

Date: 29<sup>th</sup> May 2023

To,  Corporate Relationship Department BSE Ltd. P, J. Tower, Dalal Street Mumbai – 400001 Scrip Code: <b>543591</b>	To,  National Stock Exchange of India Limited Exchange plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai- 400051 Scrip Symbol: <b>DREAMFOLKS</b>
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**Subject- Transcript of earnings call conducted on 24<sup>th</sup> May 2023**

Dear Sir/Madam,

In continuation of the earlier communication regarding Q4 FY '23 earnings conference call and in compliance with Regulation 30 of SEBI (Listing obligations and Disclosure Requirements), Regulations, 2015 (as amended from time to time), please find enclosed herewith the transcript of Q4 FY '23 earnings conference call conducted on 24<sup>th</sup> May 2023.

The same is also available on the website of the Company.

Kindly take the above intimation on your records.

Thanking you.

Yours faithfully,

**For Dreamfolks Services Limited**



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**Ms. Rangoli Aggarwal**  
**Company Secretary and Compliance officer**



“Dreamfolks Services Limited  
Q4 FY '23 Earnings Conference Call”  
May 24, 2023

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 24, 2023, will prevail.



**MANAGEMENT: Ms. LIBERATHA KALLAT – CHAIRPERSON AND  
MANAGING DIRECTOR – DREAMFOLKS SERVICES  
LIMITED  
Ms. GIYA DIWAAN – CHIEF FINANCIAL OFFICER –  
DREAMFOLKS SERVICES LIMITED  
MR. BALAJI SRINIVASAN – CHIEF TECHNOLOGY  
OFFICER – DREAMFOLKS SERVICES LIMITED**

**Moderator:**

Ladies and gentlemen, good day, and welcome to the Q4 FY '23 Earnings Conference Call for Dreamfolks Services Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

On this call, we have Ms. Liberatha Kallat, Chairperson and Managing Director, Ms. Giya Diwaan, Chief Financial Officer, and Mr. Balaji Srinivasan, Chief Technical Officer, and Executive Director.

I would now like to hand the conference over to Ms. Liberatha Kallat. Thank you, and over to you, ma'am.

**Liberatha Kallat:**

Good morning, everyone. Firstly, you all have to excuse me because I really have a bad throat today. So once again, thank you for joining our earnings conference call to discuss the operational and financial performance for quarter 4 and FY '23. It gives me a great pleasure to interact with you at a time where in we are observing the daily air traffic volume create new records each passing day. We witnessed 37.5 million domestic passengers over the quarter as compared with 24.72 million passengers for the same quarter in the preceding year. This signals a growth of 52% year-on-year.

The awareness around affinity for and propensity to use airport lounges has also significantly increased over the past year. We are focused on enhancing the end consumer experience and making their journey comfortable, luxurious and do this by providing the best-in-class facilities, tailored to their preferences With the industry know-how, deep integration, strong relationship, and network we have gained and built over time. We are the industry's leading player with a 100% coverage across the airport lounges in the country.

The statistics are same when it comes to railway lounges, where we are present across 100% of the railway lounges in the country and this is a steep growth rate with modernization of railway stations happening at breakneck speed. From a regulatory perspective, too, the government of India recently announced the UDAN 5.0 scheme, with the objective of improving air connectivity to regional areas, democratizing the aviation sector and connect small airports to some key foreign destinations, and boost the overall tourism sector in the country.

Till date, 425-plus new routes have been added under this scheme, and the number of airports have increased from 74 in 2014 to 147 as on date. Domestic air traffic grew drastically in FY '23, approximately 60%, in which has surpassed pre-COVID levels. For Q4 FY '23, it grew by approximately 52% as compared to Q4 FY '22. While we witnessed queues outside lounges owing to the overwhelming demand, constant efforts to declutter the lounges, increase the

capacity at the existing lounges and launching new lounges is actively being pursued to enhance the experience.

The number of passengers availing lounge access and other touch points to us has grown at a healthy rate of approximately 131% year-on-year in FY '23 and approximately 76% in Q4 FY '23. In FY '23, passengers accessing the airport lounges stood at 8.15 million, compared to 3.5 million in FY '22, reflecting the travel industry growth by trajectory.

Finally, in terms of the lounge infrastructure, number of lounges continue to grow in India, along with an increase in size of existing lounges. All-in-all, we see a very strong uptake in sustainable air traffic levels and thereafter, a preference to opt for value-added services such as lounges, spa services, F&B outlets and more. Our country's demographics are also work favorably for us, with an extremely high digital penetration and a steadily growing card user base, the likelihood that this customer base will desire, adopt, and prefer air travel and increase its frequency is high.

Currently, only a small percentage of eligible credit/debit cardholders are availing the access to airport facilities. , but with the growing awareness and preferences, the future growth potential is phenomenal. The credit card penetration in India is low and expected to increase exponentially over the next two decades. Research suggests that the estimated increase in credit card users is 33 times.

On the organizational level too, we had multiple noteworthy developments to begin with. As part of our diversification strategy beyond the airport-related services, we went deeper into the golf course access by taking a controlling stake in Vidsur Golf. With an aim to tap into the growing interest in the sports and premium value attached to it. We acquired 60% stake in Vidsur Golf Private Limited with an aim to bring golf to a wider audience and increase the premium offerings to our customers and are confident of the growth potential that lies ahead of us in this sector.

