

The Thomas Cook India family gets bigger!

Annual Report 2015-2016



BOARD OF DIRECTORS

Madhavan Menon, Chairman & Managing Director
Harsha Raghavan, Non Executive Director
Chandran Ratnaswami, Non Executive Director
Kishori Udeshi, Non Executive Director – Independent
Pravir Kumar Vohra, Non Executive Director – Independent
Nilesh Vikamsey, Additional Non Executive Director – Independent
Sunil Mathur, Additional Non Executive Director – Independent

COMPANY SECRETARY

Amit J. Parekh – Company Secretary & Compliance Officer

AUDITORS

Lovelock & Lewes

PRINCIPAL BANKERS (in alphabetical order)

Axis Bank Limited
Bank of America
Deutsche Bank
HDFC Bank Limited
ICICI Bank Limited
IDBI Bank Limited
IndusInd Bank Limited
Kotak Mahindra Bank Limited
RBL Bank
State Bank of India
Yes Bank

REGISTRARS & SHARE TRANSFER AGENTS

TSR Darashaw Limited,
6-10, Haji Moosa Patrawala Indl. Estate
20, Dr. E Moses Road, Mahalakshmi,
Mumbai 400 011
Tel: +91 22 6656 8484
Fax: +91 22 6656 8494
Email Id: csg-unit@tsrdarashaw.com
Website: www.tsrdarashaw.com

REGISTERED OFFICE

Thomas Cook (India) Limited
CIN: L63040MH1978PLC020717
Thomas Cook Building,
Dr. D. N. Road, Fort,
Mumbai – 400 001
Tel: +91 22 4242 7000
Fax: +91 22 2302 2856
Email id: shareddept@in.thomascook.com
Website: www.thomascook.in

CONTENTS

| | |
|---|-----|
| Directors' Report..... | 01 |
| The Management Discussion and Analysis Report | 42 |
| Report of the Directors on Corporate Governance | 52 |
| Report of various Committees of the Board..... | 81 |
| Certificate on Corporate Governance | 85 |
| CEO/ CFO Certification and Declaration on Compliance of Code of Conduct..... | 86 |
| Thomas Cook (India) Limited Financial Statements | |
| Auditors' Report..... | 87 |
| Balance Sheet | 92 |
| Statement of Profit and Loss..... | 93 |
| Cash Flow Statement..... | 94 |
| Notes forming part of the Financial Statements | 96 |
| Consolidated Financial Statements | |
| Auditors' Report..... | 129 |
| Balance Sheet | 132 |
| Statement of Profit and Loss..... | 133 |
| Cash Flow Statement..... | 134 |
| Notes forming part of the Financial Statements | 136 |
| Information regarding subsidiary companies | 181 |
| Consolidated five year's performance | 184 |
| Thomas Cook offices | 186 |

Members may please note that e-copy of Annual Report 2015-2016 is being sent to those shareholders whose email addresses are registered with their respective depositories and/or to those registered to receive e-copy of the Annual Report as part of green initiative undertaken by the Company. The same would also be available on the Company's website www.thomascook.in

BOARD OF DIRECTORS



Bottom row from left to right

Sunil Mathur

(Additional Non Executive Independent Director)

Madhavan Menon

(Chairman & Managing Director)

Kishori Udeshi

(Non Executive Independent Director)

Top row from left to right

Pravir Kumar Vohra

(Non Executive Independent Director)

Nilesh Vikamsey

(Additional Non Executive Independent Director)

Chandran Ratnaswami

(Non Executive Director)

Harsha Raghavan

(Non Executive Director)



Executive Committee Members



Madhavan Menon
Chairman &
Managing Director



Mahesh Iyer
Chief Operating Officer
Thomas Cook (India) Ltd



Rambhau. R. Kenkare
President & Group Head
Legal, Secretarial & Administration



Debasis Nandy
Chief Financial Officer &
President - Commercial



Rajeev Kale
President & Country Head
Leisure Travel, MICE



Amit Madhan
President & Group Head
Technology & Shared Services



Prashant Narayan
Chief Operating Officer & Head
Leisure Travel(Inbound)



Indiver Rastogi
President & Country Head
Corporate Travel



Abraham Alapatt
President & Group Head
Marketing, Service Quality,
Financial Services & Innovation



Jatinder Paul Singh
Senior Vice President & Head
Sales & Distribution,
Leisure Travel (Outbound)



Shibani Phadkar
Senior Vice President & Head
Products & Operations,
Leisure Travel (Outbound)



Mona Cheriyan
President & Group Head
Human Resources



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Holidays starting at ₹700 per month.



