

## Fairbridge Capital buys 77% stake in Thomas Cook India for Rs 810 cr

Fairbridge Capital, a fully-owned arm of Toronto-based Fairfax Financial Holdings, has purchased the 77.1 per cent stake in Thomas Cook India from the latter's Britain-based parent for Rs 810 crore.

The deal may work out to Rs 1,100-1,200 crore if Fairbridge purchases the entire shareholding; it is to now make the mandatory open offer to the other shareholders.

Fairbridge, was not the top bidder, at around Rs 50 a share. However, several other factors, including its reputation, seemed to have worked in its favor. The winner may have surprised analysts tracking the deal, but Hyderabad-born IITian Prem Watsa, the Canadian billionaire who is the man behind Fairfax Financial, is known for doing things quietly. For Watsa, one of those to have predicted the economic slowdown of 2007-08 in a public address, Thomas Cook is one among the many troubled companies he has invested in.

Fairfax Financial Holdings is a financial services holding company which, through its subsidiaries, is engaged in property and casualty insurance and reinsurance, and investment management. Fairfax did not respond to email queries from Business Standard on the development.

Fairbridge was among the four companies which entered the final round of bidding for Thomas Cook India, a source said. The other three were private equity investors Everstone, Carlyle and TA Associates. The bids ranged between Rs 45 and 52 per share.

"Fairbridge is a long-term investor. Its parent company, Fairfax Financials, has never disinvested in a company that it has bought," Madhavan Menon, managing director, Thomas Cook India, told Business Standard.

In February, Thomas Cook of the UK had said it was seeking a buyer for its stake in the Indian unit in an effort to reduce its £890 million debt. While the trouble for the debt-ridden UK-based parent has receded with the latest sale, what this means for the India arm is still a matter of speculation. Thomas Cook India on Tuesday appointed Pioneer Money Management Ltd as manager for the open offer.

Apart from ordinary equity shares, Fairbridge Capital may also buy the Employee Stock Option issued by Thomas Cook, an industry source said. At about Rs 1,200 crore, it may not be a cheap deal, as the transaction size could work out to 10 times that of Thomas Cook's current Ebitda (earnings before interest, taxes, depreciation and amortization), he added.

Thomas Cook India is expecting 22 per cent growth in net profit in 2012 and 26 per cent yearly growth in profits till 2014. Its management remains the same and the brand name would be retained for 12.5 years. Analysts say the ownership could change again a few years down the line, if Fairbridge exits at a good valuation.

In 2008, Thomas Cook managed to buy back a 54.9 per cent stake for Rs 950 crore and a further holding of as much as 20 per cent in an open offer from Dubai Financial. Those in the sector say unlike then, it may be difficult for the company to buy back its share this time, given its financial standing.