This association will give customers access to golf games and lessons at golf clubs across India and globally. This enables Dreamfolks to expand its service offerings by enabling customer access to golf courses across the globe.

We also on-boarded several corporate clients for whom we aim to provide customized services offerings and assist them run their loyalty programs. Another significant development included beefing up of the senior leadership team with the appointment of Chief Business Officer by onboarding Mr. Sandeep Sonawane. He brings us rich experience in the hospitality sector and will be a valuable asset, helping with redefining airport services solutions and driving our technology offering to the next level.

Staying on track with our strategic geographic expansion plan, we recently incorporated a wholly owned subsidiary in Singapore by the name Dreamfolks Services Pte Limited. With objective to carry out the operations related to airport and other related services, which will support the growth and business expansion of the company. We are working excessively to enhance our service offerings and tech capabilities to stay ahead of the curve in this ever-evolving digital era.

To take you through our tech capabilities and developments, I would ask Balaji Srinivasan, our CTO, to take over.

**Balaji Srinivasan:**

Thank you, Liberatha. To give an overview of our platform, our platform is designed and aimed at providing our clients and their end consumers the visibility of the benefits provide access to such benefits, a choice of access mechanisms using a host of services, while getting an excellent consumer experience, and this superior technology stacks on the multiple modes we have at our company.

One of our more recent, but noteworthy developments includes the launch of our web access product, as one of the new channels to access lounges and other services. It is an extremely handy tool for consumers where consumers can register the card. They can see the benefit and the services that is available, for example, lounges, meet and assist , etcetera. Check the utilization of such card and eventually generate the QR code to get access to such lounges.

There are also very interesting options. For example, you can see the history of your visits, and you could go take friends and family with you along by going in a paid model, in case the friends and family do not have access to complementary lounges or in case the complementary visits have been exhausted.

In alignment with our asset-light philosophy and our mode of operations, the entire stack is cloud-based and allows operators as well as other partners to check the consumers' benefits in real time and allow such access to facilities based on the eligible benefits configured. This supports current accounting and is intended to stop system misuse and also enhance the customer service by preventing valid denials. This platform is proprietary and has been developed in-house.

So, one of the interesting thing about our platform is that it makes it simple to configure benefits to calculate and manage those benefits as well. It offers options for integrations and data exchange APIs for our partners. It takes the ease of access and convenience. We have omnichannel access by our credit cards, debit cards, card issuer apps, our app, self-check in kiosks, web-based portals and more recently, like I mentioned, the new web access tool as well. In more recent examples, we are also allowing clients such as banks to integrate this benefit into their own apps, which makes it easy from the point of view of the end consumer.

Our new acquisition, Vidsur Golf, now known as GolfKlik, layers the Dreamfolks' proprietary tech platform onto the global inventory of Vidsur Golf, and that's seamlessly blending into the existing engagement with the clients. So, this enables our clients to gain an extended value proposition to the end consumers.

And last, to stay ahead of the curve and keep our tech platform, you could stay ahead of the existing trends. We continue to invest heavily in our in-house talent and R&D efforts and continue to invest in building products, which we hope will be the keystone in the coming few years for the industry.

So, with that, I would like to hand over the call to Giya Diwaan, our CFO, for the financial performance highlights.

**Giya Diwaan:**

Thank you, Balaji. A very warm welcome to everyone attending this earnings conference call. This has been an eventful quarter on multiple fronts for us, right from the addition of offerings to our ambit to going deeper in the services offered earlier, as in the case of Vidsur, golf access and lessons, by acquiring a stake in the company.

Even geographically, our foray into Singapore via the recently incorporated subsidiary, has been in line with our highlighted strategic roadmap. The combined effect of internal strategies and competencies playing out in synergy with the favorable external environment has translated into yet another quarter of growth, with the margin expansion to end the year on a very strong note for us.

Continuing with the momentum in the last couple of quarters, the company registered 140% Y-o-Y operating revenue growth with the Q4 FY '23 revenue from operations of INR 237.75 crores compared to INR 99.17 crores in the corresponding quarter last year.

Coming on to the annual performance, we have delivered a robust revenue growth of 174% with the highest ever revenues of INR 773.25 crores for the full year as against INR 282.50 crores in the previous year. The growth is primarily on the back of continuing uptick in passenger volumes, steadily growing ticket size and increasing preference to avail lounge access facility.

In terms of profitability, happy to report that we have reported an EBITDA margin of 14.68% in this quarter against 12.58% in quarter 4 FY 2022. Our EBITDA closed at INR 35.09 crores in the quarter, as against INR 12.51 crores for Q4 '22. The EBITDA for the year stood at INR 102.22 crores as against INR 24.07 crores for FY '22. EBITDA margins improved substantially, rising from 8.48% in FY '22 to 13.16% in FY '23.

The improvement in margin year-over-year sequentially is a testimony of our strong fundamentals of driving sustainable growth, resulting in operating leverage and barring our people costs, we do not have any major fixed expenses, neither any major finance costs, nor any significant capex requirements. Our revenue growth continues at a healthy pace, and we witnessed a healthy performance across all key KPIs.