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1

SAVE

For your Dream Holiday in 12 easy monthly installments with one of our bank partners.

2

EARN

Attractive interest rates + top up from Thomas Cook = the 13th installment.

3

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On your dream holiday next year at today's price, enjoying savings of more than 20%.

Holidays available to:

Europe | Malaysia | Thailand | Dubai | Malaysia + Singapore | Singapore | Sri Lanka
Kashmir | North East | Bhutan | Himachal | Goa | Kerala | Golden Triangle | Andaman

EUROPE HOLIDAY 6 Nights / 7 Days

₹10,700
per month

Inclusions: Accommodation, airfare with taxes, visas, meals, sightseeing & transfers as per itinerary

For more details call 1800 266 7500

Email: hsa@in.thomascook.com or log on to www.thomascook.in/hsa

Banking Partners:



Terms & conditions apply. Prices mentioned are on twin sharing basis. Ex-Mumbai, Bangalore, Hyderabad, Chennai, Ahmedabad and Kolkata prices also available.



Banking Partners:



Terms & conditions apply. Prices mentioned are on twin sharing basis. Ex-Mumbai, Bangalore, Hyderabad, Chennai, Ahmedabad and Kolkata prices also available.

Directors' Report

To the Members:

Your Directors have pleasure in presenting the Thirty – Ninth Annual Report, together with audited financial statements for the financial year ended on 31st March, 2016.

FINANCIAL PERFORMANCE

(₹ in million except Earnings Per Share)

| Particulars | Standalone | | Consolidated* | |
|--|---------------------------------------|--|---------------------------------------|--|
| | Financial Year ended 31st March, 2016 | Fifteen months Period ended 31st March, 2015** | Financial Year ended 31st March, 2016 | Fifteen months Period ended 31st March, 2015** |
| Total Revenue | 4,125.77 | 5,135.82 | 42,835.58 | 32,863.21 |
| Profit before Tax | 84.32 | 486.21 | 1,282.09 | 1,709.88 |
| Exceptional Item | - | - | 938.50 | - |
| Prior Period Item | - | - | 58.46 | - |
| Provision for Taxation | - | 157.00 | 733.58 | 517.19 |
| MAT Credit Entitlement | - | - | - | 16.96 |
| (Write back) / Provision for Deferred Taxation and Tax pertaining to earlier periods | 2.99 | (2.90) | (282.47) | 52.35 |
| Profit after Taxation | 81.33 | 332.11 | - | - |
| (Loss)/Profit after Taxation and before Minority Interest | - | - | (165.98) | 1,123.38 |
| Minority Interest | - | - | 213.34 | 221.87 |
| (Loss)/Profit after Taxation and Minority Interest | - | - | (379.31) | 901.51 |
| Transferred to General Reserve | - | 33.21 | - | 33.21 |
| Dividend Proposed / Paid | 172.67 | 138.61 | 172.67 | 138.61 |
| Earnings Per Share - Basic (per equity share of ₹ 1/- each) | 0.12 | 1.31 | (1.30) | 3.56 |
| Earnings Per Share - Diluted (per equity share of ₹ 1/- each) | 0.12 | 1.10 | (1.30) | 2.98 |

* Consolidated financial statements for the financial year ended 31st March, 2016, included the consolidated audited financial statements of companies acquired during the financial year, mainly SOTC Travel Services Private Limited (SOTC) (formerly known as 'Kuoni Travel (India) Private Limited') for the period 1st January, 2016 to 31st March, 2016 and Kuoni Travel (China) Limited for the period 1st November, 2016 to 31st March, 2016. Accordingly said figures are not comparable with previous period.

