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August 9, 2024

The Manager,
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Fax No.: 2272 2037/39/41/61

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G Block, Bandra-Kurla Complex, Bandra (E),
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Scrip Code: THOMASCOOK
Fax No.: 2659 8237/38

Dear Sir/ Madam,

Sub: Transcript of the Analyst and Investor Earning Conference Call

In furtherance of our intimations dated July 25, 2024, July 31, 2024 and August 2, 2024 giving intimations for the Q1 of FY 2024-25 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 August 2, 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_Q1_FY25_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: 2024.08.09 17:26:49 +05'30'

Amit J. Parekh
Company Secretary and Compliance Officer

Encl a/a

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Thomas Cook

Thomas Cook (India) Limited:

Q1 FY25 Earnings Conference Call - August 2, 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 – SOTC Limited
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 Thomas Cook (India) Limited Q1 FY'25 Earnings Conference Call 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. Ranjit Cirumalla from IIFL Securities Limited. Thank you, and over to you, sir.

Ranjit Cirumalla: Thank you, Steve. Good morning, everyone, and thank you for joining us on Thomas Cook (India) Limited Q1 FY '25 Earnings Conference Call. From the company, we have with us Mr. Madhavan Menon, Executive Chairman, and the senior management team. We would like to begin the call with brief opening remarks from the management, following which we will have the forum open for an interactive Q&A session. I would now like to invite Mr. Madhavan Menon to make the initial remarks. Thank you, and over to you, sir.

Madhavan Menon: Good morning, ladies and gentlemen. Let me just introduce the management who will participate in this call. Mahesh Iyer, the MD of Thomas Cook India; Mr. Ramakrishnan, the MD of DEI; Mr. Vikram Lalvani, MD of Sterling Holidays Resorts; and Debasis Nandy, the Group CFO. I would like to address several issues in today's call, so just bear with me.

First of all, thank you very much for participating in this call. If I look at the results, the consolidated profit before tax was INR 107 crores, which is a growth of 17% year-on-year after excluding the mark-to-market numbers. You will appreciate that the mark-to-market numbers last year are really not comparable anymore because the number of Quess shares that Thomas Cook holds is significantly lower this year than it was in the previous year.

If I look at the total income from operations, it was 11% at a consolidated level, and if I compare that to the PBT, it will be very evident the productivity benefits that the company continues to carry as well as the benefits of the cash holdings across the group. In terms of travel services, and I'll talk briefly about each of our businesses, travel services and foreign exchange had a good quarter. Their combined EBIT grew 20% over the previous year.

As far as Sterling is concerned, I would like to draw your attention to a press release that was released to the exchanges this morning, which has a detailed explanation of Sterling's performance. However, I will leave it to Vikram to address your questions on that. Having said that, I think I need to draw your attention to the fact that Sterling, in essence, is in an investment and expansion mode and has been in this state since the previous year.

Just for the record, if I take the calendar year '24, they have already opened five resorts this year, and they are planning to open another eight to ten resorts during the rest of the year. You will appreciate that opening a resort has a gestation period. It doesn't mean that you open the doors and it will start doing business the very next day.

I would like to address the last point. If you look at the earnings of the group, it clearly reflects diversity both from a business point of view as well as from a geographical point of view. So, in some ways, and I'm not justifying the performance of any particular company here, but the ability to manage movements in the performance of companies across the group through this diversity is a strength that Thomas Cook has carried for a long time and continues to carry. This is the last mention: SOTC, celebrating its 75th year, actually had a record profit in this quarter, and they will continue to hold for the year.

Just one more point that comes to mind: If I look at the performance in this quarter, I expect that there will be some points that you will have questions on. But I just want to assure you that in terms of margins, we have stable margins. I know there have been some concerns about it being flat, but I think the correct word is stable. Stability in our margins is something that we will persevere as we go forward. With that, I'm going to hand over to Mahesh.

Mahesh Iyer: Thank you, Madhavan, and good morning, everyone. I'll take off from where Madhavan left and quickly give you some key highlights before I get into the segments. As Madhavan said, income from operations, adjusted for MTM impact, grew 11% to INR 2,132 crores. This growth is largely attributable to travel and travel-related services, which grew 15%, led by holidays, where the growth was 21%. MICE, adjusted for the government business, you will appreciate the fact that last year we had done government businesses during the first half, in fact, actually the whole of the year. If I just look at this quarter and specifically if I adjust for that, the growth in the MICE business was 31%. India DMS business, which is inbound into India, grew 58%, and overseas DMS grew 26%. Consequently, EBITDA margins remained stable and resilient at 7.6% despite headwinds that we saw in some of the geographies that impacted certain segments of our businesses. As Madhavan said, there were some headwinds in some of our markets. Despite that, we held our margins at 7.6%. PBT, adjusted for MTM, grew 17% to INR 107 crores, which, as Madhavan rightly said, reflects the group's ability to withstand seasonal and external disruptions by the geographical and business segment diversification.

Moving on to the segmental performance, I will first talk about the foreign exchange segment. Revenue, albeit while it looks flattish, is important to call out, as I have been mentioning in the previous two calls, we had Bangalore Airport that we operated in last year. We ceased operations at Bangalore Airport from September of 2023. So, for one more quarter, you're going to see the Bangalore Airport revenue sitting in our books, but there was no profitability because it was either breakeven or a marginal loss case. So, we exited the Bangalore Airport contract, but that revenue sat in the last year. If I exclude that and the higher volumes on Hajj that we did last year, revenue actually grew by about 10%.

If I look at the growth that has come into the revenue, it is primarily coming from the retail volumes led by holidays, where the volume grew by 10%, and the student segment by 21%. Gross margins for the business improved from 1.35% to 1.5%, an increase of 15 basis points, largely led by the retail volumes. Card loads increased by 13% year-on-year, and the incremental float generation was INR 210 crores. Distribution footprint for the foreign exchange business expanded by 7 outlets during the year, specifically in Tier 2 and Tier 3 markets, aligning with our strategy of last-mile fulfillment and supporting our digital journey.

I'm happy to report that our digital adoption at this point in time continues to be at that 21% mark, and we'll continue to build scale as we go. As I mentioned the last time around, we introduced VKYC and TCPay, two pioneering products to the market, and we believe that will give further momentum to our digital adoption as we go along.

EBIT margins improved by 500 basis points, from 47% to 52%. I'll just call out that this is high but not necessarily something that we will hold on for the rest of the year. We have guided the market to a 40% to 45% range, and I believe that's the range that we will operate for the full year. This time, specifically, the expansion in retail margins and some benefits on our card portfolio led to an expansion of our EBIT margins, but we remain committed to the 40% to 45% guidance that we have given, and we believe that's sustainable in the long term.

Moving on to the Travel segment, revenue grew by 15%, led by Holidays, where the revenue growth was 21%, and MICE at 30%. The 21% growth in Holidays actually came from short-haul, domestic, and long-haul, with short-haul leading the pack with a 30% growth, followed by domestic at 21%, and long-haul at 13%. Outbound Holidays, as a part of the travel segment, stood at INR 610 crores for Q1 FY '25.

I think there was a question last time around, and we expressed that while if you look at FY '20, the total outbound market or the volumes that we did were close to INR 2,400 crores. Currently, in Q1, we actually had about INR 600-odd crores. So if I look at it from that perspective, we are at about 25% of the annualized volume. I believe what we guided the market to be more likely to be closer to 100% recovery, plus or minus some vagaries in the environment that may come along.

