DreamFolks
Your Airport Experience Amplified !

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Date: February 13, 2024

To, Corporate Relationship Department BSE ltd. P, J. Tower, Dalal Street Mumbai – 400001 Scrip Code: **543591**	To, National Stock Exchange of India Limited Exchange plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai- 400051 Script Symbol: **DREAMFOLKS**

Subject- Transcript of earnings call conducted on February 7, 2024

Dear Sir/Madam,

In continuation of the earlier communication regarding Q3 FY '24 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 Q3 FY '24 earnings conference call conducted on February 7, 2024.

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**

RANGOLI AGGARWAL
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Date: 2024.02.13 14:37:36 +05'30'

Dreamfolks Services Limited

Rangoli Aggarwal
Company Secretary and Compliance officer

"DreamFolks Services Limited Q3 FY24 Earnings Conference Call"

February 07, 2024

Disclaimer: E&OE. This transcript has been edited for factual errors. In case of discrepancy, the audio recordings uploaded on stock exchange on February 07, 2024 will prevail.

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

Moderator: Ladies and gentlemen, good day and welcome to the DreamFolks Services Limited Q3 FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

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 very much for joining us on this Earnings Conference Call for DreamFolks Services Limited for the third quarter and nine months of the Fiscal Year 2024.

We announced the "Financial Results" earlier today and I hope you had a chance to go through our "Financial Results, Investor presentation and Press Release" that are available on the Stock Exchanges and our Website.

Let me now begin by briefly touching upon the industries that we operate in and how the landscape is expected to evolve over the next few years augmenting our growth:

The Indian travel industry is one of the largest and fastest growing industry in the country. In the 3rd Quarter, the air passenger traffic in India grew by 9% year-on-year to 39 million passengers as per DGCA data. For 9-month period of the fiscal, the domestic air passenger traffic saw growth of 16% year-on-year. The Government has also intensified its efforts towards infrastructural development and the key airports across the country are undergoing significant transformation projects to enhance the travel experience of passengers. The lounge industry also stands to benefit significantly from this growth in the travel industry and we are poised to capitalize on macro level surge in demand and look to get deeper increase with our key clients across the economy.

Moving on to the credit card industry:

India's credit card penetration is as low as 5.5%. The data shows as credit card users in India has grown significantly over the past two years from over 7.5 crore credit cards in April 2022 to 8.6 crores in April 2023 recording a 15% growth. This number is poised to hit 10 crores by April 2024. An important factor that will drive India's credit card penetration and usage in the future is the gradual integration of cards with the paramount unified payment interface.

UPI's dominance of India's payment landscape is such that if cards gain a strong foothold on it, they are almost guaranteed to penetrate much more deeply into the Indian market, hence with the evolving models and changes in the credit card industry and interesting time lies ahead for the industry.

Dreamfolks is currently positioned and stands as India's leading aggregator of airport and lifestyle services, pioneering the introduction of airport lounges access in India. We currently hold a market share of around 90% in card based domestic lounge access and provide complete lounge coverage across all Indian airports. Our proprietary technology platform empowers clients to tailor service offerings for their end customers. With a global presence spanning more than 1500 touch points across 100 plus countries, we have evolved beyond airport lounge access to offer additional value-added services such as Railway Lounges, Meet & Assist, Golf Games & Lessons, Airport Transfers, Visa Services at your doorsteps, Spa Services, Airport Dining, Transit Hotels, Nap Room Access and eSIM. We also have recently launched Beauty and Floral gifting services.

For the 3rd Quarter of the Fiscal 2024, I am pleased to announce that we have crossed the INR 300 crores mark in revenue from operations in Q3, recording INR 305 crores, witnessing a growth of 50% on year-on-year basis and 8% on sequential quarter-on-quarter basis. Our gross margin continued to remain at similar levels sequentially at 12.54% in Q3 Financial Year ‘24.

Last quarter, we addressed ongoing structural changes that are happening in the credit card industry. You would have observed that many banks are in the process of changing the program structure or the benefits on the card programs. By moving to spend based structure instead of fixed benefits, we are working very closely with the banks for the redesign as well as usage of proprietary tech platform for implementation. Although we have observed initial pressure on volumes resulting from this transformation, we remain optimistic about medium to long term sustainability of the spend based benefit mechanism.

We are also focusing on adding more enterprise clients to our client base, which will provide us further growth opportunities. This optimization and benefits for non-premium cards should have short term impact on these card sales. We believe the self-correction of the numbers might take some time to manifest from customer awareness to applying and sanctioning the new cards.