In the previous period, the consolidated financial statements for the period ended 31st March, 2015, included the consolidated financial statements of Sterling Holiday Resorts (India) Limited for the period 3rd September, 2014 to 31st March, 2015. Consequently, consolidated financial statements for the financial year ended 31st March, 2016 are not comparable with previous period.

** Previous period figures have been reclassified wherever necessary to conform to this year's classification.

OPERATIONS & RESULTS

The travel and tourism industry has emerged as one of the key drivers of growth among the service sectors of the country. It is potentially a large employment generator besides being a significant source of foreign exchange for the country. This sector has a significant potential considering the rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. Despite fluctuations in rupee value, overall business sentiment and economic outlook remained optimistic. The year saw decent growth of your Company's portfolio of retail products, strong leisure travel trends for both group and individual travel business and the outreach program with channel partners. Retail inflation has softened due to declining oil prices, weak domestic demand. Easing inflationary pressures strengthened the impact of comfortable liquidity conditions on market interest rates.

Your Company recorded total revenue of ₹ 4,125.77 million and profit before tax of ₹ 84.32 million with profit after tax being ₹ 81.33 million for the financial year ended 31st March, 2016. The basic earnings per share of the Company is ₹ 0.12 per Equity Share of ₹ 1/- each.

THOMAS COOK PRESENCE

As of 31st March, 2016, your Company, along with its subsidiaries, continues to be amongst the largest integrated travel groups in India. Your Company (exclusive of its subsidiaries) operates through 227 locations in 91 cities, 112 PSAs and 114 Gold Circle Partner outlets to have a wider spread and network across the country.

Your Company also has presence in 7 countries outside India through its branches/ representative offices in USA (New York), Spain (Barcelona), UK (London), Japan (Tokyo & Osaka), China (Beijing), South Korea (Seoul) and France (Paris) apart from its subsidiaries in Mauritius, Sri Lanka, Singapore and China (Hong Kong).

SHARE CAPITAL STRUCTURE

Share Capital structure as of 28th May, 2016

| Authorised Capital: | Rupees (₹) | Rupees (₹) |
|--|-------------------|----------------------|
| Equity Shares: | | |
| 1335000000 Equity Shares of ₹ 1/- each | 1,335,000,000 | |
| Preference Shares: | | |
| 250000000 Preference Shares of ₹ 10/- each | 2,500,000,000 | |
| | | <u>3,835,000,000</u> |
| Issued, Subscribed and Paid-up Capital: | | |
| Equity Shares: | | |
| 365972979 Equity Shares of ₹ 1/- each | 365,972,979 | |
| Preference Shares: | | |
| 125000000 Non Convertible Cumulative Redeemable Preference Shares of ₹ 10/- each | 1,250,000,000 | |
| | | <u>1,615,972,979</u> |

During the financial year:

- 4423000 Compulsory Convertible Preference Shares (CCPS) of ₹ 10/- each were converted into 44230000 Equity Shares of ₹ 1/- each on 8th September, 2015.
- The Authorised Share Capital of the Company was re-classified pursuant to the approval of shareholders vide Extraordinary General Meeting of the Company held on 27th November, 2015.
- The Company has issued & allotted 125000000 Non Convertible Cumulative Redeemable Preference Shares of ₹ 10/- each aggregating to ₹ 1,250 million on 1st December, 2015.
- The Company has allotted 48657929 equity shares of ₹ 1/- each to the shareholders of Sterling Holiday Resorts (India) Limited pursuant to Sanctioned Composite Scheme of Arrangement and Amalgamation between Thomas Cook Insurance Services (India) Limited, Sterling Holiday Resorts (India) Limited & the Company on 3rd September, 2015.