At this point in time, our confidence is that we would see a full recovery in the current year. Gross margins have improved, specifically on the B2C business, by about 50 basis points, largely contributed by the domestic and the short-haul segments. Consequently, EBIT margins improved by 40 basis points.

Again, I'll call out here that we guided the market to an expansion of margin. Our medium-term estimate is that the margins will go up to close to 4.5% to 5%. We have expanded our margins in the current quarter by 40 basis points from 3.45% to 3.85%, and we believe that over the next 4 to 6 quarters, we should be moving to the 5% range that we have guided the market to.

If I look at the forward bookings that we currently have, they look fairly strong. We had also mentioned in the previous call that the impact of elections will see a longish holiday/summer season, and we are witnessing that specifically in our short-haul or domestic volumes forward bookings, where they are actually trending double-digit growth. Long-haul is slightly picking up, but we believe that because it's a longer trend that we're going to see, we are witnessing strong demand coming in for the long-haul segment specifically in the winters.

MICE volumes, adjusted for the government business, grew about 20% Y-o-Y, reflecting the strong demand from the corporates for MICE events and indicating the corporates' appetite to spend. We managed large groups ranging from 300 to 2,500 people, and our forward bookings on this look very strong and indicate close to a double-digit growth at this point in time.

In Corporate Travel, ticket volumes increased in double digits, and we saw stability in the average ticket price. It's important to highlight that input costs have stabilized, whether it is land or airline. Despite that, our volumes have grown. So I think that's a good measure to have because the market is seeing some amount of normalcy, hence the growth trajectory can be better predicted.

As mentioned in our previous earnings call, the shift to international is visible. In the current quarter, the international volume was close to 52%, which moved up from about 45%. Domestic continues to be about 40%, and non-air contributes 8% of our volumes.

Before I hand over to Debasis, I would like to mention the recent announcement in the budget that allows the setup of TCS with TDS. We believe that this will leave a little more cash in the hands of the holidaymaker and should allow or help consumer discretionary categories like ours, where customers will have more money in their hands to spend. On that note, I'll hand over to Debasis to give you a little more lens on the India inbound and the overseas DMS segment. Thank you.

Debasis Nandy: Thank you, Mahesh. The DMS business in India and internationally had a fine performance this quarter. Between the two, the total turnover was INR 607 crores as against INR 475 crores last year, which is an increment of 28%. Compared to the pre-COVID years, it actually grew by 33% over the FY '20 number for the corresponding quarter. The inbound and the DMS business together constitute over 36% of sales for the travel segment.

If I go a little more granular and start talking about the individual countries, the Travel Corporation of India, which works on the India DMS segment, reported a growth of about 58% in this quarter. It is important to note that the April-June quarter is not a time when foreigners typically come to India, but even then, the business has done very well. The upcoming seasons, which starts from late October and goes until the end of March or early April, has good order bookings for that period.

As far as the other territories are concerned, Desert Adventures, which operates in the Middle East, reported a steady performance compared to last year despite disruptions caused by weather conditions, unseasonal rains, and flash floods in Dubai and Abu Dhabi in April. There was also a slowdown in Jordan due to disturbances in Israel and Palestine. The U.S. registered very strong volume growth in this quarter compared to the previous year. This is the peak summer season for the U.S., and the business is expected to deliver very strong results in this quarter as well.

Moving across to Africa, Private Safari in South Africa was slightly disrupted because of the elections. Now that the elections are over, we expect the business to come back strongly. And in case it is doing much better than what it was doing last year. In East Africa, particularly Kenya, where we have Private Safaris, sales are stable. The volumes are fairly steady in key markets such as the U.S.A., Germany, and the U.K.

In the Asia Pacific region, where we have one of our large units, Asian Trails, this is the unit which came back on the recovery path much later than others because the markets opened up fairly late last year, but business is doing pretty well. This is, again, not the peak season for inbound in Asia, just like in India, but the markets of Thailand, Vietnam, Malaysia and Singapore have done very well.

One call out that I need to make. In this quarter, we have to take a provision for a doubtful debt of close to about USD 0.5 million between entities in East Africa and in Asian Trails. This was necessitated by the sudden declaration of bankruptcy by a large European travel unit called FTI which happened to be one of our customers. And while the process of greater settlement, etc the resolution process is on we thought it's only prudent that we take this provision for doubtful debt at one go. So, the results that you see in this quarter is down by about INR 5 crores on account of this alone. So, on that note I would like to hand over to Vikram Lalvani so that he can talk to you more about Sterling Holiday Resorts

Vikram Lalvani: Thanks, Debasis. Good morning, ladies and gentlemen. My name is Vikram Lalvani, and I'm the MD and CEO of Sterling Holiday Resorts. I'm joined by my colleague, L. Krishna Kumar, who is the CFO. It's a privilege to interact with all of you today. As we've seen, Sterling has delivered a Q1 revenue of INR 1,257 million. Despite some temporary headwinds due to the elections in April and heat wave conditions in some parts of the country, Sterling has been able to deliver a growth of 9% to 10% in its Q1 revenues over the previous year.

With the addition of two resorts, one in Dehradun and the other in Udaipur during the quarter, I'm happy to inform you all that Sterling has now reached its first milestone of 50 resorts, hotels, and retreats in India. Just to repeat, about two years ago, we had about 30 resorts, and today we are at 50. Our presence has been strengthened with this expansion, including six resorts in Rajasthan. Last year, during the same quarter, we had only one resort in Rajasthan, and now we have six in Uttarakhand.

Over the last 12 months, Sterling has added nine new resorts to its portfolio, and many of these resorts are in the ramp phase, with seasonality expected to impact from Q3 onwards of this financial year. This includes the five resorts that we opened in the last five to six months, mostly in Rajasthan, which are all in the ramp phase. We did witness a temporary headwind in April because of the elections. April is a month where we have a large conferencing business, and many of these conferencing business blocks have actually moved to the future quarters of this financial year. However, we managed to replace this business with individual holidayers during the months of May and June.

With that, our available room nights actually increased by 9%. The occupancy was stable at 69%, mainly due to the fact that we have five or six resorts currently in the ramp phase. We had an average room rate (ARR) stable at INR 7,100 during the quarter, despite some pressures in occupancy, especially in the month of April. However, the growth in non-member room nights by 12% over last year, coupled with the growth in F&B of about 6% to 7%, resulted in an overall revenue growth of 9% to 10%.

In line with our rapid geographical expansion and a robust pipeline of contracted inventories on an asset-right model, the company is also investing in building key talent to cater to this growth. We have a total of 20 new resorts in the lineup to be added to our portfolio, which is currently at 50, and a growth of 40 over the next 12 to 18 months, or 1,000 keys. These will start coming in phases on a monthly basis. We continue to remain debt-free with a healthy cash reserve of about INR 2,000 million.

At this point, I would also like to reiterate that Sterling continues its transformation trajectory towards hospitality, having completely sunset the acquisition of long-term membership products from July 2023. Hence, the brand is growing aggressively using this combination of asset-light and low capital-intensive models for its expansion. As mentioned, we have a strong pipeline of 20 resorts and over 1,000 keys to be launched progressively in the next 12 to 15 months.

I would also like to state that we have maintained our profitable streak for 16 consecutive quarters. Our EBITDA stands stable and healthy at 34%. I will address two points which reflect the slight drop in EBITDA percentage values over the same time last year. First, we have five resorts, all in Udaipur, which opened in the last five months and are in the ramp phase. At this point in time, as new hotels open, especially in highly competitive markets, we have initial costs which hits you directly, but the revenue trajectory is upwards. This will become a multiplier in Q3 and Q4.

