

30th Annual General Meeting of Thomas Cook (India) Ltd,

25th June, 2007

Chairman's Speech



Ladies and Gentlemen,

A year has passed since we met here last and it has felt like the year has passed all too quickly. Much has happened in the year that was and I shall certainly speak about it today. But first things first. May I welcome you warmly to this 31st Annual General Meeting of Shareholders of Thomas Cook India Limited.

To take stock of all that happened I need to delve into the past. As you all know, in January 2006 Dubai Financial Group (a member of The Dubai Group) took over the reins of Thomas Cook India by acquiring 60% shareholding. In the two years that DFG was the principal shareholder, the management was encouraged to think of innovative ways to enhance the profitability and market share. The result of that thinking was the growth that took place in the two years. Acquisition of Travel Corporation (India) Limited and merger with LKP Forex were two such examples of the strategic

moves by your Company.

2007 started with a lot of activity. The LKP Forex merger and swap ratio had just been approved by the Hon'ble High Court of Bombay. At around the same time the acquisition of TCI was completed. In one stroke your company became a significant player in Foreign Exchange, because of the LKP merger and in another stroke became one of the strongest in inbound, outbound and corporate travel, because of TCI acquisition. The hard work started right away. From about 1400 employees, we went up to more than 3000. Three cultures, systems, policies, management styles had to be integrated into one corporate structure. Over time with an outstanding and sensitive HR management lead by Prashant Nair, we were able to rationalize manpower to about 2400 employees. We currently have 160 offices in 52 cities in India and 20 offices in 7 countries outside India. The integration of people, synergies, clients, accounts, all this was very heavy work.

These strategic moves resulted in a strong growth in business. The annualised consolidated revenue line grew from Rs. 196 crores to Rs. 307 crores, the revenue per employee doubled from Rs. 7 lacs to Rs. 12 lacs, EBITDA from Rs. 65 crores to Rs. 103 crores and Profit after Tax from Rs. 31 crores to Rs. 52 crores. For this outstanding performance, I would like to place on record my congratulations to the management team led by Madhavan Menon and I would like you to join me in appreciating this achievement.

While all this was going on in your company, there was a lot of activity surrounding the erstwhile owner, that is Thomas Cook AG, Germany. In 2007 Thomas Cook AG merged with UK based MyTravel plc, a company fully listed on the London Stock Exchange. It subsequently changed its name to Thomas Cook Group plc, UK. A highly respected and seasoned travel professional Mr Manny Fontenla-Novoa took over as the new Chief Executive of the Group, which became a FTSE 100 company on the London Stock Exchange and one amongst the two largest travel companies in the world. At the beginning of this year, market capitalisation was some Rs. 24,000 crores and TCG's profit in 2007 was Euro 225.5 million, around Rs. 1,300 crores. Mr Fontenla-Novoa was clear that he wanted to expand into the three countries where growth was strong, namely India, China and Russia. True to his belief, TCG started a discussion in January this year for acquisition of your company and in March, the first phase was completed through the indirect acquisition of TCIM Limited which held 54.42% of TCIL. An open offer was made by TCG in accordance with the SEBI Takeover Regulations for 20% of the equity share capital of TCIL which closed on June 5, 2008. The completion of the acquisition of shares from the public shareholders of TCIL who tendered their shares in the open offer is presently pending approval from the Reserve Bank of India.

The representatives from Dubai on the Board resigned and were replaced by 4 nominees of Thomas Cook UK and your company is on the move yet again, now with the majority owned by the original shareholder Thomas Cook Group.

It is important for me to point out that in January 2006, the Open Offer made by DFG had put a valuation of your company at Rs. 903 crores and in the Open Offer just concluded by TCG in June 2008, the company was valued at Rs. 1720 crores, just short of 2 times the value in 2006, the credit for this enormous value add in two years goes to this Management and Board of Directors.

I shall pause now and turn to the general economy and outlook.

The Economy

In recent times, much has been said about the economy. India grew at almost 9% and was widely acknowledged as the second fastest growing economy after China. Per capita income of Indians for the first time breached Rs. 30,000 mark during 2007-08 indicating the growing purchasing power in a young India, Industrial sector growth was almost in double digits and the services sector grew steadily at over 10%. Exports are expected to touch \$200 billion by 2009, maintaining an annual growth of over 20% for the 2004-09 period.

So where is the problem?

