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DreamFolks
Your Airport Experience Amplified !

November 13, 2024

To, The Secretary, Listing Department BSE Limited P. J. Towers, Dalal Street Mumbai – 400001 **Scrip Code:** 543591	To, The Listing Manager, Listing Department National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai- 400051 **Symbol:** DREAMFOLKS

Sub: Transcript of Earnings Conference Call conducted on November 08, 2024

Dear Sir/ Ma'am,

In continuation of the earlier communication regarding the Earnings Conference Call for the quarter and half year ended on September 30, 2024, in compliance with Regulation 30 of SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 (as amended from time to time), please find enclosed herewith transcript of the Earnings Conference Call held on November 08, 2024.

The said Earnings Conference Call transcript may also be accessed at the website of the Company at https://www.dreamfolks.com/.

You are hereby requested to take the above intimation on record.

Yours faithfully,

For Dreamfolks Services Limited

HARSHIT GUPTA
Digitally signed by HARSHIT GUPTA
Date: 2024.11.13 13:59:21 +05'30'

Dreamfolks Services Limited

Harshit Gupta
Company Secretary and Compliance Officer

Encl: As above

“Dreamfolks Services Limited

Q2 & H1 FY'25 Earnings Conference Call”

November 08, 2024

Disclaimer: E&OE. This transcript has been edited for factual errors. In case of discrepancy, the audio recordings uploaded on stock exchange on November 08, 2024, will prevail.

MANAGEMENT: **MS. LIBERATHA PETER KALLAT – CHAIRPERSON AND MANAGING DIRECTOR**
MS. GIYA DIWAAN – CHIEF FINANCIAL OFFICER
MR. BALAJI SRINIVASAN – EXECUTIVE DIRECTOR AND CHIEF TECHNOLOGY OFFICER
MR. SANDEEP SONAWANE – CHIEF BUSINESS OFFICER

Moderator: Ladies and gentlemen, good day and welcome to the Dreamfolks Services Limited Q2 and H1 FY '25 Earnings Conference Call. 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 touch-tone phone. Please note that this conference is being recorded.

Before we begin, let me remind you that this discussion may contain forward-looking statements and may involve known or unknown risks, uncertainties and other factors. It may be viewed in conjunction with the company's business risks that could cause future results, performance or achievements to differ significantly from what is being expressed or implied by such forward-looking statements.

Today on this call, we have with us Ms. Liberatha Kallat, Chairperson and Managing Director; Ms. Giya Diwaan, Chief Financial Officer; Mr. Balaji Srinivasan, Executive Director and Chief Technology Officer; and Mr. Sandeep Sonawane, Chief Business Officer.

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

Liberatha Kallat: A very good evening to everyone, and thank you for joining us on the earnings conference call for the second quarter and first half of the financial year 2025. We announced the financial results earlier today, and I hope you had a chance to go through the results, investor presentation and press release, which are available on the stock exchange and on the company's website.

Our organization reported steady revenue growth in this quarter with 12.2% year-on-year increase to INR 316.9 crores in Q2 FY '25. The gross profit for the quarter stood at INR 39.2 crores, marking 11.9% growth and achieving a gross margin of 12.4%.

The first half of the fiscal year has been characterized by decent performance, with revenue increasing by 16.2% year-on-year to INR 637.7 crores and gross profit surging by 21% year-on-year to INR 76.8 crores, which equates to a gross margin of 12.0% in H1 FY’25, an improvement from 11.6% in H1 FY '24. Our adjusted EBITDA for the quarter was recorded at INR 25.5 crores with an adjusted EBITDA margin of 8.1%. For H1 FY '25, the adjusted EBITDA reached INR 51.3 crores, reflecting a year-on-year growth of 10.6% and an adjusted EBITDA margin of 8.0%.

Over the preceding quarters, our discussions have centered on the strategic direction of our organization. Fundamental to these strategies is the principle of diversification and expansion encompassing a broad spectrum of services beyond airport lounges, clientele belonging to different sectors and a wider geographical reach. Our commitment to these strategies remain persistent, and it is with the dedication of our team that we have seen positive outcomes on these fronts during the quarter.

In alignment with our strategic initiative to broaden our horizon beyond airport lounges, we have, in this quarter, embarked upon provision of highway dining services to our customers. This new service enable us to cater to the needs of the highway travelers by offering them superior dining experiences during their transit. These services are anticipated to be accessible at 600-plus establishments situated along the key national highways.