Second, with the expansion of almost 20 resorts and 1,000 keys, it was necessary to start investing in leadership and manpower in advance, which is what has happened in Q1 of this financial year. Just a few other highlights I'd like to mention: 19 of our resorts are ranked number 1 in their respective locations on TripAdvisor, and 65% of our resorts are in the top 5. 42 out of our 50 resorts are ranked 4.5 and above out of 5 on TripAdvisor.

Sterling Puri was also awarded the Best Resort for Destination Weddings at the second ET MICE & Wedding Tourism Awards 2024. All this is a testament to the growing strength of the Sterling brand in the hospitality space. Going forward, we expect the long-term demand to continue to grow in the hospitality sector. With many of our new resorts completing the ramp phase, we anticipate a force multiplier effect from Q3 and Q4.

This year is an important year where we will be investing in expanding our portfolio, as that is one of the key growth levers for us in the future. We have grown from 30 resorts two and a half years ago to 50 resorts today, and we are looking to reach at least 65 resorts as we move forward. It is an investment phase in progress, but EBITDA will remain stable and in line with, if not above, the hospitality industry average. Thank you so much.

K S. Ramakrishnan: Good morning. This is Ramakrishnan, I'm the CEO and MD of DEI. I would like to take you guys to the quarter and the year. In general, financial year 2025 and quarter 1, in particular, is going to be a challenging, unique, but extremely enriching and rewarding year for DEI in the long run. The quarter that went through, obviously, our revenue had dropped by about 7% from INR 223 crores to INR 207 crores.

This is predominantly, as Debasis had mentioned again on -- due to the bad weather that affected UAE, which is one of our primary markets. and substantial contribution comes from there. That was in the month of both May and June. April started and May and then June got a bit better. China also was under a cold wave, which also affected some of our revenue up there, albeit with these 2 major markets having some drops, our supplementary markets, particularly in Singapore, Malaysia, Indonesia, saw some substantial growth about 30% to 35% in revenue.

The quarter also while comparing with quarter '23 when we compare the quarter-on-quarter last year had Korea and Mauritius in operations, which we have discontinued due to non-profitability. A sizable amount of this revenue also was affected by U.S.A. where we have moved out from non profitable businesses and now focusing more on profitable businesses.

All of this over and above has been quadrupled by the fact that we are right now investing into a new technology that's going to go live by the end of this calendar year. And that makes it even more challenging because we have double costs going on with our old technology and the new one. But that's particularly only for this year. The road ahead is pretty strong and solid for us. We've had new businesses nearly about 13-odd partnerships signed for this -- in this quarter alone, which tantamount to about roughly about INR35 crores of new business.

Also, it's also been a very, very unique year, as I mentioned before, because this is a year when more than 70% of our total portfolio is under renewal and the good news is more than 91% of that has been renewed. So overall, that makes us in a very strong position to face with a new technology coming in to maximize everything that comes along.

So in a nutshell, a lower revenue did impact the gross margins. Direct cost which are more or less fixed in nature also had a slight impact, but that's purely because of the quarter having weather and stuff that will be under control. Having said that, we have also some technology costs that was overlapped. Albeit with all this we are controlling our indirect cost pretty well, and there has been a sizable benefit of that, that's offsetting the net impact.

With that, I can summarize by saying that we've had a fairly good performance from year-to-date as of 2024 and our balance 6 months are fairly robust enough to cover up what we've been losing on in the interim. Thank you very much.

Urvashi Butani: Steve, you can open the floor for questions and answers.

Moderator: Thank you very much. The first question is from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Good morning sir.. Thank you for the opportunity. Couple of questions. First, on the Travel and related segment. Sir, what was the outbound revenue for the quarter?

Mahesh Iyer: As I mentioned, that number was INR 610 crores. That's a volume of business that we do. And I said in my remarks, because this question had come up last time also on the earnings call. FY '20, the outbound specific total volume was close to INR2,400 crores. So we are at about INR610 crores and that's the 25% reference that I made when I gave my comments to be on the travel instances.

Dhaval Shah: Okay, So that means domestic was only around INR 14 crores. Is that math right? If the total is INR 1,682 crores and I deduct all the other segments, then you are left with domestic revenue somewhere. So what was the domestic revenue?

Mahesh Iyer: Dhaval, you're missing that out, sorry, I would not do a complete reconciliation here, but there are multiple segments. What I made as a reference to is only the outbound, there is domestic, there is international DMS. There is India DMS, there is MICE, Corporate Travel. So there are multiple segments within the travel. So what I made a reference to is specific to a part of the holidays business and specifically outbound, which is international.

Dhaval Shah: Sorry, I could not hear you say, your voice went blank. Can you repeat?

Debasis Nandy: Maybe I try and explain that Debasis here.

Dhaval Shah: Yes, I Could not hear Mahesh. I can hear you now yes.

Debasis Nandy: No issues on that. See the outbound turnover is INR 610 crores for the quarter. Out of the INR1,682 crores, INR 610 crores came from outbound. The balance came from other parts. For example, very broadly around INR 600 crores came from the DMS business, India and international. MICE contributed INR425 crores and the rest was coming from other parts of the business-like corporate ticketing etc,

One thing that you need to keep in mind as far as corporate travel is concerned,. We are not allowed to account for the total volume of the business that we transact. We can only account for the income that is generated. So as you know corporate travel operates at within 4% and 5% sort of margin. So that's the margin that we actually show in our books as far as the accounting standards, as far SEBI results are concerned. Does that answer your question?

Dhaval Shah: Yes. So what lead I get from your answer is that. the absolute domestic number because the domestic travel number is very less, it is only INR14 crores. Correct?

Debasis Nandy: Domestic travel number is INR 77 crores. I don't know how you are getting INR 14 crores. Maybe we should interact more later on because I'm not sure how you're getting this math.

Dhaval Shah: Yes. No problem, I'll connect with you offline. And on the outbound, we are at INR610 crores. And given Q1 is the peak season for us, is there enough visibility for us to reach our pre-COVID number?

Mahesh Iyer: Dhaval, I think, I've mentioned this, and I'll repeat this again. If you look at our volume growth or revenue growth, we grew by about 21% on the holiday side. And within this 21% large amount of growth or close to 30% growth actually came from the short haul and the domestic segment. So the growth on the short haul and domestic has been much larger. Long haul has been a little tepid. I mean, we've grown at about 14%, 15% on the long-haul side. And there are multiple reasons. And as we alluded to the same one last time around, we saw the impact of elections. There are warmer summers in Europe.

So people have either taken a decision to postpone or maybe moved to other destinations or rather short haul destinations. That's a trend we are witnessing. So I think the entire playbook around long haul may get rewritten as we complete the current season. And also to mention here, if I look at my forward booking, getting into the next 2 quarters, it actually reflects that the long-haul side will move more towards the winter and the short haul and others still continue to run in the September quarter. So that's the kind of growth rate that we're seeing. And we believe that we should be closer to the FY '20 numbers as far as the overall holiday portfolio is concerned.

I think there will be some change in the mix, but the overall portfolio, we remain confident that we should get closer to that number in the current year. Okay.

Dhaval Shah: And sir on the forex side why has there been no growth? I understand the two reasons which are mentioned. So one is the Hajj movement. So does it mean that last year and this year, the number of Indians going for Hajj is less or something and the second is that the Bangalore International Airport operations, we have shut down. But at the same time, we have given several press release with regards to opening new outlets in several cities. So those new outlets, the number is far higher compared to one shop which we have shut down at Bangalore International Airport.