DIVIDEND

Your Directors recommend dividend for approval of the members as under:

- On 4423000 Compulsorily Convertible Preference Shares (CCPS) of ₹ 10/- each @ 0.001% (i.e ₹ 0.0001 per CCPS) for the period from 1st April, 2015 to 8th September, 2015 (upto the date of conversion);
- On Equity Shares @ 37.5% (i.e. ₹ 0.375 per share) on each equity share of ₹ 1/- for the financial year ended 31st March, 2016;
- On 125000000 Non Convertible Cumulative Redeemable Preference Shares (NCCRPS) of ₹ 10/- each @ 8.5 % (i.e. ₹ 0.85 per NCCRPS) for the period from 1st December, 2015 (date of allotment) to 31st March, 2016.

The proposed dividend on the equity share capital and preference share capital will absorb ₹ 172.67 million for dividend and ₹ 35.15 million for Dividend Tax. The Board seeks the approval of the shareholders to the dividend recommended on the preference and equity share capital as will be outstanding on the date of book closure/ record date.

RESERVES

Debenture Redemption Reserve

As per requirement, your Directors have resolved to transfer ₹ 103.36 million to Debenture Redemption Reserve. The total Debenture Redemption Reserve stand at ₹ 233.91 million as at 31st March, 2016.

Capital Redemption Reserve

Further, as per requirement, your Directors have resolved to transfer ₹ 59.52 million to Capital Redemption Reserve. The total Capital Redemption Reserve stand at ₹ 59.52 million as at 31st March, 2016.

General Reserve

Your Directors have decided to retain the profits of the Company. The total General Reserves stand at ₹ 353.64 million as at 31st March, 2016.

PROMOTERS

Fairfax Financial Holdings Limited

The current promoter of your Company, Fairbridge Capital (Mauritius) Limited ("FCML") is a 100% step down subsidiary of Fairfax Financial Holdings Limited ("Fairfax"), Canada. During the financial year, M/s. H Investment Limited, former promoter of the Company, has transferred its complete shareholding to FCML.

Fairfax is a holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance and investment management. Fairfax was founded in 1985 by the present Chairman and Chief Executive Officer, Mr. Prem Watsa. The Company has been under present management since 1985 and is headquartered in Toronto, Canada. Its common shares are listed on the Toronto Stock Exchange. Fairfax's corporate objective is to achieve a high rate of return on invested capital and build long-term shareholder value. Over the past 30 years, Fairfax has demonstrated a strong financial track record to achieve an annual compounded appreciation in book value per share of 20.4% and currently has over \$ 41.5 billion in consolidated assets.

Thomas Cook (India) Limited is a part of the Fairfax group. As of the date hereof, the promoter holds 67.81% of the total paid up equity share capital of the Company.

THOMAS COOK (INDIA) LIMITED

Operations in India [including subsidiaries]

Your Company is one of India's largest foreign exchange dealers in both the wholesale and retail segments of the market, by virtue of its extensive network as well as sales, and one of the few non-banking institutions to have been granted an AD-II licence by the Reserve Bank of India. Your Company handles 1.3 million transactions annually and is one of the largest exporters of bank notes globally.

However in the current year, the Rupee has witnessed a downward spiral on account of Chinese Yuan devaluation and slid to its weakest in two years. The global economic slowdown, Chinese Yuan devaluation, turmoil seen over Greek economic crisis and Rupee depreciation against USD, impacted Indian economy. Despite the trading environment, your Company has managed to maintain its previous year volumes. The year saw appreciable growth of your Company's portfolio of retail products. Getting a large countrywide

channel partner on board, coupled with strong focus on high engagement social media platforms including Facebook and Twitter, helped the student business grow by 23%. The leisure travel trends for both group and individual travel business and the outreach program with channel partners managed to sustain at previous year level. The 'Maintenance of close relatives' category of outward remittance saw degrowth of 20% on account of stringent regulatory compliance. Owing to rupee depreciation, encashments have increased by 7% over last year.

