"Thomas Cook India Limited Q4 FY 2015 Results Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Thomas Cook India Limited Earnings Conference Call, hosted by IIFL Institutional Equities. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhijit Akella of IIFL. Thank you and over to you Sir!

Abhijit Akella: Thank you, very much Inba. Ladies and gentlemen, a very good afternoon and thank you for joining us on the 5Q FY 2015 post results conference call of Thomas Cook India Limited. To discuss the results today we are delighted to have with us the senior members of the management teams of Thomas Cook India as well as its subsidiaries Quess Corp and Sterling Holiday Resorts. From Thomas Cook India, we are joined by Mr. Madhavan Menon, Managing Director and other members of this management team. From Quess Corp we are joined by Mr. Ajit Isaac, Chairman and Managing Director and his team and from Sterling Holiday resort we are joined by Mr. Ramesh Ramanathan – Managing Director and his team. We will begin the call with opening remarks by the management following which we will open up the call for a Q&A session. I would now like to hand the call over to Mr. Madhavan Menon to take it forward. Thank you and over to you Sir!

Madhavan Menon: Good afternoon ladies and gentlemen. Thank you for participating in the call today. As Abhijit just introduced my colleagues, I think we will go in, once I finish I will handover to Ajit and then we will open up to calls unless Mr. Ramesh Ramanathan has any comments to make.

Basically I think we ended a 15-months period dated March 31, obviously adjusting our financials as per our new Company Law. We witnessed 15 months of hectic activity in all the three companies and achieved a quite a few milestones. ~~(inaudible) 2.01~~, While I will not go into the detail, I will hand over to Ajit and Ramesh to talk about their respective companies. If I can spend two minutes talking about Thomas Cook, even in the first quarter despite being a lean season - because we normally advertise in this quarter in the run up to the summer season -, we have actually witnessed decent sized summer bookings as a result of which we were actually able to improve the margins as well as pan it up at the sales level ~~(inaudible) 2.38~~. Other activities of Thomas Cook ~~(inaudible) 2.42~~ last year are on the innovation exercise where we launched three new products in addition to several other products we launched. I will highlight these three.

One is the holiday savings account, which is essentially a product that allows you to save for a holiday in the form of a recurring deposit with a bank. For 12 months the customer pays a monthly instalment and gets ~~(inaudible) 3.04~~ the 13th installments free. This allows you to go on a holiday. Now we had launched this in early April. We are currently clocking a 100 bookings a day and we expect that as we broaden the footprint through the banks that are partners in this product we will actually see this number significantly grow. Even if I were to take today's running run rate, we are talking about our volumes in the outbound by 3000 pax per month. Ajit, can you take over?

Ajit Isaac: Good afternoon ladies and gentlemen. I am happy to be with you on this analyst call today. This is our first full year of reporting for Quess as we are called today, post investment by Thomas Cook. It has been also our best year since our inception in 2007-2008 so last seven eight years of work it has been our best year of performance so far. I will just give you some of the numbers that have been reported.

Over the nine month basis in our previous financial year, we had revenue size of 1008 Crores that has gone up to about 2553 Crores, which is about a 153% growth. Similarly our EBITDA has gone up from 41 Crores to 139 Crores which is about 239% increase. Our PAT has gone up from 19 Crores to 72 Crores which is about 278%. So there has been a margin expansion also that happened between the last reported financial period and now.

Our return on capital employed has improved from 27% to about 31%. Our headcount has gone from 65000 in the last financial year to about 100,000 today, so we have just crossed a 100,000 mark and that is the landmark we achieved, just past to the closure of the financial period.

Other than organic growth, we have also done a few acquisitions this year. In the industrial asset management space we invested in a company called Hofincons, which turned out to be a fantastic asset for us, giving us the head start in the asset management space and as manufacturing is turning around and there is more investment coming into that space, this company's product and service profile is becoming more significant in that context. We are also looking at how we can take these operations out of India. We have started exploratory discussions and it is possible that the same services that we are providing in India we can also provide in the Middle East and South East Asia.

In our technology business, we invested in a company called Brainhunter in Canada. The company has revenues of about $80-$85 Million right now and is now on a turnaround. So for the last reported financial period it has not contributed significantly to any profits but we expect it to keep improving its operations and therefore to be able to contribute to bottomline in the future.

We also acquired a 49% stake in an IT product company in New York, which does a lot of work in the property and casualty space and that is again a company that is on the turnaround and we expect that company to do better than what it has done in the past because the insurance industry is going through what one would call once in a generation type of technology changes and this company is well placed to exploit some of that.

We also did one last acquisition in the facility space where we acquired the Indian assets of an American company called Aramark with which we added another 2000 people to our workforce and more importantly got a good foothold into the hospitality and healthcare facility management space in India, which we have now carved off, as a different vertical.

So all in, the acquisitions were done at different periods of time in the year and they have not significantly contributed to the bottomline but they have set us up well for the next year. Among some other internal developments our shared services center is more matured now. We therefore have a platform created internally for efficient and optimal integration of assets as we keep investing in them. This shared service center apart from creating and integrating ability is also a method for reduction of our cost of services delivered. We keep reemphasizing our decentralized management approach where each team of each company is able to take highly decentralized decisions and manages its own operations without any central interference thereby helping them to concentrate on customers and operations.

