our updates from the rest, which is where our technologies are coming in.

And our tech piece, this is very important for us. This is where we are deploying all our energy towards because the entire mode of transaction is going to reduce some time by at least 70%. So if average transaction time if we assume is 3 minutes, it can be done and lessened in about 40- 50 seconds. So also in the technology, we are in adding mobile based instantly, which is currently when people go and take the pictures.

We offer them the see it on a screen. they can buy it and go home and then download it. With the new technology, it will be instant downloading on their mobile, so which means when we capture the picture, it goes up on cloud and then on their phonesin less than 14 seconds into their phones. So that we see as a real opportunity going forward. Although all of this will take time and has gestation ,(01:11:50) we are deploying the solution. So we see a full blown benefit of this in the next year, precisely.

Moderator: Thank you. The next question is from the line of Akshat from Flute Aura. Please go ahead.

Akshat: So most of my questions have been answered. But I just want to understand the seasonality for FY '25 in travel and related businesses. So I was going through the previous numbers. So the FY '19 Q2 was the best quarter in terms of revenue, and Q1 and Q3 were kind of similar. So going forward, how can we assume seasonality for travel and related segment?

Mahesh Iyer: So Akshat, Mahesh here. I'll take that question. Well, that used to be traditionally the model. April to June is the peak of the travel season. It coincides with holidays and vacations in India, and outbound is a large part of it. Similarly, MICE is to also peak out during this period. So you used to see a bulk of those volumes coming in. And those were also the periods when the DMS entities were not to their full scale. So when you look at it now into '24 and '25, you will find that volumes from DMS will come, and there are seasonalities that pay out for them, too.

But the new trend that we are seeing is that holiday is actually now becoming a 12-month affair -. And as Debasis mentioned in his closing comments when he was talking about it, that this is a new quarter for us. For the first time, we've actually seen FY '24 last quarter, which traditionally used to be an investment quarter has turned out be profitable, and we believe that this is a new way to look at the businesses.

And our belief is that with customers now choosing to take shorter breaks, multiple breaks, travel is going to be less and less seasonal. And we will have to wait out for maybe 1 or 2 seasons to see as to how it plays out. But current trend actually tells us that it's going to be less seasonal going forward.

Moderator: Thank you. The next question is from the line of Manish Parekh, an individual investor. Please go ahead.

Manish Parekh: Congratulations for a good set of number. Sir, on a blended basis, how do we see margins going forward? Is there still room to expand in FY '25 as well considering that we are expecting growth in revenue for FY '25?

Mahesh Iyer: So Manish, again, as we said, across all lines of business, we are focused on improving our margins. We've been helped by some of the improvements in the input costs and the appetite of the customer to continue to travel despite the input costs being higher. We are being opportunistic. We are trying to capture what we can.

I believe that a lot of it has already been done in FY '24. Wherever there is more opportunity, we'll definitely grab them. As you'll appreciate that we also have got benefits of common buying between SOTC and Thomas Cook and also working with the DMS units. So all of those benefits on the higher volumes that will flow in will definitely be reflected in our gross margins as we go along.

Manish Parekh: Okay. Because I had watched Mahesh's interview on CNBC wherein he talked about there is still scope for margin improvement from current levels. So that is why the question was there.

Mahesh Iyer: And the logic was the same that I just mentioned, Manish.

Moderator: Thank you. The next question is from the line of Dhaval Desai from Girik Capital. Please go ahead.

Dhaval Desai: Yes. Thank you for the repeat opportunity. Sir, my question is on the MICE business segment given you mentioned that the target customers are growing in size, and that's why you're going to see a double-digit kind of volume growth. Now with regards to the pre-COVID, the size of your target customers is quite big, and the future also looks quite good.

Has there been a change in the way they were organizing travels for their dealer, distributor network, their own staff and employees? And when this company become large in size in terms of their employees and distributors, does your scale advantage come to play and you can flex your muscle and defend the competition in a much better way, offer more services to your clients? So some thoughts on how have been your size, scale is helping you to get a competitive advantage in this MICE segment?

Mahesh Iyer: So Dhaval, two parts to your question. First, I'll talk about how we see the opportunity and how corporates are behaving. As you will see that every company is looking to expand their reach. They are going into new markets. And when you enter new markets, either you can set up your own store or you go the distribution route. And I think a lot of the FMCG and other companies are using the distribution route to penetrate into Tier 2 and Tier 3 and Tier 4 markets.

MICE as a business, as I said, is more like an R&R program. They like to keep rewarding the distribution network. And there are new entrants coming in. If I take an example of a paint industry, and I'm sure you would have seen that happening, there are 2 or 3 new entrants who were coming in that space. If you talk about insurance, there are new players coming in that space. So clearly, each one trying to expand their volumes will either go and get new set of distributors or piggy bank on the existing network. And there is this race to be better than the other.