So I can't understand that why the revenue is flat. And at the same time, our travel business has grown. So anyway, people who go for tour with Thomas Cook, they should ideally be buying the forex out of Thomas Cook. So can you just explain this flat number of forex revenue?

Mahesh Iyer: Let me try and give a perspective to it, Dhaval. First and foremost, if you compare last year to this year, it's looking flattish. And the specific reason for it are the 2 that you mentioned first is the impact of BIAL. In terms of revenue recognition, we only recognized the gross margins or the gross revenue that we make here. That number is close to INR 5 crores. Last year, that INR 5 crores does not sit in the current year. So that's the top line. But if you look at the profitability, which is defined as EBIT, actually, it has grown by 9%.

So which means it only says that INR 5 crores that sat in the revenue is getting compensated by some other segment that grew and that growth has come from the retail segment. And in the retail segment, there's digital, there is the prepaid card and the new stores that we have opened. The other impact is on account of Hajj. Last year, we did close to about INR400-odd crores of volume on the Hajj. This year, the volume was close to about INR 300 crores. This is also the lower number of people that have been allocated. You will understand, it's a subsidy that the government gives for these travel and the number of passengers allocated this year was much lower. So that impact sits in the current quarter, but it's also important to highlight here. And this we have been talking for multiple quarters now.

The FX business has transcended into a model which is more prepaid card driven. Currently close to about 30% of my portfolio is on the prepaid card on the retail side. And on the corporate side, it's still higher, it's close to 80%, 85%. Now when you look at it float becomes an important element of this business, the interest that I get on these floats necessarily do not sit at the EBIT level. So if I add a delta between what I got last year to what I see this time, the incremental amount is double. That's roughly about INR 6 crores. So if I add INR 6 crores to that revenue, you will actually see that my profitability has grown close to 20%.

So that's in reality the reconciliation as to why you see the numbers like this. I will reassure you here that business is growing, the growth both in terms of segments within retail, which is holiday grew by about 10%, the student market continues to grow at about 21%, prepaid portfolio grew at 13% and volumes and the attachment rates are actually going up.

Dhaval Shah: Got it. Also from getting a perspective on this year and next year, like in several of our past conversations, what we understood is that financial services, we should assume 10%, 12%, 15% kind of growth. So now if you see last 3 quarters, the forex business, on a year-on-year basis has not grown. So now how should we understand the revenue and EBIT growth for next 2 years? What is the nature of this business?

Mahesh Iyer: So Dhaval, I think you should keep your eyes to the profitability in this business, which is EBIT. And obviously, part of that sits in other revenue, which is the interest income for this business. I think the profitability of the business will continue to grow. I also mentioned the expansion in margins that happened. If you look at the EBIT margins, they have expanded from close to 44%, 45% to about 52%. That's an exception that in that sense. We have guided the market to more like 45%.

From a revenue point of view, I'll still guide the market to a 10%- 12% growth on the forex revenue side. You have to adjust for onetime events that happen. I mean having said that, Bangalore Airport went out last September 2023. I'm also making a mention here that we've got the contract again, albeit we're going to share it with somebody else, but that income will come when the airport operations get operationalized which we expect will be Q3 of FY '25. So some of these vagaries in business will keep happening.

Our existing investment and distributions have actually started to play and you must appreciate the fact that in forex, most of the new locations that we opened either breakeven or make money in the first year itself.

Dhaval Shah: Got it. And sir last question. Sir, we are hearing that Fairfax is bidding for IDBI in the newspaper. Is there a possibility that there could be an OFS to fund some of the acquisition money required?

Madhavan Menon: Dhaval first of all we don't comment on rumors or speculation. This is entirely in the realm of speculation. So I don't think we're even going to answer your question.

Dhaval Shah: Okay. No problem sir. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: Sir, my first question was on the long-haul recovery. So in the seasonally strong quarter of Q1, I understand there were elections, people travelled less and the environment was soft in terms of demand. But you've indicated that this Q1 season is somewhat getting pushed to July, August as well. So can you just throw some light on the current quarter in terms of bookings and the reasonable assumption that you're making for the full year for a full recovery, should it be from the Q2 or we are banking on the winter demand only?

Mahesh Iyer: Deepak. Again, Mahesh. If you look at the long-haul recovery, as I said, we will see a total long-haul recovery as far as the overall holiday portfolio is concerned, but there will be a change in the mix. As we see the trend, the long haul is a little softer. While they are growing double digits, but they are in the early teens. Whereas if you look at the short haul and domestic, they are actually growing in high double digits.

And obviously, reasons are quite obvious, if you look at the short-haul destinations, people are preferring visa-free, easy visa destinations which they can hop on tomorrow and get onto a flight and go without having to worry about how easily they can get the visa. On the long-haul side, getting a Schengen Visa is still a problem. I'm not saying the rejection rates are high or any of that sort, but people have to wait through. While there was an announcement to say the visa for a 2-year, 3-year and 5-year regime is going to come, but I think all of them will take some time to play out. It just happened in the beginning of April. So it's going to take some time to play out. In the U.S., there is still a wait period for the visas to come. So I think we expect the recovery on the long haul to come. There will be growth on the long haul. Will it match what it did in FY '20? I'm a little too early to predict that. We've seen a little softness on the long-haul side. But I think, it will be well compensated by the short-haul and the domestic side of the business.

So overall, at a portfolio level, we definitely will be closer to what we did in FY '20. It's also important to note that if you look at our margin, the short haul and the domestic will be a better margin yield for us. And the expansion that you saw even in the current quarter where we moved from 3.4% to 3.8% is led by the increased volume and value, both on the domestic and the short-haul side. So I think it does work in our favor. But yes, clearly, we don't want to be not present in that market. So yes, that's the way we look at it.

Deepak Lalwani: Okay. Understood. And sir, coming to the Sterling business. Again, you had a similar phenomenon in terms of occupancy because of election and heat wave, but an additional reason cited there was the muted wedding sales and the conferencing business. So can you please indicate what's the share of wedding-related business and the conferencing business in that revenue piece?

Vikram Lalvani: So let me just elaborate on both these aspects. For example, last year, in April, I'm talking about the conferencing business right now. We did approximately about 15,000 room nights on conferencing. And this year it dropped by 15% to approximately about 12,000 mainly in April, that's when you have the capacities to take on conferencing. Most of the companies are starting new financial years.

So that's why we tend to do the meetings in the month of April, which actually did impact by about 15% because of the impact of elections. Tamil Nadu went for election on April 19 and it was a very highly phased out election. But we managed to substitute that with individual FIT holiday goers because of the summer season having kicked in and we leveraged our portfolio in the hills for that. That's number one, in terms of meetings and conferences.

Number two, in terms of wedding. Wedding, let me tell you, two parts to it. Last year, in quarter 1, we had 23 Saya dates or auspicious dates. This year, we had only 3. Last year, we did a total wedding share of business of approximately INR 2 crores. And this year, we had approximately only INR 50 lakhs. So that is the drop that has happened in the wedding business. Now, having said that, a large portion of my portfolio has been ramped up in Rajasthan, which was not there last year in quarter 1. In Rajasthan, we had 5 new resorts in Rajasthan in quarter 1 this year, which was not there in quarter 1 last year. Rajasthan is a huge market for weddings, especially Udaipur, Pushkar. They are huge markets for weddings. So therefore that also slowed down our ramp in Rajasthan. So we were expecting a wedding business to actually be far bigger in terms of a pie because of the expansion in Rajasthan.