Lastly our deep value investing philosophy is reinforced this year through the four acquisitions we have done where we believe we have been able to buy all of the assets at lesser than market price and we hope that we will be able to do institutionalize this type of investing approach. As a concluding point, our credit rating for this year also improved. We are two notches up. We are in ICRA A+ Company now and our DSO position has largely remained the same so on the cash position, it has been almost the same as in the last year.

I will be happy to take questions that they come at the end of the presentation and I've got my colleague Subrata, who is our Director Finance and are Head of Investor Relations Abhinandan also to take calls. Thank you, Abhijit and take questions at the end of presentation.

Abhijit Akella: Thank you so much Mr. Isaac and thank you Mr. Menon also. Gentlemen from the management if there are no other remarks to be made, can we open the floor up now for Q&A, Inba, let us start the Q&A please. Thank you.

Moderator: Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Ankush Mahajan of Edelweiss. Please go ahead.

Ankush Mahajan: Sir, can I get a breakup of headcounts in different segments like HR, IT and facilities management?

Debasis Nandy Ankush, your question is referenced specifically to Quess, right?

Ankush Mahajan: Yes.

Debasis Nandy: If you say that it becomes easier because there are multiple people here, if you can address that and as you know, it is now we are actually doing the analyst call for three companies at one go, so if you just give a reference it becomes easier.

Ankush Mahajan: This is for the Quess Corp Sir. Another one is that Sir, what are the strategy and what are the factor that we see that these headcounts will grow, what are the growth that we are seen in headcounts and what are the factors behind it?

Subrata Nag: This is Subrata from Quess. Our head counts stack is like this. In the HR business we have around 67000 people, in the FMS we have around 20,000 people, Global Technology Services that is the IT around 3000 people and we have around 3000 people in Industrial Asset Management and we have around 2500 is our FTE – full time employees who are the core employees we call. So that is the basically the employee, the 100,000 breakup.

Ankush Mahajan: Sir, what kind of growth that we will look in this head counts and what are the factors behind it?

Subrata Nag: We see a substantial growth in all the segments. In case of People Services that is a general staffing; normally average currently we are adding almost 8000 people this April to June that is the traction in the e-commerce space. We are managing the last mile delivery of couple of e-commerce and we see some traction. We see a lot of traction in the telecom space, this 3G and 4G lot of people we see lot of traction there and generally the FMCG or FMCD where we are quite strong so we see a normal growth there. In case of facility management along with the Aravon, which is, renamed Aramark is renamed as Aravon, we are seeing lot of traction in the healthcare sector. We manage couple of big healthcare hospitals across India almost eight to nine big hospitals and we have been trying to build healthcare practice. Aramark actually had a huge healthcare practice in China and US and we have a technological agreement we signed with Aramark to transfer some of the technology and trained our manpower there, we see a lot of traction there. Another thrust area in the manufacturing sector, we traditionally in south we are strong in the IT corporate so this is the area to be in the manufacturing sector and we have the full suites now in the IFM space, we offer a soft services, hard services, pest control and food so we have been trying to push wherever we are going as a full services and in the case of GTS, we see a lot of traction in the captive, in the e-commerce space we have internally created new vertical to move in the more penetration in the e-commerce space in the IT related areas. In the industrial asset management we have just verticalized the company and we see a lot of traction in the power and we have been opened some new offices and getting into in a western market and in deep in the eastern and middle and central India market.

Ankush Mahajan: Sir if I check from the last I mean the previous year this headcount is growing from 50% to 60% of growth so would you like to throw some kind in terms of any growth number for coming years and what is the acquisition strategy in the Quess Corp?

Subrata Nag: We do not want to get into the projections but if you see and track our growth, we have been growing in a steady state and I think that will be there and the more momentum will come in because our line of business have been increased over the last few years and with the Indian economy growing and you know 'Make in India' movement and so we see lot of traction in the space. What was your last question?

Ankush Mahajan: Sir further acquisition in the Quess Corp?

Subrata Nag: As our stated goal we have been that we want to be a business service company and we maybe the only business service company in India and having such a wide spread of services, so we would like to pitch with this business service area asset-light model, people fitness, core technology and areas which are very much related like payroll, compliances in case of quality audit, assessment business so those are the areas we have interest and we look for opportunities there and also the business where we are currently in if we get a good opportunity value investment there also we would be looking into that.

Ankush Mahajan: Thank you Sir. That is all from my side.

Moderator: Thank you. Our next question is from Binoy Jariwala of Sunidhi Securities. Please go ahead.

Binoy Jariwala: Thank you for the opportunity. Quick questions for Thomas Cook first, what is the consolidated gross debt likewise the consolidated cash and equivalents?

Debasis Nandy: So the consolidated gross debt as on March 31, would be an accumulation of debts of 3 companies. As you know Sterling is virtually a debt free company, so the debt primarily lies in Thomas Cook and to some extent IKYA, so within the two it will be in the range of about 350 to 400 Crore, Binoy you know how Thomas Cook operates so debt levels keep on fluctuating on a day-to-day basis.

Binoy Jariwala: Understand completely. Sir, what is the consolidated cash?