Furthermore, we have augmented our service offering with an introduction of Excess Baggage services for the convenience of our clients. There have been other notable developments in these services other than India airport lounge.

We are pleased to report that our golf services are gaining momentum, as evidenced by the addition of Golf Academies, which offers coaching sessions and golf courses dedicated to golf games. The increasing popularity of golf in India is a trend we anticipate will persist, and we'll continue our efforts towards adding more courses throughout the country to make the sport more accessible for the customers. Furthermore, our Meet & Assist services have been enhanced by the addition of new touch points in Africa.

With respect to the diversification of our client base, we have achieved considerable progress in onboarding new enterprise clients during this quarter. Our collaborations have expanded to include 7 enterprises from various sectors. To highlight a few noteworthy partnerships, we have established a relationship with Akasa Air, the latest entrant in the airline industry. As part of this collaboration, Akasa Air crew members will be granted access to our airport lounges, providing them with the space to unwind between flights, thereby offering an alternative to hotel accommodation or prolonged waits in terminal areas.

In addition, we have engaged in collaborative campaign with Amazon during the Amazon Prime Day period. Our services were integrated with Amazon Pay on their co-branded credit card statement page, enhancing the customer experience during this promotional period.

Another addition to our portfolio is Countrywide Networks, a loyalty firm specializing in rewards and recognition or incentive programs for other corporations. Through this partnership, Dreamfolks' services will be incorporated into their reward and recognition offerings.

These examples represent just a few of the new enterprises that have joined our extensive list of clients. For further details on our client expansion, I will defer to Sandeep, who will provide additional insights.

We are pleased to affirm that we have maintained 100% coverage at all Indian airports. During the quarter, we have extended our lounge services to include 3 new lounges at Pune Airport and the business class lounge at Cochin International Airport. Following these additions, the aggregate number of lounges within India featuring Dreamfolks presence has been 74 lounges.

On the international front, we have also augmented our global lounge network with additional lounges. In total, 38 lounges have been integrated into our international network with a pre-dominant expansion occurring in Asia.

Now allow me a few minutes to talk about the industry. The future of the travel industry continues to look promising in India with the expectation of robust growth driven by a combination of socioeconomic factors, technological advancement and strategic initiatives by the government as well as the company's operating in the space, like Dreamfolks. Projections by the World Travel & Tourism Council suggest that the sector could grow at an annual rate of 6.9% to reach $512 billion by 2028, accounting for a significant portion of the national GDP.

As the number of airports in India continues to rise, especially in high-traffic markets and Tier 2 and Tier 3 cities, existing airports are expanding their lounge facilities, thereby accommodating a greater number of travelers. The Indian Civil Aviation Ministry has expressed optimism about the future growth of the aviation industry in India. It has set an ambitious target of increasing the number of airports in the country from 148 in FY '23 to 235 by 2030.

One of the key drivers of growth will be the domestic tourism, with a population of over 1.3 billion and a rapidly growing middle class, the potential of internal travel demand is immense. International tourism is also set to expand with India positioned as a compelling destination for cultural, spiritual, adventure and wellness tourism. The government's efforts to streamline visa processes and improve infrastructure are likely to facilitate this growth.

Another industry we are associated with is the credit card industry. The credit card industry in India is poised for significant expansion, shared by confluence of technological advancements, regulatory changes and evolving consumer behaviour. In recent years, the penetration of credit cards has seen a steady increase with the Reserve Bank of India reporting a rise in the number of credit card accounts. The number of credit cards in circulation has grown by 14.1% in Q2 year-on-year to 106.1 million. The surge in credit card usage in India can be attributed to several factors. The banking landscape is undergoing a significant transformation with a growing number of banks, credit card and fintech companies partnering with start-ups and new age business to encourage credit card usage. It is projected that the number of credit cards will increase by 33x over the next 2 decades, driven by the shift towards digital payments. Further, factors such as growing middle class, increased digitalization and a shift towards cashless transactions have contributed to this uptrend.

Demographic trends are also in Favor of credit card growth. With one of the youngest population in the world, India's Gen Z and millennials are more open to adopting credit card as a preferred mode of payment.

