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## THOMAS COOK-STERLING HOLIDAY MERGER

### *'I want to be No. 1 and now I can really think of that'*

On Saturday, Canada-based billionaire Prem Watsa-owned Thomas Cook India announced it was merging Bay Capital-backed Sterling Holiday Resorts into itself, on a ₹870-crore cash and stock deal. **RAMESH RAMANATHAN**, managing director of Sterling Holiday Resorts (I) Ltd, talks about it with T E Narasimhan & Gireesh Babu. Edited excerpts:

#### **Why is it called a merger when it is mostly an acquisition of majority shares?**

Normally, in a merger, everything is absorbed. Here, Sterling is going to retain its independence, including at the board level. There is a lot of synergy between the two and since there is share-swapping, it can be called a merger, rather than an acquisition.

#### **What are the synergies between Thomas Cook and Sterling Holiday Resorts?**

From Sterling's point of view, we are offering our services to members and non-members. At present, we have 16 resorts and 1,500 rooms. In 2014-15, we would be adding another six or seven resorts and 400-500 rooms. Our occupancy is 51-52 per cent.

Thomas Cook will be able to drive non-members, that is customers, into all these resorts. The second synergy is that Thomas Cook is a big brand. When we move into the market and talk to prospective clients, it also puts up our credibility. Especially, given Sterling's background and similar things, while we have revived in the past two and a half years, there is a (troubled) history. So, the merger gives more confidence to our customers.

Thomas Cook has got almost 400 outlets in the country and a whole lot of customers for its travel, foreign exchange, etc. All those can become prospective customers for us. It has got relationships across foreign countries and as and when we plan to expand into those countries, we can utilise the brand.

Look at it from Thomas Cook's point of view. They want a bigger thrust in the domestic holidays market. We

are there - ready. Even in areas where they want resorts set up, the logic of setting up a larger resort becomes true. We can go ahead and make clients and move into a lot of places at the same time. For all their customers, to whom they sell out-bound plans regularly, they can now sell inbound plans with a Sterling membership.

Another example is on purchases. Every organisation buys a lot of stuff at the back end. You bring it all together. Thomas Cook has also acquired a company called Ikya, which is a people services and facilities management firm. We can make use of them. So, within the Thomas Cook group itself, there is a lot of benefit, both ways.

#### **What percentage would Thomas Cook hold in Sterling Holiday after the merger?**

The transaction happens in three ways. They are investing on a preferential basis, around ₹187 crore into the company. That will give them approximately 23.4 per cent. And, from today they are buying

shares from the open market. Around ₹176 crore is earmarked for it. That should give them another 23-odd per cent, depending on the price. This will trigger an open offer for 26 per cent. They are expected to end with 65-70 per cent share in Sterling. Bay Capital, Siddharth Shankar, Rakesh Jhunjhunwala and all of them will give their shares.



**RAMESH RAMANATHAN**  
Managing Director,  
Sterling Holiday Resorts

#### **How will the money be utilised?**

The money which comes in will be primarily for refurbishment and for new resorts. There would be some little things like putting some money into software but it is not the main focus. We have a little over ₹40 crore of debt and we will clear that.

#### **What will be the biggest advantage for Sterling Holiday in the merger?**

Not one but three advantages. One is the stable platform; it is now part of a large group, which brings in its own comfort. Second, the Thomas Cook brand. The third would be the ability to think beyond what we have been thinking.

We have got more capabilities now. I want to be number one and now I can really think of that and start looking at it.



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