Debasis Nandy: The consolidated cash position would be in excess of that because the foreign exchange business carries large inventory of cash so if you look at our net cash position it will be net debt would be actually negative. So we are net cash positive as a group.

Binoy Jariwala: Sir on the prepaid borderless card what would be the cumulative value on that? What could be the market share on that card? With regards to the float arrangement what is the status on the float arrangement? I believe we were looking to change our arrangement with Master Card on the float?

Debasis Nandy: We have been in businesses for just about 2.5 years now and we have so far sold 168,000 cards. Total loaded value is about US $600 million and so that is the current position. We continue to grow this business. In the last quarter the business has grown at about 15% and that has been the lean season so we expect more growth to come in the next three quarters. In terms of the float arrangement, as of now the float arrangement has remained the same, but as we had discussed during one of our meetings we are thinking over to a situation where the float instead of lying in a trust account would be directly managed by Thomas Cook, so that should happen in the current quarter.

Binoy Jariwala: Sir, if that happens do the interest income, which gets accrued in the float, comes to Thomas Cook or would it?

Debasis Nandy: Yes, but let us not get too excited about the interest income because these are foreign currency balances. So as you know the interest rate on foreign currency accounts are not very high. So it would not be a very, very substantial amount. Yes, it would be an improvement but it would not be a very substantial improvement on the current profitability.

Binoy Jariwala: Sir, what would be the float percentage on this? Cumulative value you shared is $600 million but float would be?

Debasis Nandy: As of now the float is close to about $45 million.

Binoy Jariwala: Sir next set of questions are for IKYA. So we have done some fantastic acquisitions in the recent past. Now if you could help us with the organic revenue, EBTIDA and PAT numbers for this 15-months, you shared the reported number if you could also share the organic growth numbers?

Subrata Nag: Last year actually if you see in our accounts two companies inorganic if I say that would be easier, one is the Hofincons came into our fold effective July 1, 2014 so that is a nine-month result and Brainhunter we acquired late October, that is October 31, so five months results got consolidated at Quess level. Total revenue from these two companies will be around 350-360 Crores and out of that 2500 Crores and in the EBITDA level it will be around 15 Crore EBITDA because Brainhunter as Ajit was telling that though it is contributing a substantial revenue being a Dollar denominated revenue but still the company had just a breakeven level so it is not contributing any EBITDA so most of the EBITDA whatever I am saying that 15 Crores came from Hofincons.

Binoy Jariwala: Sir what could be the PAT amount?

Subrata Nag: PAT amount of Hofincons?

Binoy Jariwala: I mean Hofincons and Brainhunter put together?

Subrata Nag: Brainhunter as I told the EBITDA level it is just breaking even and then there is actually small loss, around a Crore or so and in Hofincons it will be around 9 Crores I think the PAT.

Binoy Jariwala: So these numbers of 9 Crores, 15 Crores and 350 Crores are for a period of nine months?

Subrata Nag: Hofincons is for nine months. It is from July 1, 2014 to March, nine months.

Binoy Jariwala: If you could also help us a bit on the acquisitions, what was the price paid for Brainhunter Aramark and likewise MFXchange?

Subrata Nag: Currently, it is a confidential information and it is and as Ajit told we are a very deep value investor and all these companies came at a very, very reasonable price actually that is why though Hofincons, Hofincons was always a profitable company but Brainhunter and MFX both companies our exposure or investments are very, very limited. So we see a lot of upside there once we can turnaround these two companies.

Binoy Jariwala: Sir on the Brainhunter acquisition, there have been some news reports which says the Zylog System there is a dispute going on between ICICI Bank and the Zylog Systems the acquisitions, so have we closed that acquisition or is it yet to be closed, what is the status on that?

Ajit Isaac: The acquisition plan stands closed and we operate the company as of today. The dispute if any that exists is between ICICI, which were the owners of the assets because of the defaults that the previous owners had so we are unconnected with that and we continue to run the business successfully.

Binoy Jariwala: So which means that, be whatever the outcome of the Madras High Court hearing there is no bearing on us?

Subrata Nag: (Inaudible) 24.25 No, we do not see any bearing on us and you know the audit has to get completed and it was a Canadian acquisition done under the Canadian Law we do not foresee any problem or any issues in that acquisitions whatsoever.

Binoy Jariwala: Thank you so much Sir. Sir, last piece of questions for Sterling Holidays, what were the new membership additions and the total active memberships as on March 31?

Ramesh Ramanathan: As of March 2015 we have 76000 members on our rolls. We added around 5500 members during the year, which is a growth of 48% over the previous year.

Binoy Jariwala: When is the share swap expected to happen?

Ramesh Ramanathan: We are awaiting for one final court approval from Mumbai, all the court clearances for Sterling from Chennai has happened. We are awaiting one more court clearance which is on June 12, once that happens then I think the process will go forward.

Binoy Jariwala: Thank you so much Sir. That is it from my side.

Moderator: Thank you. Our next question is from Claire Barnes from Apollo Invest. Please go ahead.

Claire Barnes: Thank you. Ajit, could you please tell us about the operating margins at Quess? They seem to have been declining in the last two quarters?