Agriculture. While it grew well this year, it has had an erratic pattern of growth one year and dearth in another. Perhaps to create a more popular mood, the Government announced loan waiver of Rs. 73,000 crores. Whether this will work and to what level it will work is yet to be seen. May be it will work and the farmer will be free from the age old loan he carried on his bent shoulder, which will be great, but I suspect, he will borrow again and that loan will then have to be dealt with by another government in the future. In the meantime, the 73,000 crore hole will create its own burden on the tax payer and the exchequer. But there is another way. An example set by the Left Front in Bengal, who had a very effective Land Reform movement in the early days of the Left coming to power, with landless labour getting land and followed by Government initiated aggressive irrigation policy and effective drainage in all its villages. The result is for all to see. West Bengal today is among the leading crop producers in the country with three crop produce a year. For all the things that we complain about the Left, may be there is one thing they have done well, which other states would do well to follow. Agriculture then would become a steady growth contributor for India.

Inflation. As I speak the inflation figure has come out at more than 11%, the highest in the last 13 years. A strong monetary policy has kept this in some check, otherwise, the figures could well have run away further. Having said which, this inflation is about supply side and controlling monetary supply can only have a marginal effect. Hence till the supply side is sorted out, I do not see the inflation coming off quickly. The rains have started well, a good sign, bringing the hope that food prices will soften somewhat.

Pay Commission. The Sixth Pay Commission has awarded huge increase in Government employee salaries and could cost the Government as much as Rs. 30,000 crores if implemented. This will be a direct hit to the exchequer in the next fiscal. There are many ways of looking at this. Simplest is that the Government employee will be better paid, second that this will add to consumption, third as a consequence of consumption there will be further inflation and finally this along with the loan waiver will add hugely to fiscal deficit, which had just about come under control. A future Government will have to deal with this.

Oil. As I speak, the oil price is hovering between USD 130 to 140 per barrel, this is unprecedented and any further rise will have serious consequences to the world economy and we hope the oil price stabilizes for all the non oil countries to breathe a sigh of relief.

Foreign Exchange. During the year we witnessed a very strong Rupee going to as high as Rs. 39 to one US Dollar and we have seen the Rupee weakening recently to Rs. 43. While a strong Rupee was good for importing the expensive oil, at Rs. 43, the oil is proving to be very costly.

Global food price. For the first time, we are witnessing an unprecedented rise in global food prices at a time when the international oil price is at an all time high. Population growth, global warming are two other aspects that have threatened the world sanity. The increasing scarcity of food is the biggest crisis looming for the world. Wheat prices have climbed to record highs around the world, as stocks have ebbed to their lowest levels in a quarter century. The result is that global food security is in jeopardy.

The next few months therefore will mean a challenge. Economically speaking times are not going to be easy. Having said which, the Indian growth rate will probably continue to be between 7 to 8%. The challenge before the Government is to bring down the inflation.

Travel

The tourism revenues in the Asia-Pacific region are expected to surpass USD 4.6 trillion by 2010 and visitor arrivals should reach close to half a billion people. The difficult economy world wide may cause a slight slow down in the global travel industry, but looking at India we continue to believe that the inbound traffic will remain strong and outbound holiday segment will be as per our expectation. The corporate sector will also remain steady. A US recession could affect the industry, but strong growth in key Asian economies such as China, India and South Korea will help sustain regional travel demand. Rapid growth in low-cost air travel, moves to liberalize aviation, stronger Asia Pacific economies, China's hosting of the 2008 Olympics and massive casino projects in Macau and Singapore are among the key drivers for travel growth. Rising aircraft deliveries and the introduction of new models such as the Airbus A380, the world's biggest airliner, and Boeing's 787 Dreamliner will help the industry meet demand.

People and Business

Our travel business has seen substantial growth. I would like to applaud the hard work and commitment of Nalini Gupta and her team. Sunit Suri who joined us last year and Aloo Gomes in Goa have been outstanding in growing our inbound business significantly. The TCI Inbound business was successfully integrated and we expect the combined business which is the largest in its segment to continue to perform as per expectations.

The outbound business under Vishal Suri has grown significantly last year especially in the near haul sectors of Malaysia, Thailand and Singapore and long haul sectors of USA & Europe. We continue to be leaders in the long haul sectors of Europe and USA. There was a strong redevelopment and doubling of the corporate MICE business last year under the able leadership of Rajeev Kale. The trend towards FIT tours is gathering momentum and last year for the first time the number of FIT passengers exceeded the number of GIT passengers. We expect that as the market matures the FIT segment will become the dominant leisure segment. Going forward the business is facing significant cost pressure from the weakening rupee and the oil price induced increase in airline fares. Corporate travel business has seen steady growth under the leadership of Anil Srinivasan.