Now to conclude, Dreamfolks has demonstrated its growth pattern by delivering strong performance in the quarter as well as in the first half of the financial year. The strategic decision and expansions we have undertaken this quarter from diversifying our services to enhancing our lounge network will bear fruit in future. Our technological resilience and swift response to service disruptions further exemplify our commitment to operational excellence and customer satisfaction. These accomplishments are not only a testament to our team's dedication, but also a clear indication of our capacity to navigate challenges and maintain a trajectory of reliable service delivery.

As we look ahead, we remain focused on leveraging our strength and exploring new opportunities to continue this upward trend. We are confident that the strategic initiatives coupled with positive outlook for the allied industries will propel us towards greater heights in coming years.

With this, I would like to invite Sandeep to give an update.

Sandeep Sonawane: Thank you, Liberatha. This quarter was an eventual one as far as the business was concerned. I'm happy to discuss strategic trajectory that our organization has embarked upon in the recent quarters. As Liberatha mentioned, our strategy remains rooted in diversification in terms of services, clientele and, of course, geographical expansion and improving our footprint there.

During the quarter, our organization has taken a significant stride in expanding our service offerings, aligning well with our strategic goals of growth and diversification. We have launched highway dining services to cater to the needs of travelers on 60 key highway routes, emanating from major cities like Delhi, Mumbai, Bangalore, Chennai, et cetera with plans to make these services available at over 600-plus establishments.

As highway network continues to grow and road travel is gaining popularity. Dreamfolks is proud to extend its premium hospitality to ensure travelers enjoy exceptional dining at every stop along their journey. Additionally, we have introduced excess baggage services to enhance the convenience for our clients where eligible cardholders can ship their excess luggage free of cost from inside the airport premises. Furthermore, we have significantly diversified our client base, adding 7 new enterprise clients from various sectors, and we continue to do so.

In conclusion, our company stands at the forefront of service innovation and strategic expansion. The initiatives we have undertaken this quarter from the introduction of highway dining service to expansion of our airport lounge network reflects our dedication to meeting the evolving needs of our client and travelers worldwide.

As we continue to diversify our offering and forge new partnerships, we remain committed to excellence and the pursuit of growth. These advancements are not just milestone, but stepping stones towards the future, where our company sets the benchmark for service and innovation in the industry. Thank you.

Now I hand over mic to Bala.

Balaji Srinivasan: Thank you, Sandeep. Our state-of-the-art technology infrastructure is a backbone of our company's success. The core of our business is a proprietary platform aimed at providing our customers a hassle-free experience. Our platform is a realization of a vision to provide a seamless experience for every individual who interacts with our services. Our tech forms one of the key differentiators we have at the company.

With this tech stack, we are able to develop and offer our banking partners, customized as well as advanced products to optimize the spend by pushing targeted products to the end consumer. This will drive a high-quality and a personalized value proposition instead of a conventional one-size-fits-all solution.

The agility of our platform has paved the way for forging new alliances and broadening the spectrum of our services. We follow an asset-light philosophy as our entire platform technology is cloud-based, which allows lounge operators and other partners to check the consumer's benefit on a real-time basis. Our advanced technology empowers seamless access to a wide range of airport services through various channels, including credit and debit cards, card issuer applications, our own app, self-check-in kiosks and web-based portals. The seamless integration of technology with our banking partners has enabled us to reshape the benefit structure allowing for a deeper and more intuitive connection between our platform and their services.

In conclusion, our proprietary tech platform is more than just an asset. It is actually the backbone of Dreamfolks, fueling our growth and enabling us to leave an indelible mark on the travel industry. As we look to the future, we remain dedicated to leveraging our technological capability to deliver unparalleled value to our clients and partners alike.

Now I will hand over to Giya for an update on the financials for the quarter. Over to you, Giya.

Giya Diwaan: Thank you, Bala, and a very good evening to everyone.

I will begin by giving you the Q2 FY '25 highlights first.

With a focused approach from the team, we continue to see steady performance across key operating metrics. The company reported a revenue of INR 316.9 crores, marking a growth of 12.2% from INR 282.5 crores in Q2 FY '24. The company continues to have strong customer relationships and a focus to expand existing relationships to build sustainable and reliable revenue stream.