But having said that, let me tell you that the Saya days actually in Q3 and Q4, I am giving you the positive now. In Q3 and Q4 is up by 12 days over last year. Last year was about 41 days of the Saya wedding days and this time it's about 41 plus 12. So therefore many of them are actually coming in Q3 and Q4. And by then, we would complete the ramp phase in Udaipur as well. So which is where our wedding market is expanding. And that's why Rajasthan was actually critical for us. So this is how the wedding and the MICE business actually played out in quarter 1 when compared to what it was earlier.

In terms of the component of business MICE I said, is about 40% of our overall room revenues comes actually from meetings and conferences. So that portion declined, but we managed to substitute that. But in the weddings which got affected in Rajasthan, especially, so that's where the ramp was slower in Rajasthan in Quarter 1. I hope I answered your question Deepak.

Deepak Lalwani: Yes, sir, I had another question in Sterling. So the Wedding and this Conferencing business, which is 40% of your revenue piece. So is that sort of getting shifted to the next few quarters? Or is that a business which possibly won't come back? And the second part question is on the margin guide because you are ramping up and putting up a lot of inventory, the expectation that we should have in terms of margins because we are at ramping up stage. Should be on the lower side Y-o-Y? So these are the 2 questions.

Vikram Lalvani: Okay. So, the first question. Now there are some companies, especially in the pharma sector, they have pushed it out. They do come back in Q3, they will come back in Q3. But having said that, in Q2, Q3, and Q4, we would even generate new MICE business. So that component overall, from your perspective, should not get impacted. In fact, we see expanded inventory, it could infact grow.

So while the share of the pie would be about 35% to 40%, but the overall quantum wise, it will grow in the subsequent quarters because of the fact that even our inventory size is growing, number one. So that's a big growth driver. Yes. Sorry, your second question was on -- if I remember...

Deepak Lalwani: On the overall margins for the Sterling business.

Vikram Lalvani: Okay. So yes, as I said, we are, in fact, expanding our portfolio. And in fact, we're expanding it almost 40% of what it is today. But having said that, yes, you will have -- so I'm considering this year as an investment year, but I we will still hold the EBITDA margins between 33% to 37% through the entire period, irrespective of these ramps that's happening, and that's a very, very healthy stable EBITDA. I would say that impact that probably in line, if not ahead of many of the other hospitality brands business.

Deepak Lalwani: Okay. Understood. And sir my last question was to the CFO sir what should be the tax rate that we should assume for the full year?

Debasis Nandy: Yes. So I think going forward we can consider a tax rate of about 30% for the group. Obviously, different units have a different rates of tax. But as you've seen all the units are now started coming back into profitability. So the taxes that overall will start rising. So you can take it about 30% from now on.

Deepak Lalwani: Sure sir. Sir because in the previous quarter we had clearly indicated that our tax rate should be around 22%, which we did in the full year of FY '24. So what has led to this increase in tax rate? And I was assuming that we had tax losses in the DMS entities and in the Sterling business. So this sharp increase in tax rate for this year was sort of surprising

Debasis Nandy: Okay., maybe we are not very clear at that point of time. 22% obviously is not a sustainable rate of tax even that the rate of tax in India is minimum of 25% which is there for some of the companies and Thomas Cook is still the old regime because it's got MAT credits etcetera which need to be utilized over the next couple of years. So 22% is not sustainable.

In addition, of course, you all know that the companies in Dubai have started paying tax from this financial year, actually from July onwards. Although it is a low rate of tax it does eat into the overall price. In addition, as far as Sterling is concerned Sterling we are probably looking only at the deferred tax asset part of it. There are two parts to this. One part, of course, is a deferred tax asset which has created on losses which is getting eaten away as the company makes more and more profits which is actually a very good thing.

But there are also what we call deferred tax liabilities which is created on two things, on the valuation of the land that Sterling has and you know that it has substantial amount of land and that as a practice we revalue that every 3 years and every time we do that our deferred tax liability also goes up. There is a technical part in this. It's a deferred tax liability on the difference in depreciation between the companies Act rate and income tax rate.

Now might sound complicated, but the long and short of it is that the deferred tax liabilities have started growing, okay? The deferred tax assets are shrinking. And therefore, the differences between the 2, which is about INR6.5 crores this quarter has come and hit the PAT line. But it should not be a concern because growth in PBT is what we aim for. Tax is something that the finance minister decides, we don't decide. I think we should target the growth in the PBT, the PAT would happen. If the growth in PBT happens, the PAT will also happen.

Deepak Lalwani: Sure. And the second I wanted to clarify from you is that the last year in Q3, you had a one-off other income, right? So can you just quantify that and what was it relating to and any possibility of it repeating again?

Debasis Nandy: I can't off hand recall that what you are referring to, but let connect offline because last year Q3 is a long way, anything more than 3 months is nowadays gets irrelevant. So anyway we'll talk about it.

Deepak Lalwani: Sure.

Moderator: Thank you. The next question is from the line of Prolin Nandu from Edelweiss. Please go ahead.

Prolin Nandu: Thank you for taking my question. Few questions from my side. On your forex business apart from the retail and wholesale mix what is the reason behind such volatility in margins, on a quarter-on-quarter basis?

Mahesh Iyer: So I think that there's no other specific reason for volatility in margins because what happens is we look at in April, June quarter, and I think a reference was made by the previous participant, where he asked this about the peak travel season. So when you are in a peak travel season, your retail volumes will actually go up and your wholesale volumes will come down. And when your retail actually goes up, the margins on the retail are higher as compared to margins on the wholesale, typically the wholesale margins are 1/3 of what we do on the retail side.

So higher retail margin will drop down straight to the EBIT margins, and that's exactly what is happening because there are no incremental costs that we are associating with that because the factory is created, capacity is there. We're just running the volume through it.

Prolin Nandu: Sure. So that would be the only reason, right? Nothing else?

Mahesh Iyer: Yes.

Prolin Nandu: Yes. And sir, second question is on Travel, the second segment. Now I'll tell you where the confusion is coming from most of the participants. If you look at your last year's Q1 FY '24 presentation, there's the segment breakup is based on growth and there you also include domestic, for example, right? So I mean, my suggestion would be, could you be please consistent with the subsegment in terms of either growth or breakup when you probably see the press release because in last press release there is a mention of domestic holiday in Q1 last year's presentation, which is not there also. So that makes a comparison challenging for us. So that's one suggestion.

But Mahesh, on the part of the outbound travel, right? I mean, forget about long haul and short haul, right, because there's a lot of confusion there, you mentioned you reached INR610 crores, and you are aiming for INR2,400 crores, right, which is the FY '20 number. Now obviously, if I look at the outbound travel and the seasonality there, at least 43% to 45% of your annual outbound travel used to be contributed by first quarter. And this is in FY '19 and FY '20 numbers that I'm looking at.

So this time, when you said that you are already there at 25%. Is there a change in seasonality that we are witnessing? Is that the case?

Mahesh Iyer: Prolin, as we mentioned, we've actually started to see that, which is what I said in my remarks also, one impact of election, severe summers in Europe and stuff like that has impacted, and we are seeing a longish kind of a trend for people to travel. Also what's happening is we're not only just focused on long-haul. We are also talking that the short-haul growth is much faster. We are actually seeing the short-haul. That also sits on the international holiday side a bit. That portfolio is growing at 30%.