The robust pipeline and strong client additions despite a volatile global environment highlights the strength of the solutions we offer and the changing trends in the travel industry, which is increasingly adopting tech to drive revenue. The company continues to have strong client relationships that are helping in building a scalable, predictable, stable, and sustainable revenue and operating margins. The reported PAT for quarter 4 FY '23 was INR 25.3 crores, which has increased by 182%, compared to INR 8.98 crores in quarter 4 '22. The PAT for the year was INR 72.53 crores, which has significantly increased by 346% compared to the last year. During FY '23, our PAT margin was 9.38% compared to 5.75% in the previous year.

Being an extremely light company with a lean team, organizational structure, and size, we do not have any major capex needs or other outlays and are confident of financing any future scale-up or expansion through our internal approvals. Our major expenses, which are linked to employee compensation, were INR 17.44 crores for the year and constitute 2.26% of our operating revenue.

During quarter 4 FY '23, the company completed the acquisition of 60% equity share of Vidsur Golf Private Limited on March 2, 2023, at an aggregate consideration of INR 1.5 crores. As for IndAS reporting, the purchase consideration has been allocated on the basis of the fair value of acquired assets and liabilities, which has resulted in recognizing goodwill of INR 8.87 million in our book. The impact of acquisition on the profit for the quarter and the year-end 31, March, '23, is not material.

The company has paid an amount aggregating to INR 23.55 crores disclosed under capital advances and security deposits in the balance sheet as of March 31, 2022, to few related and independent parties towards security deposits or advances for investments in or leasing out properties or plots. Since the nature of these transactions were not directly related to the core business of the company, the company announced that the Board determined that these transactions would be terminated by March 31, '23.

The set arrangements have now been terminated in line with the guidance given in previous calls and the amount aggregating to INR 23.55 crores has been received back in the company, before committed 31, March 2023.

Coming to the return ratios clocked by the company, our strong profitability stemming from efficient operations at scale and an asset-light business model has helped us deliver tremendous value to our stakeholders. Our ROE stands at 46.3% for FY '23 and ROCE stands at 62.6%.

With this, I would like to hand over the call to Liberatha, to highlight the way forward for the business.

**Liberatha Kallat:**

Thank you, Giya. Over the decade, we have built a strong business model that has helped us scale and redefine this business. We intend to replicate this expertise by leveraging our deep knowledge of the industry, technological innovations, process experts and rich data backed insights across new high-growth markets, which include Central and Eastern Europe, Middle East, Africa, and Southeast Asia, and write another successful chapter in our growth story.

Our next growth phase will be driven by multiple factors, while we continue to cross-sell and upsell to existing clients based on the new premium services we have added and will continue to develop, acquiring new clients in existing and new markets and through geographic expansion is a key objective. Additionally, from a revenue mix perspective, while more than 95% of our revenues come from lounge access services, there has been a conscious effort to diversify into an adjoining premium offerings such as golf course access and duty-free offers.

Enterprise setup also offers us another area of growth, though quite niche at the moment, but enable us to provide customer engagement and loyalty solutions for corporate clients via developing tailored solutions for business in the hotel sector, e-commerce, new rate digital and banking among others, is another area of interest. Thus, we aim to expand into newer sectors to create customer engagement. We are witnessing a large wave of premiumization in the country, from luxury cars and watches to a rising footprint for premium services such as lounge and golf sessions. Customer spending has also increased over time, leading to a sustainable ticket size going forward and moreover, the inclination to travel, especially the propensity to travel by air

is on the rise. This gives an indication of the changing demographics, lifestyle preferences and changing trends of consumption, which bodes well for Dreamfolks.

With that, I think we can open up the floor for your questions.

**Moderator:** Thank you very much. The first question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

**Mukul Garg:** First of all, I must compliment you guys on an excellent exit to FY '23, I think the performance was really great this quarter. I had three questions from my side. Liberatha, first of all, the customer base for you guys continued to grow -- or I would say, outgrow the passenger traffic growth in the country. How should we see that? Is this something which you will contribute -- kind of attribute to a behavioural change, or is there an element of people kind of arriving early to airports because of long queues, or is this something which is partially because of the lounge capacity rapidly increasing, especially in smaller towns?

**Liberatha Kallat:** Thank you, Mukul. So, I think there are multiple factors to this, I would say. So, one is the awareness, which is actually growing in the market. So, I would say that the awareness of the lounge benefit, which is there on the credit, or the debit card has actually grown, and that is one of the reasons. Second change, what we also see is that after COVID, we have also seen that more-and-more people would prefer to actually go to a place where they feel secure, rather than going to a food court or any other place for that matter. So that is one of the change what we see.

And of course, if you have all observed in major airports as well, the way the credit card acquisition or the customer acquisition, which happens wherein the clients are actually having a kiosk and selling the credit cards. The first thing they actually talk about is, that you get a lounge complementary on this credit card. So that is the selling point. So, this is there. And secondly, yes, in terms of the lounge size increasing, I would say that, yes, the airport is also realizing, and they also see that the growth coming from the lounge business. And the existing airports are also actually looking at having more-and-more space for the lounge. So, I would say there are multiple factors which is driving towards this.

**Mukul Garg:** Understood. And second question was on the Singapore subsidiary set up. Are you starting to see some traction in the other geographies, or is this a necessary first step you have to take before you start pitching aggressively across the key hubs for airports?