Gross profit grew at 11.9% Y-o-Y to INR 39.2 crores in Q2 FY '25 as compared to INR 35.1 crores. Gross profit margin was at 12.4% in Q2 FY '25, similar to Q2 FY '24. Adjusted EBITDA, adjusted for non-cash ESOP expenses was at INR 25.5 crores, down by 4% as compared to INR 26.6 crores in Q2 FY '24. This reduction is largely due to our commitment to investing in talent across various regions, aimed at enhancing our performance and foster long-term value for all stakeholders. Adjusted EBITDA margin was at 8.1% as against 9.4% in Q2 FY '24. Profit after tax was at INR 16.0 crores as compared to INR 17.7 crores in the same quarter of last year. PAT margin declined to 5.1% in Q2 FY '25 from 6.3% in Q2 FY '24.

We continue to have a strong balance sheet with our net worth currently at INR 264.8 crores, up 35.8% compared to the same time last year. Our cash and cash equivalent balance as at quarter end stood at INR 45.7 crores.

During the quarter, we witnessed an increase in our debtors due to implementation of spend-based programs by most of our clients. This resulted in a temporary increase in our working capital cycle, resulting to slightly lower net investment income during the quarter.

Now moving on to highlights for the H1FY '25. The revenue grew by 16.2% Y-o-Y to reach INR 637.7 crores in H1FY '25 as against INR 548.8 crores in H1FY '24. Gross profit for H1FY '25 was at INR 76.8 crores growing by a strong 21% Y-o-Y from INR 63.5 crores in H1FY '24. Gross profit margin was at 12.0% in H1FY '25 versus 11.6% in H1FY '24.

Adjusted EBITDA for the H1FY '25 was at INR 51.3 crores, reporting a growth of 10.6% Y-o-Y. Adjusted EBITDA margin was at 8.0% in H1FY '25 as compared to 8.5% in H1FY '24. PAT stood at INR 33.2 crores in H1FY '25 and INR 30.6 crores in H1FY '24. PAT margin in H1FY '25 was at 5.2% versus 5.6% in H1FY '24.

Earnings per share for the H1FY '25 stood at INR 6.3, up 7.8% Y-o-Y. We remain confident about delivering sustainable growth backed by our robust financial track record and efficient asset-light business model and low-cost operating framework. This confidence is further reinforced by our strategic initiatives that are projected to result in a sustainable revenue stream.

Now with that, I would like to close my remarks, and we are happy to open the floor for questions.

Moderator: Thank you very much maam. Our first question is from the line of Omkar Chitnis from Trade Brains Private Limited. Please go ahead.

Omkar Chitnis: My first question is that recently you ventured into the highway dining business, I want to know how this highway dining service differs from the traditional restaurant business, which are more popular among the travelers in India. So I want to know what is the marketing efforts and strategies company is able to promote to get more number of visitors to that?

Sandeep Sonawane: So it is different. First of all, it is different from the regular offering that you and me are availing today as far as the food is concerned. Here, what we are talking about is basically benefit that will be given to the consumer on the card that he or she is holding. So for example, imagine if you are traveling from, say, on a highway from Bombay to Pune and in between, you have, say, a food court, and what if you are traveling along with 2 or 3 friends.

So you actually go into the outlet, which is part of our outlet base, and you go there and tap your card and avail the benefit as a free meal, which is again offered or sponsored by some of issuers. And the other members of your family or even for that matter, relatives can enjoy at a discounted rate. So this is the offering that we are giving, which is actually in the form of benefit on the card by the issuer. So that is on your question number one or rather answering to the first part of question.

The second part of your question in terms of what are the efforts that we are doing? Of course, we will communicate that to the consumer. One is, of course, the issuer will communicate to the consumer as a part of a standard communication. Secondly, as a consumer, you will at the participating outlets also know that these are the outlets which actually have these card programs, and I can actually enjoy the benefit on my card in these outlets. So of course, this will happen simultaneously.

Omkar Chitnis: Okay. Okay. Sir, coming followed by this question. If the highway business model is asset-light model, right?

Sandeep Sonawane: Yes. Yes.

Omkar Chitnis: It's an asset-light model. This asset-light model is managed by third party or management side?

Liberatha Kallat: So the model is going to be the similar thing which we are doing it right now also with the airports. So here also, it's not going to be our outlet as we are going to partner with the F&Bs, which are present at the highway. So obviously, there is no investment from Dreamfolks.