So operators like SOTC and Thomas Cook will have to constantly keep upping their game in terms of experience we provide. We are not just big players who joined the dots, but we also focus on experience because that's what differentiates us from the rest of the lot. So clearly, where experience comes into play, I think we get an elbow room to flex and also make a little more margins than a new player can do. So to that extent, there is some availability to us in terms of flexing our mussels.

Talking about how we see the trajectory of growth, I think we've already said the market is looking good. Appetite to travel is strong. Corporates are spending. They are looking to grow their bottom line as a result of the growth in the top line. So we expect this growth to be in the, as I said, high double digit, in the range of about 15% to 20%. That's the kind of expectation we have for FY '25 and beyond.

Dhaval Desai: Sir, a lot of corporates take their teams to Thailand, Vietnam segment, which I hear are the highest. So now from our perspective of giving something more, also on profitability perspective, do we also focus more on that, I mean all other part destinations or the same country? Because I think the competition could be very high. I've seen some small-time travel agents tour operators also, organizing MICE events for companies and taking 300 to 400 people to these Thailand, Malaysia kind of destination. So yes, your thoughts on it.

Mahesh Iyer: So Dhaval, I think you must appreciate the fact that the entry barriers on the travel business are actually none, yes. But as I said, and I alluded to that to say that we are experienced creators. You may probably get a group of 100, 150 from a corporate getting into Thailand. You can probably manage that. But when you want to create that experience on to a place called Iceland, you want to create that experience in a place, New Zealand, you want to create something 30-feet down under in Maldives, I think it requires a specialist like Thomas Cook to be able to create that. And that's what our core competency is.

So we know our space that we play, and corporates also evaluate us. It's all about saying that you need to operate with someone at the first time, see what he delivers on ground and compare it with somebody else. And please bear in mind, the distribution network that we are talking about are not distributed only to one, but they distribute multiple company's products.

So when they travel with someone and see the experience, they come back and say, I went on a tour with Thomas Cook, and that experience was far superior than this, which means that there is a word of mouth that happens. And then the corporate starts inquiring with us, saying that what is it that Thomas Cook did and can we replicate that for us. So that's how the business is built. It's more relationship. It's more experience driven. And we are trying to focus on that.

Moderator: Ladies and gentlemen, this will be the last question for today, which is from the line of Meet Shah from Finnovate. Please go ahead.

Meet Shah: Congratulations on a great set of numbers. My question is on 2 of our business segments that may go through disruption. That is financial service and Digiphoto. With more and more adoption of UPI, and now UPI is going global, how will our product differentiate UPI and why an individual will use Thomas Cook's forex card over a UPI? Also, nowadays with the advent of technology, camera quality in the smartphones has improved a lot. So the service Digiphoto provides can be really replaced using smartphones. So why any individuals will use ourselves?

Mahesh Iyer: What I'll do is I'll take this question in 2 parts. The first part on forex, I'll take it. And the second part of the question, I'll put my colleague Ram to answer that. He's been running this business successfully for the last 15 years. So I'm sure he knows the success formula there.

Coming to foreign exchange and UPI, you'll appreciate, yes, UPI is going global. It's operated in the, I would say, cross-trade transactions. But clearly, the acceptability of that is currently much lower. If you look at the prepaid card, it's no different from what UPI can do. It is a prepaid plastic. It can also inside on your phone. And that's the next set of innovation that you will see coming from the Thomas Cook stable where you don't need to even carry a plastic and have to keep it on your phone.

So essentially, what you're saying is that like UPI, you have your currency on your phone. You can go and tap anywhere that you want to do. It's also important to highlight that tap and pay as a model or QR code as a model globally is still coming off age. It's not at every place. Especially the markets where customers travel to us, we haven't seen that penetration to be large. And we are cognizant of the fact that that's an area that we need to keep working on.

The sweet spot on getting to the prepaid card space is that the card is valid for 5 years, which means if you book the customer for 5, and we are trying to build that journey with the customer so that he knows he has an experience of being with Thomas Cook. And he likes that the product does the same that UPI can do.

I also had to let you know that we also have -- while we distribute Mastercard and Visa, we also distributed the RuPay cards. We are in active dialogue with NPCI, working on some of the options that we can bring, which can be taken global. So yes, we are cognizant of what can come, and we are working towards that. But I must emphasize here that our prepaid card today, we represent about 26% of the market, and it's been growing at about 40%. And if I look at the 10-year CAGR on this, we've been growing at about 15% on a 10-year period.

So yes, we've been getting some scale, and we believe that we will be able to differentiate ourselves in the marketplace as we go along. And the proof of that is when we launched our Study Buddy, we understood what the customers want, what that need of the customer was and created an offering. I spoke about it in my commentary about the enterprise product. So we understood the need of the enterprise and launched something. We are working on a holiday product, which we believe will be superior to what we currently offer. So essentially, we are segmenting the customer and creating products that suit their requirements. And I believe that's a good strategy to go forward.

