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Thomas Cook, Sterling merge to create India's biggest holiday firm

MUMBAI: Thomas Cook (India), a travel and holiday services company backed by billionaire investor Prem Watsa and vacation-ownership major Sterling Holiday Resorts (India) on Saturday announced a part-cash part-equity merger deal to create India's largest holiday company.

"The merger aims at building a holiday behemoth which will take holidays to a larger population," said Ramesh Ramanathan, MD, Sterling Holidays.

ET reported on February 4 that Thomas Cook was in advanced talks to take over Sterling. The merger deal, which values Chennai-based Sterling at Rs 870 crore, will be completed through a multi-stage process. Under the merger terms, for every 100 shares that they hold in Sterling, shareholders of Sterling will receive 120 shares of Thomas Cook.

The merger process will start with Thomas Cook India Ltd (TCIL) making a preferential allotment to Sterling for Rs 187 crore. TCIL will, then, buy shares from other shareholders, including Bay Capital and ace investors Rakesh Jhunjhunwala, Radhakrishna Damani, for Rs 176 crore. The company will, then, make a mandatory open offer for Rs 230 crore. Sterling will be merged into a wholly-owned arm of Thomas Cook.

The total value of the merged entity will be equivalent to Rs 3000 crore. "Sterling will have an independent management team led by Mr. Ramanathan. We will operate at arm's length, but we will certainly explore synergies which can bring in savings," said Madhavan Menon, MD, Thomas Cook.

"We anticipate M&As in travel and interest would be in clean platforms with strong travel teams and also those having invested in technology to enhance client retention and service," said Ajoy Lodha, partner, investment bank, Singhi Advisors.