Subrata Nag: Operating margin is around 5.8%, around 6%. Last quarter actually it was subdued a little bit as I was telling you previously that Brainhunter is contributing substantially into revenue, but they are at the breaking even level so they are not contributing any margin as such in the overall pool so that is actually having some negative effect in the overall margin, but we think that once the Brainhunter turnaround happens then this margin will again start picking up. If you take the Brainhunter off from the overall margin then there is a margin expansion happening but because of the Brainhunter which is adding almost last year average Canadian $7 million per month and without any margin so that has an impact on the overall margin.

Claire Barnes: Can I ask about the financial services division where the revenue seems to be down fractionally year-on-year and the profit quite rather more?

Debasis Nandy: Sorry we did not get the question out here, the voice was not very clear. Can you please repeat that Claire ?

Claire Barnes: I was just talking about the financial services division where the revenue and profit was down year-on-year in the latest quarter?

Debasis Nandy: The Financial Service division primarily presents the foreign exchange business. Now last year in 2014, we saw an unprecedented demand for foreign exchange, especially in the wholesale market and therefore we could take advantage of that situation and we could improve our margins substantially. The market situation has changed somewhat this year the demand is more in the retail category rather than the wholesale category, so while our volumes have grown our margins have shrunk a bit because we do not see that sort of margin improvement opportunities this year. However having said that, with the outbound growth speaking up in the travel season which is April to July we see a foreign exchange going back to the growth levels that we had seen earlier

Claire Barnes: Thank you. Why is wholesale less promising? You said there was less wholesale demand from usual?

Debasis Nandy: Last year, there was a sudden demand in the market, during the first half of the last year 2014 there was a large demand for especially for US Dollar in the local market in the Indian market, which was not normal. While the demand still exists it is less intense than last year. Since the demand was very intense last year we could raise our margins to very substantial levels and therefore make more money. So this year the margins have come down to normal levels.

Claire Barnes: Thank you.

Moderator: Thank you. Our next question is from Mayur Parkeria of Wealth Managers. Please go ahead.

Mayur Parkeria: Good afternoon Sir. Thank you for taking my question. My first question is on Quess again. Sir excluding Brainhunter when do we expect that we would be able to reach around 8% margins, which I think we had targeted earlier?

Subrata Nag: It is very difficult to fix a particular time and year but if you see historically I think three four years back we were around 2.5% margins from there today without Brainhunter we are around touching almost 6%, 5.8%, and once I think Brainhunter will contribute this margin which MFX will contribute and MFX is not even consolidated in our books as on date. The margin will substantially grow. If you see our overall thrust actually is to grow the businesses which are high margins, if you understand our business the staffing which is normally at a 5% gross margin 2.5 % EBITDA margins so we have been constantly trying to grow our global technology services business which is IT staffing which is almost 20% plus gross margin, 11% to 12% EBITDA margin. In the Facility Management which is in the range of 18% gross margin around 9% EBITDA margin, in case of Industrial Asset Management which is also 18% -19% gross margin and 9% to 10% EBITDA margin so that once this business will grow and start, their contribution to the overall pool will be growing and which have been growing, overall impact that 2% margin what we have been telling that is 6% to 8% I think that will be coming eventually but when and how we know, but when it is time to tell, it may take a couple of quarters I think we will see.

Mayur Parkeria: Sir will it be possible for you to give yearly breakup between HR, FMS, GTS, industrial AMC kind of revenues, I mean the staffing IT and the industrial?

Subrata Nag: Off hand, exactly I can give you say, like say it was in 2010-2011 Magna it was around, that is IT staffing was 180 Crores turnaround, last year was almost on a 12 months basis it was 440 Crores, current run rate is almost 40 Crores per month, only in the IT staffing. In case of Facility Management we have been growing almost 30% every year last few years and we started from a very small base I think 10 Crore in 2008-2009 currently we are crossing almost Avon Facility Management which is almost 200 Crore plus business, overall IFM business is touching 300 Crores. Industrial Asset Management is a new entry in our fold, just with IKYA so our people business that is general staffing it has been growing steadily and last year it was I think 600 some Crore and this year it was almost 1000 Crore plus and our run rate currently almost….

Mayur Parkeria: Sir, I am sorry, but your voice is breaking in between. I could hardly understand. I missed the last. After the FMS, I missed on that what you were saying.

Subrata Nag: What I was telling is that the Industrial Asset Management that is the new entry I acquired. We acquired. That came through acquisition of Hofincons. So that is the first year it is in our consolidated accounts and in case of the last one I was telling that P&S business that is people business which is predominantly the general staffing and skill development and general staffing we have been growing steadily, last year we did almost 1400 Crores and 15 months was the 1400 Crores and current run rate is almost 110 to 115 Crores.

Mayur Parkeria: Per month?

Subrata Nag: Yes.

Mayur Parkeria: Sir, how do we see this, can you lay on broad contours on how do we see the opportunity in terms of the skill development programmes of the government in this segment and particularly for this segment since this is a low margin business overall I am saying so where do you see this segment margin improvement to what extent?

Subrata Nag: I do not know why you are saying that skill development is a low margin business, we do not see in that way it is I think quite healthy margin. Skill development we see lot of opportunities. We are there I think the last year was basically the year to build up the order booking and build up our capabilities. Today we have almost 46 centers running across India. We have been working almost 15 to 17 State Government from Jammu & Kashmir to Kerala and this side from Guwahati to Maharashtra. We have mandate from Government of India to train almost 55000 people over the next three years. So we see lot of potential in this sector and we have been trying to currently we are mainly working with one government department. We have been trying to engage with the various state governments and in various like some school teacher training, then there is some new programmes are coming from the various state governments and the central government, lot of emphasis we have been seeing lately off-late from the central government in the skill development with the formation of the new ministry. So we see lot of traction in skill development over the next two to three years.

