

Thomas Cook, Sterling Holiday ink Rs. 870 crore merger deal



Madhavan Menon (right), Managing Director, Thomas Cook (India), with Ramesh Ramanathan, Managing Director, Sterling Holiday Resorts, at a press conference in Mumbai on Saturday.

Prem Watsa-controlled Thomas Cook (India) Ltd. (TCIL) and Chennai-headquartered vacation ownership company Sterling Holiday Resorts (India) Ltd. have announced a Rs 870-crore merger deal.

Post-merger, Sterling will be a 100 per cent subsidiary of TCIL. It will continue, however, to retain its name, and be run independently by its Managing Director, Ramesh Ramanathan, and his team.

The deal has been structured in a manner that Sterling will get Rs. 187 crore by way of preferential allotment of 23 per cent stake to TCIL. Since this will trigger an open offer, Rs. 230 crore has been earmarked by TCIL for this purpose.

TCIL will also buy out most of the existing shareholders of Sterling collectively holding 23 per cent stake for Rs. 176 crore. Then, there will be a merger between the two companies at a defined swap ratio of 120 shares of TCIL for every 100 shares of Sterling.

The transaction is expected to close by the fourth quarter of 2014, and the open offer price will be announced later. Post-merger, Sterling will be de-listed from the stock exchanges but Mr. Ramanathan will continue to hold his stake in the merged entity.

“We are extremely happy to partner with Sterling, which has tremendous opportunity given the current environment. Ramesh Ramanathan and his team will continue to run this business. The synergistic opportunities that this new partnership offers are enormous,” Madhavan Menon, Managing Director, Thomas Cook (India) Ltd., said. “We have no intention of integrating Sterling into TCIL. This is the Fairfax method of working. We will operate at arm’s length and we will share opportunities,” Mr. Menon said.

“The merger with Thomas Cook will strengthen our market position as there are multiple natural synergies which both companies will mutually benefit from. This deal will put Sterling back where it belonged. Thomas Cook customers will have access to our pan-India network of well located, full-service, quality resorts which offer great holiday experiences,” Mr. Ramanathan said.

“Sterling stands to benefit from TCIL’s iconic brand reputation and its large base of domestic and inbound travelers,” he added.