Your Company continued focus on acquisition of new clients and strived to provide un-paralleled customer service along with a suite of products, however demand of Forex from Corporates has reduced, leading to a degrowth of 10%. Your Company further strengthened its Inward Remittance business, both from a penetration perspective as well as from a business growth perspective. According to the issue of the World Bank's 'Migration and Development Brief', released on 13th April, 2016, with remittance flow around \$69 billion in 2015, India remained the world's largest recipient country. Global remittances, which include those to high-income countries, contracted by 1.7% to USD 581.6 billion in 2015, from USD 592 billion in 2014. Slower growth may reflect the impact of falling oil prices on remittances from GCC countries. Also, depreciation of major sending country currencies (for example, the Euro, the Canadian and Australian Dollar) vis-a-vis the US Dollar played a role.

"Remittances to India, the (South Asian) region's largest economy and the world's largest remittance recipient, decreased by 2.1% in 2015, to USD 68.9 billion. This marks the first decline in remittances since 2009," the World Bank report said. Your Company has degrown its inward remittance business by 8% over last year.

Your Company's own Multi Currency Prepaid Travel Card (Borderless Prepaid Card), launched in 2012 in association with MasterCard and Access Prepaid Worldwide, continued to grow at high double digit year on year growth rate. The Borderless Prepaid Card was loaded with US\$ 288 Million for the period 1st March, 2015 till 31st March, 2016 with an average monthly load of US\$ 23 Million. Over 200,000 cards have been sold since the launch of the product in 2012 with a total load volume of US\$ 816 Million. To keep pace with the changing needs of the customers and to ensure seamless delivery, your Company invested in new technology in financial year 2015-16, ensuring better response times, improved management reporting and reduction of effort for the employees. Your Company will continue to enhance its technological backbone with the objective of customer service and delivery.

Volatility in exchange rate, increasingly stringent compliance requirements, increasing competitive intensity, risk of obsolescence and adverse economic conditions are some key external factors that could impact the business adversely. Also, upward revision of rental costs of foreign exchange outlets at certain airports resulted in an overall reduction in margins in the retail foreign exchange business. However, your Company grew the Profit Before Taxation of the foreign exchange business by 56% over last year by implementing a series of growth initiatives, as mentioned above, efficiently managing the cost of operations of the foreign exchange segment and optimising the working capital cycle.

Despite various challenges faced by the Travel and Tourism industry for most part of the year, your Company had a decent growth of its business. Your Company created platform for user-friendly customer experience for any foreign exchange transactions online. The

commencement of Thomas Cook India's 'Buy Forex Online' services has empowered travellers to buy their foreign exchange and Forex related products like the Thomas Cook Borderless Multicurrency Prepaid Card in a safe environment, at the click of a button and also the added convenience of home delivery via our portal www.thomascook.in.

Launch of 'Online Visas' the first visa application online platform in India, empowering customers with detailed visa information including visa requirements per destination, downloadable visa forms, consular addresses and timings, processing duration, and visa costs. Online transactions, acquisitions and partnerships are creating opportunities for growth and innovation in this sector. Among the current verticals of Indian e-commerce, online travel segment still holds the biggest pie with 61% market share. The travellers are ready to pay more for a personalized and complete holiday package. Since mobile apps are helping customers connect with the portal seamlessly and are becoming a major differentiating factor when selecting a travel company, E-Business successfully launched Forex and Holiday mobile applications to meet the changing needs of customers.

There is a special focus on this segment as social media is now considered the best way to reach out to the public. Your Company is also trying to build a simpler design for the website and mobile applications, as this will allow the website and apps to load faster without compromising on the design or the user experience. Your Company has been continuously looking at innovative ways of engaging with people through their personal devices. Mobile has already become the preferred choice of the customers to access the online travel services.

The narrowing of the trade deficit, due to positive export growth and contraction in both oil and non-oil imports, should bring the current account deficit down to a more sustainable level for the fiscal year as a whole. The depreciated rupee made India an attractive tourist destination but inbound tourism did not grow as expected due to sluggish economic climate in source markets in 2015. The Indian government has realised the country's potential in the tourism industry and has taken several steps to make India a global tourism hub. With domestic carriers continuing to enhance their fleet strength and adding on capacity, the Average Ticket Prices continue to show a downward slide.