**Liberatha Kallat:** So, Mukul, it's not in that way. Actually, I would say that there is an attraction. And the way we have actually created a differentiator in terms of the complete product in India market. And we see that our existing clients are interested to have a similar product in the other regions. So, we have already started working on that and this was a second step for us to actually have a company in Singapore. So, this is the reason why we have actually incorporated Singapore entity.

**Mukul Garg:** So, should we expect expansion outside India to start becoming more visible in some time?

**Liberatha Kallat:** Yes, very soon.

**Mukul Garg:** Sure. And a final one, if I may -- was on Sandeep's addition to the team. Good to see a strong leader kind of adding to the leadership team of Dreamfolks. Can you just help us better



understand the mandate? Is this focused summit on the non-Indian markets, or is it some related to expanding the opportunity universe within India, how could we see the aim?

**Liberatha Kallat:** So, Mukul, overall, I would say, that is not just focusing on the international or the global market. But as we said that we are also looking at enterprises, and we are also looking at clients, which are just not banks. So that is a sector which we are focusing on.

Secondly, it's not just on the lounges. The way we have built the airport services, we are also looking for more-and-more such opportunities. Say in March, we have acquired golf, which we actually felt would be a right fitment for our business. So similarly, yes, we would be looking at more such opportunities wherein we feel that that will enhance our business, support our business and which will also add value in terms of the numbers. So yes, it is not focusing on one area, but there are multiple factors, and that is the reason we are strengthening our senior management team.

**Moderator:** Thank you. The next question is from the line of Shreyans Mehta from Equirus Securities Private Limited. Please go ahead.

**Shreyans Mehta:** Congratulations on a good set of number. My first question is related to the -- as we are already having around INR 45 crores in debt funds and INR 35 crores in cash, so how we are going to utilize the same as we are almost a cash-generating company, and are we planning for any kind of dividend? And how much is required for the capex, as such we are an asset light company, so how much would be the capex if we foray into international markets. So how these things would be panning out in next two to three years?

**Liberatha Kallat:** So, I will talk about the business and then maybe the dividend part, my CFO, Giya can speak about it. So, in terms of the expansion, yes, as we mentioned that we are going globally, and the differentiator what we have created in the India market, we want to create a similar differentiator in the other regions as well. So yes, there will be a cost, and partly, it will be utilized for the development in these regions.

And secondly, yes, as you have seen that we have acquired a 60% stake in the golf company. So similarly, if there are new opportunities coming up, we will also look at opportunities as well. So, I would say that there are a few things which are in pipeline and the company is working on it. So, this is in terms of how we plan to spend.

So, I think I'll give it to Giya, to speak about the dividend part.

**Giya Diwaan:** Thank you, Liberatha. Good question, Shreyans. As you can see, the business is now doing great, and we will definitely do some shareholders return in the coming year. Let me tell you that this is the thought process we have internally and the corporate philosophy as well, to provide the shareholders returns. I think the Board at an appropriate time will take the call of the dividends.

**Shreyans Mehta:** Got it. And then just a follow-up to the -- Liberatha ma'am, question, so as we are considering the golf for -- that we already acquired Vidsur Golf and we are also entering some other services kind of thing to acquire. So, at the time of acquisition, how we are looking into the ROE and ROCE, as we are already making 45%-plus ROE and ROCE. So, are we trying to maintain the

same, as revenue is largely into the like range of 1% or 2% in totality? So how we are looking into that?

**Liberatha Kallat:** So, the thing is that we are actually looking at a similar thing, we would not want to actually change or diversify -- change the model. So, any acquisition, so similarly when we acquired golf as a business. So, it had a similar or I would say, a better ROE comparatively. And in case in future whichever company or any business we think of acquiring or investing in, we would ensure that we will maintain that, and that will not make any change in the existing business.

**Shreyans Mehta:** Got it. And then just one more thing about our total lounge accesses. So, if we see our revenue growing versus our lounge access is growing. So there has been -- seemed to be some improvement in overall realization. So, is this the price increase that we are taking, or is this just a mix that has changed between domestic and foreign during FY '23? So how we are -- and even the view on how are we taking price increases? And along with that, our gross margin has improved. So, is it like we have increased the prices against which we are getting still at some discounts, how the things are moving out?

**Liberatha Kallat:** So, the way it works is that as we said that we have a long period of contract, that all our renewals, the price escalations from both the ends, which is as the service provider at the lounge end, and as well as at the client end. So yes, I would say that the way we have actually strategized, we are ensuring that, we try and maintain the margins. So, this is what it is.

Secondly, I would say that, yes, strategically, in terms of the other services as well, which are adding up. So, the margins were -- I would not say better, but we will try and maintain in the same way.

**Shreyans Mehta:** Okay. And then how about the realization improvement that we have seen in this particular FY '23, on a blended level?

**Giya Diwaan:** Realizations, Shreyans that you see, that has been stabilized over a period of time. And as we continue to focus on stabilizing our margins, we also continue to focus on our receivables as well. That is what is getting the focus from the management, since last couple of quarters.

**Moderator:** Thank you, Mr. Mehta, I request you to join the queue for any follow-ups as we have several participants waiting for their turn. Thank you. The next question is from the line of Saurabh Jain from Sunidhi. Please go ahead.