Mayur Parkeria: Sir at the overall Quess level currently we are at 2500 Crores. Do you believe that in the next three years it is possible given the opportunity and the areas which we are addressing, industrial staffing and across the staffing pyramid, it is possible to double the revenues over a three year period?

Subrata Nag: I will not get into you know any projection.

Mayur Parkeria: Do you think the opportunity size gives us that the space to look at that kind of a growth?

Subrata Nag: I will answer your question in a different way. You see historically what we have been performing and we at the management level we were very much confident that we will keep that growth rate we set for ourselves and we will be achieving the target we are setting for ourselves and what we did early last seven or eight years I think, I do not see any reason why that will not be repeated in the coming five to seven years and that takes us to double our revenue or more than that that may happen, but we will try to keep our growth rate intact but definitely it will be, if the base is increasing maybe few percentage here and can be left but overall growth level we will be there in Quess that much I think we can assure.

Mayur Parkeria: Sir, my last question on the Thomas Cook standalone basis when do we see the travel related services, that is still on a negative operating numbers so what would be the sustainable trend over there and when can we see that?

Debasis Nandy: So I think you are only looking at the quarter results and possibly trying to draw a conclusion, which is not really correct, because as Madhavan mentioned in the opening statement Q1 the January, February and March quarter is always a lean quarter for travel and more so because this is the time we make our marketing investments. We invest in our ad campaigns both online as well as other media to gear up for the summer season which is the biggest season for us. So I would request you to look at the year's results rather than the quarter results for drawing a conclusion on the travel part of it. Having said that if you look at the quarter results r we have actually grown the outbound business in spite of it being a lean season, our sales went up by both we saw increase in number of passengers, we also saw an increase in the value of the business, there is a 53% increase in billing, a 40% increase in revenue during this period.

Mayur Parkeria: Sir do you believe the year number for our profit represents a fair estimate of the sustainable trend or is there a scope for improvement?

Debasis Nandy: There is a huge seasonality in the travel business so, one should always look at the year's number to understand what sort of margin we get.

Mayur Parkeria: So on an entirely year basis do you believe it is a sustainable trend what we have achieved right?

Debasis Nandy: If you look at the last three years performance we have been able to sustain our margin performance, so I do not see any reason why it would be different. We have launched various initiatives for margin improvement as well as new products. So we expect this business to grow.

Mayur Parkeria: Advertising how do we look at? Do you fix any percentage of sales and how are you know, how do we go ahead with the budgeting of the advertising for a year as a whole?

Abraham Alapatt: The first part of your question is how do we allocate percentage or a budget for advertising? That is typically a basis of projection where depending on the number of pax and the revenues targeted we allocate a certain percentage overall per business and then marketing job is to find more efficient way of achieving the business targets. Obviously the efficiency and cost per lead or pax sale is what we measure ourselves on. Does it answer your question?

Mayur Parkeria: So from our perspective, what kind of number do we look at as a sustainable advertising trend in terms of percentage?

Abraham Alapatt: See I think that is a dynamic situation.

Mayur Parkeria: Any range you would like to add?

Abraham Alapatt: See we ourselves migrated substantially over the last couple of years from largely brick-led approach marketing to driving more conversations to a call center and technology associated selling both pure online as well as technology assisted offline. So in many ways what we are trying to do is lower the cost of acquisition at one level and lower the cost of conversion at the next. So if you look at advertising standalone versus the pax may not make sense, what we measure ourselves; however, is the productivity of every Rupee spent, which is the cost like I said of acquisition and then of conversion. So really we track ourselves on that. Our effort is to achieve the pax number at the lowest possible cost.

Mayur Parkeria: Thank you.

Moderator: Thank you. Our next question is from VP Rajesh of Banyan Capital. Please go ahead.

VP Rajesh: Thanks for taking my question. I will ask a few on the vacation business side. Could you give us the numbers of Q1 fiscal year 2015, meaning the January-March quarter 2014 for the revenue?

Ramesh Ramanathan: Can you repeat that question please?

VP Rajesh: What I was trying to understand is that in the January March quarter we had 44 Crore of revenue so if I were to look at 12 months before that, what was the revenue will be January – March quarter 2014?

Ramesh Ramanathan: Last January 44 Crores was the total income, revenue during January – March against which we have 53.3 Crores, an increase of 21.4% quarter-on-quarter.

VP Rajesh: So in the last 12 months the revenue in the vacation ownership business has gone up by 21.4%?

Ramesh Ramanathan: Quarter-on-quarter yes. Now this total income is a combination of the Timeshare membership as well as the resort income that we have. We have three revenue streams. The first one is the new membership that we sell of which we account 60%. The second one is the revenue at the resorts in terms of both members and non-members from room and food and all that. The third one is what we make on maintenance, all three put together so this is the total of all three.

VP Rajesh: Total of all three was 44 Crore in the current quarters?