So what is happening is there's a shift that is happening, and we also make better margins on the short-haul side of it. So I'll qualify here, we're saying that the overall volumes on international will mirror closer to what we saw in FY 2020. And the mix within that may change between long-haul and short-haul. The recovery on short-haul or the growth on short-haul will be much faster, much bigger as compared to long-haul. It's also important to highlight here that when you look at input costs between 2020 and 2025, they are very different, input costs have gone up.

From a volume catch-up point of view, which is a number of passengers, that one unit of measurement tool we still have a long way to go. So there is so much more in the market for us to do. Currently, we are well be talking at a value perspective. And I think the value has actually gone up. So, we are quite optimistic that we should be very close to the 2020 numbers.

Prolin Nandu: Okay. So again, 2020 number is INR2,400 crores. Am I correct? That number we should be close to, right?

Mahesh Iyer: Correct.

Prolin Nandu: Okay. Right. And so my understanding was that long-haul is more profitable. Is that not the case? Short-haul is more profitable than long-haul?

Mahesh Iyer: Well, let's put it this way, both of them run at a gross margin range between 14% to 16%. But again, what happens is if you look at the short-haul, we got the benefit. There was a lot of demand coming in. We operated charters, we had demand coming from a new geography like Japan, where our volumes actually grew 2x.

So sometimes when there is demand and people are all moving in one direction, you will appreciate that during the pandemic Maldives was a sought after place. And it was selling at a premium. Maybe that's not the case today. So yes, when the market and the going is good, you also get an opportunity to see some margins. So we are seeing better realization this time around on the short-haul and on the domestic also. But yes, more or less, you can take the point that the business operates at about a 15% gross margin.

Prolin Nandu: But before this short-term thing, long-haul used to be more profitable, right? When we used to do the INR2,400 crores somewhere?

Mahesh Iyer: Not from a Margin perspective, long-haul from a share size perspective because if you multiply the margin with the volumes that we do on the long-haul, that will look like a larger chunk of our revenue, as compared to short-haul or domestic.

Prolin Nandu: Okay. So no, I'm talking about percentage margins, but let's leave it at that...

Mahesh Iyer: Nothing much to choose between the 2.

Prolin Nandu: Right. Okay. Understood. Now lastly, on your Sterling business, right? Again, I'm a bit confused on your calling out that you opened 5 resorts in the last 5 months. Now if I do a quarter-to-quarter comparison, last year also in Q1, you opened 2 resorts, right, Shimla and Panchgani. So is there something specific in terms of the teams of the keys that we added or the average capex that we have done for these 2 resorts that we are adding with this quarter, which is higher than the average that we spend on any resort which is creating a drag or is there something else? Because we have been opening these 2, 3 resorts in a quarter every time most of the years. So anything specific that you want to call out that is different in this quarter versus in the past quarter?

Vikram Lalvani: Okay. Let me clarify that, as and when we are growing our portfolio. I mentioned this earlier, and I'll mention this again, as a first step from an intent point of view because, one, this is a growth lever for us. Number two, if you see even during the period of COVID what actually put a lot of risk on the company, was that the company was highly dependent on only one season which was the summer season where almost 40% or 50% of its revenues would come only from those 2 or 3 months.

And when COVID hits during those 2 or 3 months it in fact impacted the entire company for the year. So from a strategic standpoint we needed to derisk our presence only in the hills and start widening our presence across various holiday types. So that was the intent. Number three, the focus of expansion has always been using an asset-right model. And no capex model or a low capex model. So while we have our own lands as well, we have yet not taken our decision as to when we are going to use capex to build our routes. So therefore, what we are doing is we are actually partnering the expansion that's happening with various owners. Now the partnership can happen in 2 parts.

Number one, it can happen in form, I will define it very simple. What is your P&L-related hotels? And what is your commission-related hotels? When you're going in for a management contract, typically, these are commission-related hotels. That means based on the top line and the bottom line results of that particular hotel, , Sterling is in charge of the operation of the hotel.

Sterling is responsible for business into that hotel, but the P&L is in the owners' books. So we are managing the entire property for the owner. So in that case, our capex is completely zero. The owner build the inventory for us and as per our specs, what does Sterling get out of it is the Sterlings makes a certain percentage at the top line or in percentage of the bottom line. So that's one.

Number two is, the second model is the P&L-related model. The P&L-related model is where you're building your own inventory, your own capex. That's something that we've not got into it yet.

Number two, it could be on a small fixed lease or it could be on a variable lease which is a revenue share. In both these cases, the P&L is in your books.

So having said that, we've been incrementally adding resorts into our portfolio, depending on 2 things. One is the destination and the importance of the destination. And number two, when the project is also complete, when the project starts getting complete is where the room start coming into our pace. Now in terms of number of keys, for example, when we started off last year, as we had indicated, we were approximately 2,100 keys.

Now today, after all the expansion that we've done 8 or 9 resort, we are currently above 2,700 keys. So to that extent, in terms of number of keys has gone up. In terms of number of resorts, it's gone up to 50, in terms of number of destinations that we have presented is now 45, in terms of the portfolio that we have, we have a far wider spread holiday-type portfolio. Apart from hills, beaches, river sites, heritage, culture and pilgramage and jungles as well which is where we also have become very strong.

So what has happened is over a period of this 2- 2.5 years and incrementally we are adding it on every quarter is to expand our portfolio and is to derisk our portfolio for being very present and very strong only in one holiday type and not present in any other holiday type. I'll give you another example of Rajasthan, when are focused on expansion, we've being a key leisure hospitality player. We could not not-be present in that and Rajasthan is a big market for weddings and etc.

So therefore there is a conscious effort to actually build your destination with presence in various states which have a very strong leisure component of business. So therefore we had 1 resort of Rajasthan probably a year ago exactly and now today we have 6. Our next focus of expansion is Karnataka. So we're going to be launching Badami very soon. That's on a managed model. We will be launching Sakleshpur very soon. So we are going area by area and actually strengthening our presence based on where the potential is and based on where the market demand we could actually drive it there. Does that answer your question?

Prolin Nandu: Actually, it does not, but I'll take that offline, right? So let me ask the second question again on the Sterling business. Now food and beverage has grown at a slower pace than your overall top line revenue as well. And I remember you had mentioned in the past calls that you have got the bar license only in the last 1 year, right? And sometimes you have been applying a few places and then got the bar license there.

Now in terms of your FY '24 revenue, it was close to 15% of overall revenue, right, food and beverage, 14.8% to be precise. And we know that this is a high margin kind of business, right, versus an overall business margin. So where should we look, what proportion of our overall revenue will eventually come from food and beverage? And why is it a lower growth and even the top line growth right in this quarter?

Vikram Lalvani: Okay. Let me just clarify one thing. See, food and beverage in terms of margins, what actually drives the profitability in our Resort business, frankly, is the room revenue. Because the fixed costs are sunk in there, but the marginal cost of selling an incremental room is not that high. In terms of food and beverage, they are actually the typical direct gross margins should be about 60%, but if you have to take the direct or the indirect cost to it like salary wages, heat light power etc it would be in the range of 20% to 25% in terms of margins.

So therefore rooms will drive the overall margin to a large extent. Number two, food and beverage is a critical component especially in the leisure business. You're absolutely right on that. The total contribution on food and beverage if you say in a base of 100, food and beverage is 25%. Is there an opportunity to increase that size of the pie? Absolutely, there's an increase to the size of the pie.