**Saurabh Jain:** Yes. So, with expanding offerings to railway stations, golf courses and multiple growth drivers like airports, modernization of railway stations, expanding middle-class credit cards, so what kind of growth does the management envisage for the next two to three years? And how is the competitive scenario evolving with respect to players like Dragon Pass and Lounge Buddy and etcetera?

**Liberatha Kallat:** Okay. So, you see that the driving factor for our business is the airport passenger traffic, the credit card issuance, the awareness which is growing for this. So, I would say that the growth -- the way the airport passenger traffic is being expected. So obviously, we also assume that it is - our business growth would also be in a similar line.

Secondly, in terms of the credit card issuance also, if you have heard that we have told that presently, India is at a very low penetration compared to other regions, and the expected growth is 33x here. So, I would say that the more the number of issuance are happening and the more offerings which have been given on the cards. So, these are the driving factors.

Secondly, I would also say that in terms of adding different services like golf course we have added, and we also have multiple airport services. So, these services are also going to add up to the revenue -- to the existing business. Secondly, I would say that in terms of the competition, what you're talking about, Dragon Pass or any other competitors. So, as you said, that Dreamfolks started when there was already global players in the market. And it was a differentiator what we have created in the market, and I think that is one of the biggest reasons, that why today, we sit with a 90% of market share.

And I think the goal or division of Dreamfolks is that we keep building and enhancing our product portfolio, both from the service side and in terms of the technology as well. So, I think this strategy is going to be used a long way, because we would -- and in terms of the tech also if you have seen, and when Balaji explained about it, that we have actually been enhancing regularly in terms of how we would want to enhance the customer experience, not only that, ensuring that what would be the client requirement. So, I think these are the areas where we are majorly focusing on, and I think this will keep us ahead of the competition.

**Saurabh Jain:**

So, with all these key growth drivers being in the nascent stage or say, have a huge headroom for growth, so is it quite possible to sustain high growth numbers like 50% to 100%, how we grew last year for next two, three years?

**Giya Diwaan:**

As we discussed, two major factors, right, traffic as well as credit card penetration. Now it is directly or indirectly proportional to these two industry growth rates. If we talk about the traffic, the forecast for the aviation industry's growth is close to 40% is what we are getting to hear in next two years. So that would act like a tailwind for us in our growth aspect. On top of it, there would be credit card penetration increasing, where everyone is getting to see the numbers that is touching record-highs, so that would be another factor which will act like a tailwind for our growth. Would be very difficult to put a finger on one number at this point in time, but these two set of industry growth would help us grow as well.

**Saurabh Jain:**

Okay. Got it. That was helpful. My second question is how are businesses related to merchant discount rates and how any shrinking pattern or trend is likely to impact our business or profitability in the medium to long term?

**Liberatha Kallat:**

So, in terms of the benefit, which has been given to the cardholders. So, it is more of a customer acquisition part, and not a discounted level. So, if you have actually seen now, any product or any new credit card, which is launching. So as a hygiene factor, lounge benefit is already part of it. And not only that, I think the banks are also becoming proactive, because the way the customer or the user awareness is growing, they are trying to add more-and-more value to the customer. So, we don't see any risk there in terms of the discounting happening there or trying to take out the benefit. But we see that the benefit in terms of the premium services are being

added in a larger way right now. So, I think it is a positive sign for our business, and we don't see any risk factor presently in this.

**Moderator:** Thank you, Mr. Jain, we request you to join the queue for any follow-ups. Thank you. The next question is from the line of Srigopal Bajaj from Stockhifi Advisory Services Private Limited. Please go ahead.

**Srigopal Bajaj:** I would like to know how much railway lounges are you present in currently now? And what kind of revenue has been there for this quarter 4?

**Liberatha Kallat:** So basically, there are 12 railway lounges across the country, and we see that there is a potential -- I mean a plan of adding more such lounges in coming months. Secondly, in terms of the revenue, I would say that presently, it is a very miniscule numbers coming from there. But one important factor what or -- the positive sign what we see there is that month-on-month, there is a growth in these numbers. So, I would say that we have been growing by 25% to 30% month-on-month in railway business.

**Srigopal Bajaj:** How many lounges are you planning to add in the next two years ma'am?

**Liberatha Kallat:** So, it all depends on that how many lounges would be coming up. So, it would not be the decision of Dreamfolks because it would be -- the government decision on which railway stations they would want to have these benefits. So, depending on whichever lounge would be coming up, Dreamfolks surely have a tie-up with these lounges.

**Moderator:** Thank you. The next question is from the line of Girish Solanki from Kitara. Please go ahead. There seems to be no response from the line of Girish. Hence, we move to the next question, that is from the line of Vinayak Mohta from Stallion Asset. Please go ahead.

**Vinayak Mohta:** Hi, good morning. Congrats for a great set of numbers. So, I just had two to three questions. The first one was on the margin front; you had mentioned that 12% to 13% will be a sustainable rate. So, when you talk about sustainable margin, would you -- are you talking about it from a yearly perspective, or is it more of a quarterly perspective given the premiumization trend that you've been seeing?

The second question would be on the Singapore subsidiary side, where you've been talking -- where you have just entered, and you plan on going into airport services. So are these -- like my assumption is, the lounges would already be penetrated out there. So, in what kind of services would you try and build your mark, or would you be looking to displace the existing players, or would you only be targeting the Indian customers in the bank? So, this is the second question.