Ramesh Ramanathan: Yes, current quarter last year and the same is now 53.3.

VP Rajesh: Because I see Q5 number as 44 Crore so that is why I was trying to understand, but you are saying that is for the previous year, is it?

Ramesh Ramanathan: Debasis can you clarify the Q5, please?

Debasis Nandy: I am not sure what is meant by Q5 actually.

VP Rajesh: Because you have changed the financial year so this is the fifth quarter, the January-March?

Ramesh Ramanathan: What I am giving you is four quarters. It does not include the fifth quarter.

VP Rajesh: So, just I am trying to understand again on the vacation side what was the depreciation in that business for the Jan-March quarter this year?

Ramesh Ramanathan: You mean new members?

VP Rajesh: No the depreciation amount?

Debasis Nandy: I am not very clear about the question?

VP Rajesh: Your EBIT is I believe 6 Crore in the segment wise distribution and the revenue for the January – March 2015 is 44 Crores so that is 14% margin on the EBIT side. I am just trying to get the EBTIDA numbers for that?

Ramesh Ramanathan: I can give you the EBITDA numbers. The EBTIDA is 689 lakhs for the current, that is the January –March 2015 quarter versus 505 lakhs for the previous year same period.

VP Rajesh: That is all I have. Thank you.

Moderator: Thank you. We will take our next question from Vineet Maloo of Birla Sunlife. Please go ahead.

Vineet Maloo: Good afternoon gentlemen. My question is related to your prepaid card, I think somebody asked this what is your market share and if you can indicate that again please?

Debasis Nandy: The market share is in the range of about 14% right now.

Vineet Maloo: Are we the largest player in the market right now?

Debasis Nandy: We are one of the largest players, let us put it this way. .

Vineet Maloo: So we will be at least amongst top three right?

Debasis Nandy: We are definitely one of the top three and we are the only non-bank player to be in this market.

Vineet Maloo: My second question is related to travel business. Inbound outbound what kind of trends you are looking at, if you could just give some sort of insight on that?

Debasis Nandy: So, as far as the outbound season is concerned , we are right now in the middle of the outbound season. As Madhavan stated in his opening comment, we have seen a healthy growth in the outbound market this year as compared to last year. The forward bookings are up by about 30%, so we are seeing a good trend in the outbound business. This season there is still about two to two and a half months left for the season so let us see how it pans out. What I am talking about right now is confirmed forward booking. As far as the inbound business is concerned the inbound business for the season for 2014-2015 is actually over. We have to now start looking at 2015-2016, which is going to start off sometime in late October this year.

Vineet Maloo: When do the bookings start for that?

Debasis Nandy: The booking should start for that sometime in and around August, not before that. July – August is the time when you start getting some indication of the bookings.

Vineet Maloo: My next question is advertisements, somebody already touched upon it. So there is significant jump in the advertisement cost right, so both in standalone numbers as well as consolidated, so can you highlight for which of the businesses are these for and I mean what all are we targeting in this?

Abraham Alapatt: As I had indicated earlier as well one of the focuses has been on two areas really. One is on what Madhavan touched on earlier, which is the innovations on new businesses which are really looking at ahead of the future. The first of which is the holiday savings account, which very briefly is a way for us to tap India's large middle class by creating a product that allows them to save for a holiday next year at an inflation proof level, so this basically involves us having tied up with banks at this point with IndusInd and ICICI where we allow customers to actually save via RD, which is recurring deposit in 12 installments, the 13th installment being a combination of accrued interest plus a top up from Thomas Cook allowing them to afford a holiday they would not otherwise have been able to afford. We have seen a lot of interest in that. We have done some exploratory advertising if I can use that expression and we had very good traction and we are seeing a run rate of something like 100 pax a day being booked. We see that number going up significantly, so a part of the advertising expenditure has been in the launch of that. We have also created a brand property, which has also become a business access vehicle which is Travel Quest which is India's first travel quiz which in a season, it is first season which was last year, reached out about 5 lakhs students across 1100 schools in 16 cities, giving us access to the schools and the management to launch our study to a business, which has given us significant travel opportunities in terms of that. That is again a segment that's relatively untapped. No organized player in that, so we managed to get access and as we speak we have done about 3 Crores of business with an equal amount in the pipeline. So that is again something we spent quite a bit on and that we see as a long-term property to continue to grow the business and the opportunity. The third has been our shift to drive business into online and assisted online model like I spoke of. Our television campaign, which you might have seen on television as we speak, is about thomascook.in, which is about really building our presence in the online space because we see a lot of online research translating to business offline so clearly there was a need to mark our presence there, so we made significant investments in that area as well.

Vineet Maloo: So all these are related to standalone company right?

Abraham Alapatt: At a brand level, I think it works at various levels. It obviously all these three are brand initiatives they are innovations, they are reaching to new sets of customers, middle class India which we were not tapping in holiday saving accounts case, student in the case of travel quest and the online customer, which we were not tapping aggressively earlier. So in many ways these are both brand and marketing for market opportunities that we have invested in.

Vineet Maloo: What I am trying to understand is that, all these three initiatives are under Thomas Cook standalone right? So that clarifies increase in the advertising cost in standalone numbers. What I am looking at even in consolidated level there is significant jump in advertising cost, so what would be the other business for which you know…?