Omkar Chitnis: Okay. And my last question is what is the average daily footfall size in airport lounges in the present quarter? And what is the average ticket size per customer?

Giya Diwaan: The total pax for this quarter for us was 2.59 million, and there is nothing like a per pax kind of footfall rate which we capture actually because it's a blend of a lot of different kind of fees, which we charge to different stakeholders.

Moderator: Our next question is from the line of Shreyans Mehta from Equirus.

Shreyans Mehta: My first question is on the industry. So we were thinking that probably in terms of credit card, the spend-based limits, which were there would be through. But now we are seeing a lot of companies, again, increasing the spend-based limits or probably the restrictions for accessing the lounge. So how does one see this moving? It's just that one bank has started. So how should one look at this portion?

Liberatha Kallat: So Shreyans, I think we have also updated about the spend base earlier also that it is not completely implemented and there are changes happening. So it's not that the previous spend base, I mean, it has started from last December onwards, right? It's going to be a year, but not completely full-fledged. So I would say that still this exercise is on. And we would say that right now, it's just one issuer who has further changed or enhanced the spend limit. And there will be others which will be following now in terms of changing the benefit.

So I would say that, we would not say that we have completely considered that these changes would happen. But yes, I would say that this will further take at least a year for us to stabilize. So yes, there will be these changes in terms of additional limit enhancements, which will be happening.

Shreyans Mehta: Got it. And despite that, we still continue to maintain our 20% revenue CAGR growth for, let's say, at least next couple of years?

Liberatha Kallat: So Shreyans, it will be very difficult right now to talk about it because last time whatever we have actually given the forecast, I would say that there will be a change in it because the way the spend limits are increasing. So I would say that there are chances that we will not be able to stick on the projections what we had given in the past. And I will not be able to even comment directly right now because, as I told you, that these changes will further take place and which will take a year for us. So I would say that at this moment, it will be very difficult to comment anything on the projection.

Shreyans Mehta: Got it. And just one clarification, when you're saying probably there could be this 20%, whatever numbers we have given. So you're talking about particularly this year or probably even next year? So how should one look at FY'25?

Balaji Srinivasan: I think Shreyans, it's what Liberatha was mentioning, it's early stage for us. So we are also very closely observing and monitoring the trends in the market. So as of now, I don't think the visibility is there of how the programs will be in the next couple of years. There is a trend that typically when something is done, typically, there are new projects or new parts that are launched, which may have newer benefits.

And the demographic shift of users will migrate from one program to another program within the same issuer portfolio and across issuer portfolios. But for us to actually quantify what the number would be, I think we are fairly early, and we probably don't have enough data to quantify that.

Shreyans Mehta: Got it. Got it. Sure. Second question is in terms of the revenues from other segments or non-lounge segment, what is that proportion in 1H? And what could be one in FY '24 if that number is available?

Sandeep Sonawane: So currently, it is around 6.7% (in Q2 FY25), which has actually increased if you were to see, Shreyans. I think last time when we had a call, we said we moved in the last 2 to 3 years from a 2% to 6%. However, it is improving. And we continue with our guidance of having 20% contribution of all the other services other than the lounge in the next 4 to 5 years.

Shreyans Mehta: Got it. Got it. And the last question from my side. In terms of employee benefit expense, can you just split between the ESOP cost? And what is the additional cost due to the addition to the employee count?

Giya Diwaan: Okay. So Shreyans, the ESOP cost comparatively from the previous quarter has not increased much. So primarily, the increase is driven by the recruitment and the recruitment-related expenses.

Shreyans Mehta: Okay. So is it fair to assume that this number on a recurring basis would be closer to INR 10 crores, INR 10.5 crores on a quarterly basis?

Giya Diwaan: It would remain in the same range because we are hiring as we had mentioned, that we are hiring across the regions. So there would be an investment in the talent-related cost.

Moderator: Our next question is from the line of Mosam Mehta from Wealth Guardian Services.

Mosam: So one thing I wanted to ask is the technical glitch that we had recently faced. Can you just explain a little bit about that? And what sort of precautions we are taking it going forward?