The third question was majorly going forward, given this year on a high basis, do you think that 25% to 30% growth, given the different segments that you are coming out from, because you have seen this from the customer side wherein the number of lounges, number of services offerings are expanding. And secondly, you are also looking on the supplier end moving away from only banks, focused to hotels, or some other supplier platform as well. So, do you think that 25% to 30% is a nascent growth amount to take into consideration? Thank you.

**Giya Diwaan:**

Vinayak, I'll take up your first question about the margins. So, the way we, as an internal strategy follow for the margins is, though we have long-term relationship and contracts with the clients, we do the price escalations every 12 months, and this happens simultaneously with both set of our stakeholders - our service providers for our lounges and other service operators, as well as our clients.

Now in that process and our company's philosophy, we try to manage a 15% -- close to 15% margin, whether it is quarter-on-quarter or yearly, since it is a 12-month escalation, which happens, there is not much variation which you get to see in quarters versus the annual numbers. So that's the philosophy we work on when we on-board any new client or we on-board any lounge operators or have any price escalation discussions during every renewal.

**Liberatha Kallat:**

So, I'll just take up your next question, which was related to the Singapore entity. So, in terms of the business model, I would say that as we -- the present business, if I have to talk about, we concentrate more on the Indian issued credit and debit side benefits. So similarly, we have also expanded in terms of our inventory or the lounges. So, we have already expanded in 130-plus countries where we have already tied up directly with the lounges, similarly the way we have done in India.

So, the reason of having a Singapore entity, is that because we also wanted to now capture different clients outside India. It's not just giving the benefit or managing the program for the India issuers, but also now focusing on more Middle East and Southeast Asia markets. So, this is one of the reasons that why. In terms of additional services, I would say that the way we have built in the airport services in India, we would also build the similar portfolio in the other regions as well.

In terms of the contribution from the other sectors, I would say that it is too early right now to say, but we see a lot of traction coming from the other, I would say, enterprises as well, wherein they would want to give a similar benefit to their customers. So yes. So right now, I would say that yes, this is the focus, and this is the plan the company has.

**Moderator:**

Thank you. Mr. Mohta, may I request you to join the queue for any follow-up questions. The next question is from the line of Anupama Bhootra from Arihant Capital. Please go ahead.

**Anupama Bhootra:**

Thank you and congratulations for a brilliant performance quarter-on-quarter. So, my first question is conversion base for domestic and international patch, and the blended realization for the domestic and international business for quarter 4 and FY '23?

**Giya Diwaan:**

Anupama, our conversion rate for quarter 4 was 6.2% vis-a-vis quarter 4 of the previous corresponding year, 5.4%. And for the entire year, if you look at FY '22 and FY '23 conversion, that was 6%, compared to 4.15% in the previous year. And as far as the price realization is concerned, when we have spoken about the split between the domestic and international, we are currently at 73% versus 23% in domestic and international.

**Moderator:**

Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

**Sunil Jain:** Yes. Thank you for this opportunity. And congratulations on good numbers. Ma'am, I would like to know exactly how many passengers visited the lounge in this quarter?

**Giya Diwaan:** This quarter, 2.34 million passengers visited the lounges across the country, whether it is domestic side of the lounges or international side of the lounges within India.

**Sunil Jain:** Okay. And as such, the average realization increased very sharply quarter-on-quarter. So, is this sustainable or it's a quarterly phenomenon, where we see in fourth quarter higher realization?

**Giya Diwaan:** It is not a regular process which happens every quarter-on-quarter, it depends on as and when the clients' contracts are getting due for the escalation. A few might fall in quarter 3, primarily a lot of the contracts fall under quarter 3 for the escalation and few spread across over the period of year, depending upon when are we signing up and on-boarding the new clients.

**Moderator:** The next question is from the line of Girish Solanki from Kitara.

**Girish Solanki:** In the notes to accounts, I can see below cash flow statement, there was an outstanding financial liability of INR 45.43 million, which is pertaining to selling shareholders for their offer-for-sale as on 31st March 2022. Is that amount still outstanding, and if it is outstanding, what are we planning? Are we planning to repay that?

**Giya Diwaan:** Girish, this amount outstanding as on 31st of March 2023. But as we speak, the bills have already been settled with the bank and the balance amount would get distributed to the shareholders.

**Girish Solanki:** And what would be the timeline for that?

**Giya Diwaan:** I think within this quarter, we should be able to knock this up. This is the IPO expenses, which is the amount is lying in the IPO escrow account. And through that, the company pays it to all the banks and the distribution brokers.

**Moderator:** Next question is from the line of Aditya Sharma from Aditya Birla.

**Aditya Sharma:** Just wanted to understand this gross margin. So, we've taken these hikes. So, does it seem sustainable? And also, when we were talking about the hikes, you were calling out that we take hikes mainly to keep the gross margin at around 15%. So just wanted to understand this bit?

**Giya Diwaan:** Aditya, as we have been focusing on and we have been highlighting to the investor community as well, that as a part of the process and in relationship with the long-term association which we have had with our -- both the set of stakeholders, we do this discussion simultaneously, and we try to maintain a margin of 15%. That is our focus every time, when we get into the escalation discussion.