Also, let me tell you that weddings is a large component that actually drive revenue and we had a muted wedding season this this quarter. So typically, we grew 6% with, as I said, 5 or 6 hotels ramping up, if I had to eliminate those 5 or 6 hotels, we've actually grown at 11% to 12%. Is there an opportunity there? Yes, there is further opportunity there. And hence, the way we actually approach it food and beverage business is more towards an experience kind of food and beverage business those margins will eventually be higher. So there were lot of work is going on in that aspect and it is a critical component, but rooms is the ones that drives the GOP.

Prolin Nandu: Sure. So when do you target that 20% of overall revenue should it be in a year's time or 2 years' time because we are at 15% right now?

Debasis Nandy: I'm sorry, but I think there are a lot of questions still pending we have a long list and we have hard stop at 12:30. In the interest of time, may I request that each person ask only one question because otherwise I think a lot of people will not get a chance to ask any question?

And any questions that you may have we can always come back to you or rather you can order come back to us Prolin and we can answer you. I'm doing this in the interest of time. Thank you very much.

Prolin Nandu: All the best. Thank you.

Moderator: Thank you. The next question is from the line of Himanshu Nayyar from Systematix. Please go ahead.

Himanshu Nayyar: So just one bit on the forex first, I mean, Mahesh can update us on the RBI discussion paper which talked about the consolidation of money changers and allowing you guys to do business transactions. So what's the update on that?

Mahesh Iyer: Nothing, Himanshu. We haven't heard anything back from the regulator. I think it's still work in progress. We believe from some of the other circulars that have come out, I think there is a method in the madness I would say, but very difficult to call out at this point as to how the regulator is thinking about it. But active discussions are happening. We have participated in some conversations with them. But no concrete policy decision has been made on this at this point in time.

Himanshu Nayyar: Understood. And just one small bit, if I may. I mean, any thoughts on which the management has deliberated on your capital allocation plans in the medium term, given the limited capex requirement that we have and the increasing amount of cash that is now expected to be there on the books going forward next couple of years?

Mahesh Iyer: So Himanshu, as we've said, our cash is not completely fungible in that sense because this is also the funds coming from BPC, yes. So the free on that book will be roughly about INR250 crores INR300 crores that we have. And clearly, we've been guiding this and we're beating this again. currently, we are focused on keeping the cash on the balance sheet. Business is coming back stabilizing.

We've been saving in last 4 or 5 quarters of good profitability and we continue to build on it. At this point in time, there are no active conversations, no plans on any capital allocation at this point in time. As and when we are ready for any conversation markets will be informed about it.

Himanshu Nayyar: Understood. I will jump back in the queue. Thanks for this.

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

Jigar Jani: Just one question on the domestic leisure segment, if I look at the numbers for FY '20, I think full year, we said about INR110 crores in this quarter itself we are at about INR77 crores if I heard correctly. So do you foresee that there will be a considerable contribution from domestic in the overall recovery because if you're looking at FY '25, we are saying outbound at INR2,400 crores full recovery and we have already done INR74 crores in the domestic this is in first quarter. Do we expect second half to be significantly stronger for the leisure segment overall?

Mahesh Iyer: So Jigar as I said our growth on the domestic side even in the quarter that went by has been very strong. Our forward bookings also reflect similar trends. You must appreciate the fact that in the domestic the conversion cycle is much shorter. People make decisions very quickly. So clearly, the trend is very positive. Well, there will be events that will impact like a rain or a natural calamity happening either in Uttarakhand or maybe for that matter Kerala. We'll see if some of the impact in the short to medium run. But clearly, there is a lot of demand that's coming. And I think the government has also announced a series of measures in the budget, which focuses on pilgrimage and spiritual tourism.

So I think domestic as a market is likely to grow, and we are seeing that growth even in our portfolio. And we believe the double-digit growth on this business is here to stay. It will trend obviously much higher than what we did in FY 2020. And as I said, there will be a shift in pockets. The mix of the business will change. Short-haul and Domestic will become larger or rather will start playing a larger -- will be a larger part of the pie as compared to long-haul, and that's the changing trend of the business.

Jigar Jani: Right. And just to follow up very quickly. When you say 100% recovery you guide for the entire leisure segment as a whole or just for outbound?

Mahesh Iyer: We're talking about the overall holiday business. So we look at short-haul, long-haul and domestic. This is the overall portfolio that we're looking at. So we expect and honestly, to be frank look we don't want to dissect this because at the end of the day the customer is a holiday seeker and that's how we look at it. We are experienced providers whether he's coming from a domestic, short-haul or long haul, we want to give a great experience and come back and repeat that holiday with us, that's what we are focused on.

Jigar Jani: Sure. And just two very quick bookkeeping questions the FTI impact...

Moderator: I am sorry to interrupt you sir. Could you please fall back in the question queue for further questions.

Jigar Jani: No worries. Okay. Thank you.

Moderator: The next question is from the line of Mayur from Wealth Managers. Please go ahead.

Mayur: Hello. Am I audible?

Moderator: Yes Mayur go ahead.

Mayur: Thank you for taking my question. A little longish commentary before I go to the question and my sincere apologies if this is a question not to be asked on the concall, but it's a little strategic question. I hope some color on that. The company is quite diversified in terms of various segments within that, each segment has got various levers, various aspects, whether it is travel whether it is forex, whether it is Sterling even in each of them, and we as analysts and fund managers are continuously focusing on the subsegments and segments and quarterly movements.

I wanted to understand how does the management look at your overall strategic intent in terms of the overall travel and tourism space for the company? And can you guide us for instead of yearly, can you tell us what is the 3- to 5-year vision from an overall perspective because if we get lost into the -- in some quarters, something is moving in some quarters, something else is moving.

So in terms of overall where do we stand in 3- to 5-year vision? And does the management look at as the company has an integrated play or is it also looking at various sub segments I understand accounting and legal aspects of risk and how do you do the segmentation. But at a strategic level do you see as an integrated play and that is what you should encourage us to see and how do you see that 3 to 5 years? That's it.

Madhavan Menon: Okay. I think let me try and take a stand that and then I'll get Mahesh to come in. I think the vision very clearly is to, while we have diversified businesses, we clearly see overlapping opportunities across businesses. And when I say across businesses, essentially, it is to focus on -- if I use the example of holidays and foreign exchange. Clearly, there is an opportunity for the foreign exchange business, as the Holiday business grows.

Now be it short -- what we call short international travel, let me just classify that as international travel. If we look at Sterling Holiday resorts, an expansion that they undertake. It represents an opportunity to both Thomas Cook and SOTC as far as their domestic holiday business goes. If I look at the destination management businesses, then the outbound businesses out of India as well as the MICE businesses out of India, clearly offer an opportunity for our destination management businesses to integrate that business.

While we don't come out and set targets for each of these businesses to integrate with each other. The reality is that is the priority. That is what we are continuously driving. Now it may not be evident from the data that we shared with you for various reasons. The reality is, it is the business needs to be integrated as far as possible while maintaining alignment with the laws in terms of arm's length.

And you'll appreciate that we are governed by laws, and we have to therefore protect that. We have ensured that each business that is going to provide a service to another business within the company has got a first right of refusal if it believes that the margins do not meet their requirements. So there are multiple movements that happen at a strategic level, but that is our focus area.

Obviously, there are markets where we don't have our own group companies. But again, here, we will try and see how, for example, Thomas Cook and SOTC. The integration of the back end was to give us the benefit of purchasing. The integration of the back end was to give us greater benefits as far as hotels as well as transport is concerned because we push our entire volume through identical hotels. We use coaches that carry customers.