Liberatha Kallat: So there was integration, which was actually ongoing, and that was one of the reasons that this has taken place. So it was integrating with one of our clients, and it was also an international integration, which we were doing for one of our clients. So I would say that because of those changes, which were happening, that glitch had happened. And if you have to ask me that if you have taken care for the future, yes, we have to ensure that this does not happen. And I think our CTO will update you on this.

Balaji Srinivasan: Yes. Actually, we have integrations with multiple partners. So one of the things that typically happens is there are upgrade cycles that happen. And in case there is a mismatch in that upgrade cycle, some of these things tend to occur. So it was one of those cases, one-off like Liberatha was mentioning. And I think we have taken steps to ensure that there is no such repeat in the future.

Mosam: Okay. Okay. And my second question was regarding the increase in trade receivables. It has increased to approx INR140 crores as compared to March quarter. So any particular reason for it?

Liberatha Kallat: Yes. So I will actually go back to first answering in terms of that why the spend base has also started, okay? So the thing is because of the cost increase as well at the client end. Now what is happening is that the clients have actually budgeted a certain amount for this particular service or the benefit what they are giving to their customers. And as the budget was exhausted, so it was in terms of the approvals, which was taking time at that end. So that led to a delay in the payment from their end to us. And that was the reason that why we actually had to use it.

Moderator: Our next question is from the line of Yash Darak from RSPN Ventures.

Yash Darak: As you can see, there has been an extraordinary increase in the employee expenses. I would just like to know where the employees will be specifically used in the long run? And when can we see a similar increase in revenue as compared to employee expenses?

Sandeep Sonawane: Yes. So there is a finite answer and a little not so finite answer to your question. One is basically why we have taken employees, it is absolutely as a part of our expansion strategy. We do not want to be dependent on one type of client, and we do not want to have only one type of service. So we are expanding services on one side and you would have heard in the call that there are many, many services that we have added.

On the other hand, we are not wanting to be dependent on client, and hence, we are adding enterprise as a client. However, just to tell you all people that when we add an enterprise, the revenue coming out of enterprise is not comparable to a bank. It will be far, far smaller. So one, point number one.

Point number two, if you were to look at the go-to-market strategy, we are a lean team. So we are dependent on actually going to those enterprises or industries where we are able to really talk to a few clients and get bigger volumes. So as we speak, we have already started doing that, and that has long gestation periods. And because of which it will take time for us to really see a significant improvement in the revenues coming from enterprises.

And that is why we keep giving guidance that 20% of the revenue will happen only after 4 to 5 years because it's a very slow burning process. And we continue to see that. And to answer your specific question in terms of how much it is. So frankly speaking, we have increased our employee by almost 12 to 20, and that's the plan. So we've hired a few and we will hire a few in the coming quarters. If I were to just give you a guidance, if I were to just do a mathematics of our overall GDP to the number of employees, if you want to take that or maybe our turnover divided by the number of employees, that will give you a fair idea as to what is the contribution of per employee in terms of revenue in future.

Yash Darak: Okay. And secondly, the technical glitch had occurred, so there was an issue and there was a statement passed by the airport operator with regards to an issue in the contract. So is the contract still intact? Or are there any issues still ongoing.

Moderator: Yash, your voice is a bit muffled. Can you please switch to handset mode?

Yash Darak: Can you hear me?

Moderator: Yes sir, please go ahead.

Liberatha Kallat: It was not clear.

Yash Darak: Yes. With respect to technical glitch, there was an issue and airport operator had mentioned that there was some sort of discrepancy in the contract which had occurred from your end. Is the contract still intact? Is everything fine with the airport operator now?

Liberatha Kallat: So all our contracts are intact, and there is no such glitch in terms of our contract getting expired or there was an issue with the contract with the operators. If the contracts were not in place, I would say that the programs would not be running. So all the contracts at both the ends with the clients and the operators are in place.

Moderator: Our next question is from the line of Angad Katdare from Sameeksha Capital.

Angad Katdare: My first question is on the number of passengers accessing lounge. We are kind of seeing the decline over the past 2, 3 quarters, even though the credit card and the total passengers are increasing. Just wanted to understand where this number will stabilize? Can you just throw some colour on the same?

Sandeep Sonawane: So your statement entirely is not right. It is still positively growing. However, your statement is right in a manner that the growth is decelerating, I agree. And this quarter is the first quarter where we are seeing actually the access is actually lesser than what it was corresponding period, which is first half of the year. So if you were to really look at the macros, they are very well intact, whether it is airport traffic or for that matter, credit card growth.