So, I think as part of the management, whenever we onboard new clients or whenever we offer new services or introduce new offerings, like golf or any other spa services, we ensure that we build a product in such a way that we can maintain a margin of 15%.

**Moderator:** The next question is from the line of Vaibhav Saboo from Nippon AIF.

**Vaibhav Saboo:**

Yes. Just wanted to get comments, so what we are seeing is the trend is that for credit card or debit cards, lot of issuing banks are limiting their -- either they are limiting the access, or they are limiting the number of lounges they have partnered with. So just for an example, HDFC debit cards now allow for their customers access only to 4 or 5 airport lounges, that also in the metro airports. So just wanted to get comments on it. Specially because as we see most of the metros, -- at the metro, the airport lounges are already quite congested. So how management sees it, especially from a growth perspective going forward?

And just wanted to add in a request, you know that, just from a request perspective, that please also include operational update in the investor presentation or separately, wherein you can provide the number of passenger visiting lounges and what is the passenger mix. So just a request from my side? And thanks for providing the opportunity.

**Liberatha Kallat:**

Sure. So, coming to the credit card and the debit card benefits. I would say that, yes, there are few changes which are happening, and the changes are good, I would say, that it is not that the limitations or the limits are getting reduced. But if you actually see with us, the awareness of the lounge is actually growing and people are aware that there is a lounge benefit, right? So, most of the cards which are actually been issued, there are people who are only utilizing it for the lounge. But otherwise, I would say that there is no such benefit for the bank for that particular card, if the customer does not use that card. So, I would say -- that is one of the change.

But I would say that the other change which the banks are doing and which we have built a solution for that is a trend base, right? So even if the limits have been reduced, there are additional limits or additional benefits which have been given by the bank, is a customer is spending beyond the threshold, right?

And I would say that in terms of the technology, that's how we have actually built, and we have actually given that platform to the bank to identify that the moment the customer has actually spent from the threshold, he immediately get an additional lounge benefit, or if it is much more than maybe they also get a meet and assist or an airport transfer as a complementary benefit.

So, these are the changes which are happening, and I would not say that that would impact the business, but we see that the overall -- the way the program is managed is actually changing and it's actually benefiting for everyone.

Secondly, in terms of the lounge space and the Tier 2 lounges. Yes, I would say that the concentration for a few of the cards, where the benefit is only limited to the metros. However, there is an increase, I would say, there are largely a lot of cars, which are actually having a benefit for the other lounges like Tier 2 and Tier 3 as well.

As I told you that the awareness for the lounge usage is growing. But I think the customer is still aware that the lounges are only in the metro cities, and they are not aware that there are lounges in Tier 2, Tier 3 cities, and that's the reason, the usage pattern is not there, but you will be surprised at the way the numbers are growing. And as you have asked for the numbers, we will try and share in terms of the lounges as well, the way the passenger traffic is growing city-wise, so that you understand the growth level as well.

In terms of the existing lounges in the metro cities where it is actually getting overcrowded or overpacked, I would say that all these metro cities, including Mumbai, Delhi, Bangalore, they are expanding the existing space. So, Delhi for that matter, if you see that they had a lounge which was to 15,000 square feet, and recently, it's been a couple of months, they have actually opened a new international lounge, of around 45,000 square feet, right? And a similar extension of lounge space has also increased at the domestic side, right?

And there is an additional lounge coming up in Delhi Airport, which would be around 20,000 square feet. So, the airports are also expanding, because they also see that the growing trend of the lounge usage, and so we do not see that the capacity would be an issue and it would be a hindrance for the growth.

**Moderator:** The next question is from the line of Harshal Sethia from AUM Fund Advisors.

**Harshal Sethia:** So, in the earlier call, you had said that we will launch additional services like baggage services and other stuff. So, have we started with those?

**Liberatha Kallat:** Yes. So, we spoke about the other services. And as we also mentioned in the previous question as well that we have the other devices like the meet and assist, the airport transfer thus far, the F&B airport and the transit hotels. These are the additional services. Apart from that, if you have also seen that we have also acquired the golf company in March, right, and this is also an additional service or additional benefit, which will be provided to the cardholders. So yes, as and then we are seeing a value-added product. we are adding it, and we will keep doing this in near future as well.

**Moderator:** The next question is from the line of Kaushik Mohan from Ashika stock Broking.

**Kaushik Mohan:** Congratulations for the great set of numbers. One, can I understand on the -- currently, you have very fantastic growth. Can I understand what will be there -- for this kind of growth can be expected in coming years?

**Giya Diwaan:** So, the industry as you see, is looking quite robust, right? And we drive on the tilt end, as we have been mentioning that airport traffic increase, credit card penetration on top of it, our own initiative in terms of launching new services for the clients, including spas, meet and assist, airport transfers, so all these things combined together, we see our growth trajectory very, very satisfactory from a management point of view.

The numbers, I'm sure you would be able to derive from the industry forecast, which we get to see from DGCA or IATA that it's going to grow at 40% year-on-year for next 2 years' time. Credit card penetration, we recently got a news published that March was one of the record-breaking quarter, wherein the credit card penetration increased - the number of cards issued by the bank put together in country, crossed 33x. All these things put together, we see a good outlook for the industry, and that would get converted into our growth as well.