Madhavan Menon: Can I just add? The thing is I think as a group, we are focused on clearly adapting to new innovations that are appearing across our businesses, be it the conventional, I mean, ground structure, be it our distribution channels, be the way we interact with our customers. That entire exercise has been going on for a couple of years. So it's not a question of whether our model works or not. It's our ability to adapt to the requirements of the market, and that's something that we have done. I mean today, if we look at our distribution channels, we operate through multiple channels, which was not the case 5 or 7 years ago when there was only one channel and nothing else.

So I think it's important to recognize that we will continuously innovate, adapt to achieve alignment with the market's expectations because at the end of the day, all of us are selling experiences. We are not selling a hotel. We are not selling a flight. We're not selling a sightseeing event. The business that we are in, we're selling experiences, and that needs to come in multiple touch points. So I think that's what I want to say. Thank you.

Mahesh Iyer: Ram, do you want to take the second part?

K S Ramakrishnan: Yes. I would like to say that if you can just repeat the second part of your question, if you don't mind.

Meet Shah: Yes, sure. So nowadays, with the advent of technology, camera quality in the smartphones has improved a lot. So the service which Digiphoto provides can be easily replaced using smartphones. So why any individual use our services?

Ramakrishnan: Okay. So on a lighter note, I will say for the 20 years I've been thinking why do people still buy our pictures? We've been growing year on year. One of the facts that you have to understand is smartphones taking good pictures have been there for the past 5 years, okay? It's not been any different. Now the pictures are getting better, but the pictures were there good pictures from last 10 years from smartphones. Last 5 years, fairly high-end technology.

Our image is sold due to the emotion. Like Madhavan mentioned, we are selling experiences. We're no longer just selling a simple picture. We are selling a video part of it. We are doing a lot of stuff. We're adding a lot of enhancements on it. We're doing augmented reality on it. So it's way a lot more than just another complete picture.

So it's an interesting model that we've been embarking on, and the response of the consumer is growing. Everyone , no one wants to refuse buying that moment where they spent a lot of money and throwing a lot of monies to come and pay.

That emotion is something with your own phone, you're not undertaking, either it's you or you are requesting somebody else to take your picture. Our technology and our presence makes the entire company to be together looks the the best when we compose it together So I hope I've answered the question on why people do like using Digiphoto. And as far as technology go, we are ahead of the smartphone in that what we can do, you can't do it on your smartphone image. You can't add augmented reality. You can't add video elements. You can't do auto edits. You can't do auto correction. How much ever you do on your own, both still and standard and video offerings.

Meet Shah: Okay, sir. Got it. My next question is related to white paper published by RBI related to the money changer. How will this move impact our foreign exchange business?

Mahesh Iyer: So I think there was a discussion paper rolled out by RBI. I think different participants in the industry have given their views. We have to wait for the regulator to come back and give us some direction as to how we are thinking about it. One of those things that they have spoken about is they want to introduce this concept of FxCs, which is FX correspondents.

We believe it will bring us a lot of consolidation in that space because we have about, give or take, 1,500, 1,600 money changers who operate in this country. When the FxC concept comes, they have to actually fold under an AD2 or an AD1, which is a bank or akin to Thomas Cook. And I believe some amount of consolidation will happen in that space. But we'll have to wait out and see what's the policy statement from the regulator is and then accordingly measure our actions or strategy around that.

Meet Shah: Okay. Sure, sir. If I can chip in a small question, we have over 15 billion of cash on the balance sheet. So is there any plan for buyback to reward the shareholders?

Madhavan Menon: I think we've already answered that question earlier when I talked about the dividend. I think the word reward depends on how you perceive it. In our case, it's not a question of reward, but it is our way of showing gratitude to our investors who stayed with us through this period. And as and when we see opportunities, we'll address it as it comes up. But definitely not rewards.

Moderator: As that was the last question for today, I would now like to hand the conference over to Mr. Madhavan Menon for closing comments. Over to you, sir.

Madhavan Menon: Ladies and gentlemen, thank you very much. I think we covered a lot of distance today in terms of questions as well as the answers. And let me just conclude by assuring you that we are very focused on cost management. We are very focused on margin management and constantly upgrading our technology so that we can stay at pace with the market.

There are things that are happening in the market. I mean today, everybody thinks that AI will fit every pocket that you find in the world. We are one of those pockets. And we'll have to review it and understand how it's going to impact us or how it's very good to implement it. So I think there are a variety of opportunities out there. But right now, our focus is to get our business completely back to normal across all the segments that we operate in. And the reality is we operate in multiple geographies as well as multiple segments.

So with that, I thank all of you again. Thank you very much.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of IIFL Securities Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.