Debasis Nandy: That will primarily be on Sterling.

Vineet Maloo: So there also we have increased significantly is it?

Debasis Nandy May be Ramesh can comment about it, about the ad campaign that he is running for Sterling.

Ramesh Ramanathan: We are not running any ad campaigns at all. Sterling over the last three years has not done any campaigns. We have restricted it because we wanted to complete all our refurbishments and in the current year, in the financial year FY 2016 we have started work on our brand repositioning and therefore in Q3 of this year or Q3 to Q4 we will break into a campaign so till then, whatever little that we do is in the digital area and that is not much. We are not in the media at all for almost two to three years.

Vineet Maloo: So Debasis, it is for some other business right?

Debasis Nandy: No, we have no other businesses, so if you look at the standalone there were some costs 37 Crores, the balance would be the publicity cost between IKYA and Sterling.

Vineet Maloo: Maybe I will touch base with you offline. Just wanted to understand where it is going. Thank you so much.

Moderator: Thank you. Our next question is from Kunal Bhatia of Dalal and Broacha. Please go ahead.

Kunal Bhatia: Thanks for the opportunity. In fact I had same question on advertisement. Apart from that I just missed out on your net profit figure for Quess? Versus 72 Crores last year this year it was how much?

Subrata Nag: 72 Crores for the 15 months ended March 31, 2015.

Kunal Bhatia: Last year it was how much?

Subrata Nag: Last year it was 19 Crore for 9 months period.

Kunal Bhatia: Sir and also wanted to get a sense on what was the revenue from our MFXchange business?

Subrata Nag: The MFX has not been consolidated. We have a 49% stake there and it was not been consolidated in the 2500 revenue you see, this is without MFX effect.

Kunal Bhatia: Sir what I understand, I just wanted to get the sense of what was the reason of 21% growth on a quarter-on-quarter basis for our business inorganically?

Subrata Nag: I did not get you exactly, what you want to understand?

Kunal Bhatia: For our Quess business we are at 713 Crores this quarter versus 586 Crores so where did the growth come in on the new business side?

Subrata Nag: Brainhunter last quarter, that is the December quarter November – December there is only two months there, and this quarter is a full quarter so one single quarter that is around 35 to 40 Crores revenue came inorganically which was from the Brainhunter and everything is the growth from our current business.

Kunal Bhatia: Thank you so much.

Moderator: Thank you. Our next question is from Binoy Jariwala from Sunidhi Securities. Please go ahead.

Binoy Jariwala: Thanks for the follow up. This question is for Thomas Cook business if you could help us to the turnover amounts in foreign exchange likewise inbound, outbound, domestic and MFX the turnover amounts?

Debasis Nandy: The turnover is not reflected in the financials actually. For us the turnover is the billing.

Binoy Jariwala: If you could share that?

Debasis Nandy: Whatever is not reflected in the financials we do not really talk about it because we do not report that to the stock exchange, so you want the revenue number or the turnover number?

Binoy Jariwala: If you could help me with the revenue, I will work with that?

Debasis Nandy: So for the 15 months period the revenue number, I will talk only about the major businesses because there are smaller businesses I will avoid. So if you look at foreign exchange business the original number for the 15 month period is 254 Crores, the revenue for corporate travel is 73 Crores, Leisure inbound is 56 Crores, outbound travel is 128 Crores, if you look at the MICE and the domestic business, that's about 40 Crores, those are the major businesses.

Binoy Jariwala: Sir, in the balance sheet the consolidated balance sheet there is a minority interest which is 210 Crores if you could help me understand that?

Subrata Nag: Thomas Cook holds roughly about 76% in Quess, so the balance 24% represents the minority interest in that company. Similarly as on the balance sheet date Thomas Cook held 55% in Sterling, so 45% of the shares are still held by other shareholders so the amount due technically to those shareholders that is the profits due to those shareholders or reserves belonging to those shareholders are reflected in minority interest.

Binoy Jariwala: No I could understand Sir, but if you could just help me with break up, like 210 how much would it be for?

Debasis Nandy: That does not really matter actually. So 76% holding in one and 65% holding in the other and these numbers could change dramatically as soon as we finish the merger with Sterling.

Binoy Jariwala: Thank you so much.

Moderator: Thank you. Our next question is from Rajesh K of Alfa Accurate Advisors. Please go ahead.

Rajesh K: Sir, just wanted to know that if you can give a breakup of segment wise business of Quess Corporation in terms of four segments, global technology, industrial asset, integrated facility and people end services for the Q4 as well as from April 1 to March 31, 2015?

Abhinandan: Rajesh this information is not public as of now. So I suggest we take it offline. We need to discuss with lot of people before going ahead on this.

Rajesh K: Can you give for 15 months if possible like because last time when you are mentioning about it your phone line was actually not very good and therefore we could not get the full proper numbers. You said facility management witnessed 30% growth and you said that you have a general staffing which is growing steadily about 1000 Crores or something like that so, I really could not get the numbers properly?

Abhinandan: So just to clarify, you just want to know about our growth strategy for each of these businesses right?

Rajesh K: No, less about growth strategy because you are saying that you know you are confident about growth, so what is the actual right now numbers of the segment that is what I wanted to know. What is the base of each of the segment?