Amitabh Pandey launched our online travel portal www.thomascook.in in April thus becoming the first bricks and mortar major travel player to have a fully comprehensive online presence under its own brand name in India. The portal offers domestic and international tickets, over 30,000 international hotels, cruises, rail and travel insurance in addition to the entire range of Group Inclusive Tour, Foreign Individual Travel and Domestic holidays.

The Thomas Cook Titanium Credit Card introduced last year by Gautam Sharma has found good acceptance and almost 20,000 customers of Thomas Cook have enrolled themselves in the card program thus gaining loyalty reward points and other benefits from Thomas Cook. Recently your company has entered into a distribution pact with Bajaj Allianz Life Insurance to sell life insurance policies at its outlets and to its customer base.

Our forex business continues to grow under the leadership of Parag Mehta with higher inflows from abroad and larger volumes in outbound traffic.

Vijay Sethi who moved from Jet Airways, has joined us to head the newly created department of Service Quality & Customer Care.

Japan Travel Bureau

The company entered into a cooperation pact with Japan's largest travel group JTB to explore wide ranging cooperation opportunities across markets as well as being their preferred partner for inbound Japanese tourists to India and Indian groups and individuals to access Japan. This partnership will help your company in growing the business in the Eastern parts of the world.

New Board of Directors and Thomas Cook Group plc

It is indeed an honour that Mr. Manny Fontenla-Novoa, Group CEO, TCG, alongwith Dr. Juergen Bueser, who has just become the Group Chief Financial Officer of Thomas Cook Group, Mr. Michael Hallisey, Executive Director - Legal, and Mr. Roland Zeh, Director Finance-Integration, both of Thomas Cook UK Ltd., have joined your company's Board of Directors. Dr. Bueser, Mr. Hallisey and Mr. Zeh have known TCIL from their interaction prior to 2006. I am particularly pleased that a person of the stature of Mr. Fontenla-Novoa has joined the Board, which is a reflection of how serious this acquisition is for them.

A little background information on Thomas Cook Group plc. As I mentioned earlier, TCG was formed in June 2007 by the merger of Thomas Cook AG and MyTravel Group plc. The new company is one of the world's leading leisure travel groups with sales of around Pound Sterling 9 billion, 19 million customers, 30,000 employees, a fleet of 97 aircraft, a network of over 3,000 owned or franchised travel stores and a number of hotels and resort properties. It has operations in four regions: UK & Ireland; Continental Europe (Germany, Austria, Belgium, France, the Netherlands, Poland, Hungary, Slovenia and Slovakia); Northern Europe (Sweden, Norway, Denmark, Finland) and North America (Canada and USA); and German airlines operating under the Condor brand.

Thomas Cook India – the year ahead

The general outlook for 2008-09 is positive, economy will grow at between 7 and 8%, per capita income will continue to grow and the young demography of India will continue its growth. What does that mean for your company? I think it means that we need to keep costs under very tight control, keep active for more growth, consolidate from previous expansion and grow organically. Current trends are positive, the bookings under our brand "100% Holidays" for this year could be almost double of what your company achieved last year. These are good signs. Hence I would conclude by saying, that while economically it will be a tough year, our business the combination of forex and travel looks to be in good shape.

A word of thanks to our Finance team led by our Finance Director Vinayak Purohit and Sanjay Tibrewala under him, whose task it is to consolidate various Heads, keep costs under control and deliver results to you, the shareholders.

A word of appreciation also to your Company Secretary Ram Kenkare who has stood tall and firm when all these changes were taking place and regulatory your company has always been in very good standing.

Conclusion

Over the years, Thomas Cook India has seen many changes in its shareholding. I am hoping that whenever history is written, it will note the scorching growth pattern your company established over the last two years and I am pleased that your company is back with the original owners. I know I speak for all employees that they are happy to belong to one of the world's largest travel companies with a current market capitalisation of Rs. 19,000 crores. I see a year of stability, consolidation, controlling costs, improving margins, bettering cost to revenue ratio and organic growth. And deliver value to the shareholders.

I thank you for being here today.

Udayan Bose