**Moderator:** The next question is from the line of Jatin Jadhav from Sahasrar Capital.



**Jatin Jadhav:** Congratulations on a good set of numbers. I wanted to understand since you've expanded -- you've entered the golf business exactly. So, I want to understand what kind of margin does that business bring? And second, eventually, where do you see the growth trajectory of this, and what will be the mix of golf in the total revenue?

**Giya Diwaan:** Jatin, for golf also, after our acquisition, that gets built into our strategy, the way we offer our services to the client. So, for our existing and new set of clients, golf active lessons and golf resort accesses for the -- not just the games, but for learning the lessons also, will be part of the offering, which we will give to our clients.

Now as a part of bouquet of offering, along with our own existing service offering, we would bundle it and we would have a similar expectation of 15% margins for even the golf. Now when it comes to potential in the golf industry, it is still picking up -- the awareness of golf and the interest levels in the golf is picking up in the last 2, 3 years after the covid. We are seeing the number of golf clubs also increasing. If you see in last 10 years, currently, there are close to 50 golf clubs in India, in the last 10 years, it has moved from 20 to 50. And so that's the kind of potential, which is getting -- we are getting to see in India.

However, a larger market is there when it comes to Southeast Asia, because that's quite a popular business and there are certain networks and card issuers who are already providing these services to their cardholders. So, we see that as a very good potential for us in terms of new service offering to our clients. We are still very new in terms of calculating the market size. Once we reach there, we would update that to the investors as well, that what is it in terms of exact numbers, which we are targeting.

**Moderator:** The next question is from the line of Rushabh Doshi from Nirmiti Investment Advisors.

**Rushabh Doshi:** So, I just wanted to understand like currently, how big is Visa in terms of our revenue currently?

**Giya Diwaan:** Sir, your question, I couldn't understand? How this is?

**Rushabh Doshi:** How big is -- like what is the contribution of Visa in terms of our total revenue, currently?

**Liberatha Kallat:** Sorry, but I would not be able to specifically give client wise data.

**Rushabh Doshi:** So, like in the DRHP, I guess it was mentioned that Mastercard-Visa combined was around 60%. So, is it fair to assume that that still stands?

**Liberatha Kallat:** See, I would -- see, the way it works is that all the banks whichever we are directly working, they actually issue both Master and Visa cards, right? So, it would not be right for me to actually disclose any percentage right now.

**Moderator:** The next question is from the line of Sahil Doshi from Thinkwise.

**Sahil Doshi:** I just want to understand, in terms of number of square feet we added to our existing area this quarter and this year, if you can give that.

**Liberatha Kallat:** I'm sorry, your voice is not audible.

**Sahil Doshi:** Okay. Am I audible now? I'm just trying to understand what is the kind of square feet we've added in terms of the lounge and the capacity over the years?

**Liberatha Kallat:** Okay. So, if you actually see in the past, right, the lounge size used to be averaged of around 2,000 square feet. And today, if you actually see the lounge spaces have gone up to 30,000 and 40,000 square feet space. So, because the airports are also realizing, and they are also seeing good growth which is happening in this -- in lounge space. So, they are taking a cautious decision of increasing the space.

So yes, in the past few years, we have seen the growth from 2,000 to a 30,000-lounge space, which is further growing right now, as I just explained that the number of additional lounges coming up in Delhi airport, the plan for having additional lounges in Mumbai, as well as Bangalore if you actually see that, the existing airport terminal 1 itself had around 30,000 square feet lounge. But now with Terminal 2 coming up, there would be an additional lounge, which will also be around 30,000-plus space. So yes, so the airport understands the requirement and the space is growing.

**Sahil Doshi:** No, sorry. My question was over the last 1 year, how much is the area under coverage of partnership with airports increased? And if you can quantify what the area -- total area accumulated possibly, that will be really helpful?

**Liberatha Kallat:** So, it would keep varying, because as and when there are lounges coming up in the market, in India, we keep adding that. And also, if you actually see the benefit, which has been given on the card, it also varies. So, it's not necessary that all the 60 lounges today, what Dreamfolks covers, all the 60 lounges would be as a benefit for all the debit or credit cards. So, it varies from client to client as such.

So, it would be very difficult to say that what would be the size of it. But I would say that, yes, we ensure that we have the 100% coverage in terms of the lounges, because as and when any new lounge come up, or there is an additional lounge coming up in the existing airport also, we immediately ensure that, that is part of our portfolio.

**Moderator:** Ladies and gentlemen, due to time constraints, that would be our last question for today. I now hand the conference back to the management for their closing comments. Thank you, and over to you.

**Liberatha Kallat:** Thank you, everyone, for joining us on this earnings call. We at Dreamfolks Services Limited, are working on several new initiatives to expand our range of service offerings to our customers on both ends of the value chain. We have established a formidable position for ourselves on the back of our proprietary tech extensive coverage and deep networks, coupled with external tailwinds in the form of a high growth across both industries that impact us, aviation and credit cards. These are expected to guide our journey, as we look to scale greater height and set new benchmarks.

Once again, the investor presentation, earnings release and financial results have already been posted on the company's website and stock exchange. Please feel free to contact us or Strategic Growth Advisors, should you have any further questions. Stay safe and take care. Goodbye.



*Dreamfolks Services Limited*  
*May 24, 2023*

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Dreamfolks Services Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines. Thank you.