So there is this constant process that is going on, and each of the MDs are focused on how they work with each other. Again, Sterling, if you look at it, as Sterling has expanded its footprint around the country, both Thomas Cook and SOTC had been trying to do more and more room nights through the Sterling business. And this will continue. Now it has taken us time primarily because each is a profit center by itself, and therefore, they need to look after their interest while simultaneously trying to align themselves across our business. Mahesh, you want to add?

Mahesh Iyer: I think Madhavan you covered it all. I think it's just an additional point I'll mention here is that, look, in the 3- to 5-year horizon, we are an experience provider, we are not component sellers. Our focus will remain on package holidays and creating that memorable experience for the customer. And that core is never going to change. We'll remain true to that.

Mayur: Sir, we are very used to having tangible targets as our benchmark anything for 3 to 5 years yes?

Madhavan Menon: Sorry, we can't give you guidance on that. That's the policy of the group. I'm unable to give you guidance that far out. But if you do want to interact with us both at a group level or a unit level and get a further in-depth understanding, we'd be glad to give it to you.

Moderator: Thank you. The next question is from the line of Andrey Purushottam from Cogito Advisors. Please go ahead.

Andrey Purushottam: Now what has happened is that I see some parts of the business doing well, other parts of the business doing relatively poorer. So in the travel and business, for example, you've highlighted several destinations that have grown by more than 26%, but there must have been destinations also that have grown much less than that because your overall is 15%. When your Digi business degrew, your foreign exchange business was flat. So we are going through a transitional phase with some of the business are pulling northwards and some are pulling southwards?

And do you see a change in the climate that all the businesses will move in a fashion that actually gives a mix for much higher growth rate overall? So this is somewhat related to the question that was previously asked from the previous participant, where we can look for growth which are much higher than what we've achieved in the recent past.

And are there some underlying trends such as use of the unblocking of long-haul, the long-haul opportunity or any other opportunities that you see in terms of key mega trends relevance on your business that might enable that process of much higher growth than what you've achieved right now?

Debasis Nandy: Okay. Thank you for the question. I'll try to answer this question. So I think probably you're only reading a little too much into one quarter event. As you know our business is highly seasonal and we have always mentioned that, that one quarter doesn't make or break the business. If we need to look at it as a 12-month period to get the right--business in a seasonality in place. That's number one.

As far as some businesses is going northwards and some business is going southwards. I do not see any business is growing southwards at all. As probably you're referring to Sterling when you say our business is going southwards, but as I think Vikram time and again explained during the last 1 hour or so that he is in the investment phase. First of all the business has got impacted because of certain climate conditions and elections and things like that.

And the other thing which is the bigger thing is that he is an investment phase. This is the investment year where the results will be preparing for the next year because it will get impacted by that. However, once this investment phase is over, the benefits of that will obviously come into play.. As far as your question on some destinations yes some destinations show 20% growth and there are destinations that don't, say, for example, the easiest example, which all of us know about is Maldives.

We have in the last 3 years or so post COVID, Maldives has drawn exceptional number of people. It has been all over the front pages, but this year post one particular incident the traffic has virtually gone down to zero, not completely but virtually zero. If I take the Middle East the weather conditions this year both in the first quarter as well as -- rather both in the Jan-March quarter as well as the April-June quarter have stopped people or sort of people have stopped going there or reduced their trips there because the weather conditions have not been favorable. People have been affected by that and so there is a drop and therefore the rise that you've seen in some destinations probably also because of the fall in other destinations.

As an example of this is Vietnam. You see a huge growth in Vietnam, this year. And obviously, as I explained to somebody else like Thailand. So this will continue to happen. We should not try to read too much in individual destinations. I think what we should look at is the overall growth of the business rather than getting into individual destinations. And that's how we also look at it.

Andrey Purushottam: So perhaps, you were misled a little bit by my southward comment, but my comment was between businesses, which are in good growth and just showing marginal or no growth right? So for example, are there any long-term things that you see in terms of even revival of the long-haul part of the business or in terms of ease of restriction of visa travel such as Schengen, etc that might enable the long-haul business to flourish? Is something that we can look forward to in a 6- to 12-month horizon that will lead us to believe that will benefit almost all aspects of our business.

Mahesh Iyer: Sure. I think the way to look at it, if you look at the travel portfolio, see first, you must understand that we are a diversified group, and we've got 4 lines of business within that. Each one of it, as Debasis rightly said, will go through some impact at some point in time. And in this specific case you look at maybe 2 businesses going through it. But from the real meat of the business or the moat of the business, as we would call it to be, I think we've said that, look, the recovery on the holiday side is still subpar. When I say recovery, sub par is purely because volume growth have not come in.

The number of passengers travelling in some of the long-haul destinations are nowhere closer to what they used to do in 2020, but that's got filled up by short-haul and domestic and stuff like that. So will the long-haul recovery help, of course, it will help. It will bring more passengers to us, it will bring more volumes to us. But I think what we would like to mention here and that's the way we look at it is that the more customers who come into the domestic are the ones who will stay with us for a longer period in time.

The long-hauls are more mature customers who have done maybe two domestic trip with us, one or two short-hauls and then that's how they go to long-haul because long-haul typically happens to be a little more expensive from a price point also. So clearly, I think I would look at domestic, I would catch them young, have a wider net for them and then build on that portfolio and get them as repeat customers. So I would think there is so much more in this business for us to grow. And specific to some businesses where we haven't had a good thing.

I think it's just a temporary phase that we are going through -- we are either an investment or expansion or there are these double-dip as Ram in DEI mentioned, happening because of investment in technology and stuff like that and some challenges with weather, but I don't think we should read more into for 1 quarter, rather focus on the long-term trajectory for the business.

Andrey Purushottam: But are you seeing this growth green shoots of recovery of the business as a whole that is my question?

Mahesh Iyer: Yes, of course. And I think I've been talking about it so as Ram and Vikram, all of us have been talking about that. We are seeing that. I mean, it's not green shoots. They're already much, much bigger plant at this point in time and we are only trying to reap benefits and what we are trying to do is plant new saplings so that the growth trajectory continues.

Andrey Purushottam: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I would now like to hand the conference over to the management for their closing comments.

Madhavan Menon: First of all, I just want to apologize to a couple of people who didn't get to ask their questions. I would request them to approach Urvashi and Debasis and we'll answer those questions. I think I just want to quickly round up what is being discussed today. I think a point that both Vikram and Debasis had explained at length, is that we are in an expansion investment mode at Sterling and to some extent, at DEI.

Therefore, looking at a result of one quarter does not necessarily a reflection of what it is. In terms of margins, I want to reiterate that we are focused on maintaining stability of our margins. And while there may be opportunities which allow us to grow our margins going forward, we will exercise those options. And I think several of them have been discussed as we go forward.

Productivity benefits from managing costs continue to be our focus and they will continue to be a focus in the current year. Current run rate will be steady and are expected to continue over the rest of the year. I also expect that the opportunities will appear as we go forward and we will capitalize on that. So there is potential for upward growth out there. I want to reiterate the diversity of the businesses and the geographical diversity because this is essentially a hedge against any tailwinds.

You'll appreciate that we live in a highly unpredictable world where geopolitics and economics seem to be mixing at a much higher rate and therefore we need to be protective against that. Essentially, I want to say that there is a positive environment in the business. There has been no change in our outlook and we continue to operate in that environment.

Just as a last point we are hosting a Capital Markets Day on August 23 at the Jio Convention Center. If you're interested in participating all are welcome. Please contact Urvashi Butani to register yourselves. Thank you.

Moderator: On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.