However, as we mentioned also in our previous quarter's earnings call, that the spend-based program that is getting implemented by banks, we try our best in terms of putting our simulating models to ensure that we are closer to what would be the reality. But this time around, we have seen that the numbers are a little sharper in terms of decline than what we are expecting. And unfortunately, it is still not known.

Not all, every single client, has actually implemented this. And I'm sure it's also in the common domain, which you and me also as a consumer received from the bank. Recently, one of the banks actually increased the quarterly spend limit from INR 35,000 to INR 75,000.

So that we did not expect because we thought that the bank had already introduced this system. But now with further increasing and becoming sharper, I think this is what is not known, and we cannot actually foresee and we cannot actually put it in our forecast. So these are some of the uncertain changes that we are seeing and witnessing in the spend-based program. And that is why our inability to really put a number to the forecast properly, though we keep doing that.

Angad Katdare: Sure. And on the guidance front, on the gross margin guidance, are we still intact? Or any change in that?

Liberatha Kallat: No. We will stick to our gross margin guidance. So there will not be any change in the gross margin.

Angad Katdare: Sure. And apologies, I missed on the revenue front. So are we going back from the 20% growth guidance for FY '25?

Liberatha Kallat: So as I told you that it would be very difficult for me to right now give you any right answer on this because we are further seeing the changes happening because with the existing clients who have already implemented the spend base have further started changing in terms of their limits. So I would say that to actually give you the right answer, it will be very difficult because this thing in terms of the changes will still further take another year or so. So yes, and I would say that, yes, there will be certain changes in terms of whatever was given as a guidance in our last quarter.

Moderator: Thank you. Our next question is from the line of Neeraj Vijay Kamtekar from Prospero Tree Financial Services. Please go ahead.

Neeraj Kamtekar: Sir, I understand that company's business depends on the complementary benefit available to the cardholder to access the lounges. And so the continuation of the complementary benefit to the card holder is necessary. Is it my correct understanding?

Liberatha Kallat: Yes and no, both.

Neeraj Kamtekar: So can you explain why? Yes, I understand, but why, no?

Liberatha Kallat: Yes. So yes, you are right that actually, if you look at it the way the business started was more providing the benefit to the cardholder, which is a complementary benefit, which was given by the network provider or the issuers. However, right now, it's not just a dependency on the free benefit, which is being provided by them. Right now, the company is working with enterprises. We are also working with airlines. We are also working with e-commerce. So I would say that there are multiple and different customers who are coming.

So it is not that only a complementary benefit given on the credit card, there are enterprises who are giving this as a benefit to their employees or even to their vendors, right? I would say that OTAs. OTAs are also giving it as a loyalty benefits to their customers, then airlines are also giving as a loyalty benefit as well as customers (have) an option to buy the lounge or the other services. So I would say that, yes, it used to be only as a complementary benefit earlier, but right now, it is not just one of the case. There are other options as well.

Neeraj Kamtekar: But what is the contribution of the other business from other than the cardholder? You mentioned that there are the airlines, OTA, enterprises, etcetera. But what is that percentage from that they are providing the total business?

Liberatha Kallat: So right now, the majority, yes, is from the complementary. But however, if you see that the other lines are also growing. So I would say that it is too early right now. But yes, eventually, you will see that the spread will also change.

Sandeep Sonawane: We did also mention about Amazon during the Amazon Prime Day period. You, as a consumer could have actually gone there and avail the services where we said that as a consumer, you will get 25% discount on the walk-in rates, and you can buy the lounge access and actually go on to access the lounge and use the benefit. So these kind of things we are doing. But yes, to answer your specific question, yes, it is very small as of now but it will be growing, and it will be growing exponentially.

Moderator: Due to the interest of time, that was our last question for today. I would now like to hand the conference over to Ms. Liberatha Kallat for closing comments.

Liberatha Kallat: Thank you all for joining our earnings call today. We hope your queries have been answered. For any further queries or information, please contact our Investor Relations team at EY. On behalf of the company, I thank you all once again for your time and participation. Do take care of yourselves and good bye. Thank you very much.

Moderator: Thank you. On behalf of Dreamfolks Services Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.