Subrata Nag: Yes, 15 months it will be around 1400 Crore, say around 700-750 Crores.

Rajesh K: Sir your voice is breaking Sir, 1400 Crores for which segment?

Subrata Nag: People and Services business, and around 750 Crores will be Global Technology business with the IT and IT staff, Facility Management will be around 300 Crores and around 120 to 130 Crores will be the IAM, that is Industrial Asset Management.

Rajesh K: This people and services basically business is that the low margin business correct?

Subrata Nag: People and services there the couple of things are there. There the main business is a general staffing and then the skill development then recruitment and executive search these are basically three major components.

Rajesh K: So the margin of people and services segment blended basis is approximately the operating margin would be how much?

Subrata Nag: It will be say around between 2.5% and 3%.

Rajesh K: So it is that the lower end within that would be like very minimal margin something like that is it?

Subrata Nag: Yes.

Rajesh K: This business will continue to run like 2.5% - 3% margin or you think there is an opportunity to change the product mix within this segment?

Subrata Nag: Yes, there is definitely an opportunity to change the mix. Currently as I told you the EBITDA margin is around, the operating margins and gross margins are (inaudible) 1.03.57. As I was telling that in the general staffing the gross margin is around 5% and in the EBITDA margin it is 2.5% to 3% and we have been constantly trying to go up in the value chain and bring managed services do something and except only without over and above what we are currently doing that do some extra jobs there and go up in the value chain and increase the margin there.

Rajesh K: Your current run rate on the consolidated basis for this business is how much right now for Quess Corporation?

Subrata Nag: Overall, you see that is in last quarter also we mentioned it is 700-750 Crores currently.

Moderator: The next question is from Vikas Rajpal of East India Securities. Please go ahead.

Vikas Rajpal: My question is regarding Quess Corp. Sir since major of the acquisitions were done from the distressed parents and like companies were not positive at operational levels, so Sir going forward if you happen to do such an acquisition in future, so what exactly is the gestation period that you would target for the companies to become profit positive at operational levels?

Subrata Nag: First of all each company takes its own time. The degree of distress is different from company-to-company but we have some sort of our internal benchmark and whenever we get a company try to build a 90 days to 100 days plan and work on the math with them, implement those plans and basically we want to understand why the company is not doing well and what are the reasons and try to address those reasons. Somewhere it may take some time but definitely a company if we takeover we expect that within six months to one year it should start contributing positively into the overall pool of the company and at least in the first 90 days to within maximum 120 days it should stop bleeding any cash if we bleed of acquisition. So those are the basically few parameters, Brainhunter when we acquired and after five months it stopped bleeding any cash, MFX also and now we have been trying to build the business in next six to eight months and hopefully by 2016 we will have different results from these companies.

Vikas Rajpal: Sir, if I may ask, what kind of funds do you have in place to further acquire any company?

Subrata Nag: See we never acquired any company by raising debt and so whatever acquisition has been done so far basically from the equity infusion from the investors, general accruals, and we will I think stick to that and first of all (inaudible) 1.08.12 seeing what funds we have, we see whatever the opportunity and how we can leverage it that opportunity and how it fits into our overall business, parameters and the whole thing, if it fits then the question of funds will be coming there, so that is secondary. I do not think that will not drive our acquisitions and game plan later on.

Vikas Rajpal: Thank you.

Moderator: Our next question is from Umesh Patel of Sharekhan. Please go ahead.

Umesh Patel: Thank you Sir. Sir my question pertains to Sterling Holiday Resort. Just wanted to know if you can give us the number of operational rooms for FY 2015 and how much we added during the year, as well as average revenue for per room and occupancy rate?

R. Mohan: It is audible? Are you able to hear us?

Umesh Patel: Sir I would like to know, my question pertains to Sterling Holiday Resort what is the number of operational room as of now and occupancy rate as well as average revenue per room?

R. Mohan: As of March 31, 2015 it is 1767 rooms.

Umesh Patel: What was the occupancy?

R. Mohan: Occupancy as of March 31 it is 56%.

Umesh Patel: What was the average revenue per room?

R. Mohan: It is 2730.

Umesh Patel: How much additional rooms that we are planning to add in FY 2016?

R. Mohan: At this point we will not able to share that.

Umesh Patel: Sir just wanted to know we have done, at bottomline we have done positive in FY 2015 after 18 years if I am not mistaken so just wanted to know if you can give the net profit figure for Sterling Holiday for Q4 and for the year both?

R. Mohan: For year it is 5 million profit PAT.

Umesh Patel: What was is in Q4?

R. Mohan: 2.3 Crores.

Umesh Patel: Thank you very much.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to Mr. Abhijit Akella for closing comments.

Abhijit Akella: Thank you Inba. Gentlemen from the management if you would like to make any closing comments please?

Debasis Nandy: Not really. I think we do not have any further comments to make on this unless Ajit and Ramesh want to say something.

Ajit Isaac: I am okay, Debasis. Thank you.

Abhijit Akella: On behalf of IIFL, I'd like to thank the management teams from Thomas Cook, Quess and Sterling Holidays for taking the time to participate on this call and also like to thank all the participants for joining in. Thank you very much. With that we conclude this call.

Moderator: Thank you. On behalf of IIFL Institutional Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.