Your Company is seeing an increasing trend of corporate customers seeking to utilize the Online Booking Tool, rather than providing their booking requests offline through other means.

Despite intense competition amongst large and small players in the sector, your Company's MICE business has registered significant top line growth by cementing strong relationships with several corporate houses, tapping new markets and clients.

Your Company's E-Business segment continued to be a strong focus area as a part of comprehensive multi channel strategy. The call centre has seen a phenomenal growth in enquiries & bookings over the last year.

India has tremendous potential to promote Domestic Tourism and will witness a substantial increase in the years to come. In the domestic tourism segment, Religious tourism comes in second, followed by leisure tourism. Depreciation of the rupee has also made domestic travel more affordable than holidaying overseas, especially for travellers having a fixed budget.

With around 2 million transactions for the year in 2015, it observed a growth of 30% in direct business through direct corporates and walkin

applicants and is growing leaps and bounds capturing and setting a strong foot in the Visa business. Apart from catering to the Travel Businesses of your Company and adding direct external customers for their visa, passport it also serves ancillary transactions [Attestations, Legalization, Apostille, Translation, Notarization of documents, Foreigners Regional Registration Office (FRRO) registration/ visa extension/ exit permit, procures People of Indian Origin (PIO) / Overseas Citizen of India (OCI) cards].

Your Company continues its focus on Travel Insurance with the strategy of being a complete travel solutions provider and ensure that the customer is advised and educated about the benefits of travel insurance. Your Company offers both overseas as well as domestic travel insurance. Your Company conducts regular training programs and deeper interactions with all the other lines of businesses like Leisure Travel, Foreign Exchange, MICE, Corporate Travel, Visa, etc. to offer the products to their specific set of customers. This has helped in improving the penetration of insurance in every business, garnering higher share of customer wallet and building customer loyalty. With technology being the main driver, your Company continuously works towards making the process seamless and easy for its customers.

Your Company will continue to strengthen its digital presence with the launch of the Mobile Apps and have allocated more than a sizable portion of the advertising budget solely for digital media/ platforms. This year also marked the launch of two of the most innovative products targeting 2 different segments: Holiday Savings Account for the much celebrated (and rapidly growing) Indian middle-class and Travel Quest for the highly lucrative student / study tour business.

Quess Corp Limited (Quess) (formerly known as IKYA Human Capital Solutions Limited), a subsidiary of your Company, reported a decent growth in its operations and revenues. Quess initiated the process for its Initial Public Offer (IPO) to raise upto Rs 4000 million, net proceeds from which is proposed to be used for funding incremental working capital requirements, repayment of debt, funding of acquisitions and strategic initiatives, and other capital expenditures.

After seeking necessary approvals from Shareholders and applicable regulatory, the Company along with its subsidiary, Travel Corporation (India) Limited completed the acquisition of SOTC Travel Services Private Limited (formerly known as Kuoni Travel (India) Private Limited) on December 16, 2015 and Kuoni Travel (China) Limited on November 9, 2015 for a sum consideration of ₹ 5,350 million.

Post acquisition, Kuoni was rebranded to SOTC in early 2016. SOTC is a leading travel and tourism company active across various travel segments including Leisure Travel, Business Travel, Destination Management Services and Distribution Visa Marketing Services.

Your Company, through its step down subsidiary, Horizon Travel Holdings (Hong Kong) Private Limited [now rechristened as Luxe Asia Travel (China) Limited] holds 100% stake in Kuoni Travel (China) Limited (Kuoni Hong Kong), which has an attractive business in the travel sector backed by a trusted brand name, and a stable and motivated professional management team. Kuoni Hong Kong is a premium outbound travel operator in Hong Kong.

Operations in Sri Lanka

Thomas Cook Lanka (Private) Limited, operates in foreign exchange business which includes buying and selling of foreign currencies in Sri Lanka at 4 locations i.e. International airport (Arrival and Departure) in Katunayaka, Crescate outlet in Colombo and one in Kandy (Kandy city centre). At the international airport, there are 3 counters at arrival where encashment business is undertaken and 1 counter at the departure area where the sale business is undertaken.