As part of our innovative product strategy, during the 3rd Quarter, we launched our exclusive membership initiative, The Dreamfolks Club. This offers a range of membership packages where our world class services are bundled together and aim to provide luxury and comfort for all budget ranges. For someone seeking enhanced comfort and convenience to those yearning for a truly luxurious travel experience, Dreamfolks Club ensures inclusivity. Dreamfolks cards provide us a value proposition for appropriate client base where we can negotiate with them and sell our services in bulk. The initiative reflects our commitment to our foundational principles and serves as a potent tool for business to elevate relationships with key stakeholders, thereby enhancing retention and loyalty.

In our ongoing commitment to enhancing the area of services, we are pleased to announce two additions in the quarter. We now offer our customers the convenience of availing Health Checkup across India further prioritizing their health and well-being.

Secondly, we have introduced a new service category of allowing customers to send flowers, cake, planters and more to their friends and families. All these new services will add up to our non-lounge business and will help us to achieve our target to make it a double-digit revenue contributor in future. We continue to expand our geographical footprint through our strategic partnerships. These partnerships continue to enhance our brand awareness across newer countries and continents across the globe.

During the 3rd Quarter in terms of global expansion, we continued to spread our wings globally by signing an agreement with Gray Wall, one of the Russia's leading lounge operators. Sandeep will be talking more on this. We also have expanded our presence in railway lounges by partnering with new railway lounges in Chennai and Old Delhi. We continue to maintain 100% coverage in railway lounges access across India as well.

As an outcome of all the strategies and efforts, the Company and leadership have received several awards during the quarter. Economic Times awarded us the “Best Brands 2023” and “India's Impactful CEO 2023” Awards. We were also awarded "World's Best Emerging Brands” and “World's Best Emerging Leader” by WCRC Group. In addition to that, we have also received the “Top 20 India Tech Leaders” at the 4th Annual Digital Transformation Summit 2023 and the “Entrepreneur of the Year 2023” at the India Achievers’ Forum.

Our primary objective right now is to diversify our client base and expand our service offerings while maintaining a consistent performance. With an adept technology and a resilient team, we are well positioned to deliver strong performance in the times ahead.

With that, I would invite Sandeep to give an update on the business front.

Sandeep Sonawane: Thank you, Liberatha.

This has been an eventful quarter from the business point of view. Beginning with the Dreamfolks Club, it presents a range of four card options: Aspire, Premium, Select and Elite. These meticulously crafted packages, encompassing travel and lifestyle experiences serve as a seamless means for organizations to drive and engage their employees, customers and channel partners. Consequently, these initiatives would contribute to increase customer retention and loyalty, concurrently enhancing the perceived premium status of your brand and facilitating companies in fostering strong brand preferences. We are excited about enabling businesses to associate their brands with unforgettable travel and lifestyle encounters.

In line with the strategic vision of expanding our client base, we are delighted to announce the addition of an e-commerce company to our roster of clients. This collaboration allows our new client to benefit from our diverse range of lounge and non-lounge services. Additionally, we are also proud to welcome new age fintech Company like FI Money into our clientele. We are excited about the synergy these partnerships will bring and anticipate further growth and success in our endeavors.

We have established partnership with Gray Wall, a prominent airport and lounge service provider in Russia as Liberatha mentioned. Leveraging our proprietary technology platform, we will facilitate seamless access to approximately 100 lounges strategically situated in the key airports and of course railway stations throughout Russia. These strategic moves not only enhance our global brand recognition, but also extends the accessibility of lounge services worldwide for our existing clientele in India as well. These endeavors serve as evidence of an unwavering commitment to our customer-centric approach across all our initiatives.

Our ongoing effort involves the strategic expansion of existing services covered with exploration of innovative services to augment our service portfolio. We remain vigilant for all the opportunities to broaden our horizons as exemplified by strategic collaboration with the prominent organization. Furthermore, our focus includes diversification in the client mix as we actively incorporate enterprise setup into our clientele. The overarching objective is to extend our reach into new sector, fostering customer engagement and offering loyalty management solution. This strategic approach is designed to mitigate risk and of course diminishing dependency on the similar clientele.

In conclusion, our ongoing evolution is geared towards securing our preparedness for the future. We stand committed to providing our clients with personalized solutions, be it through advisory services or the development of tailor-made solutions and product offerings, which are meticulously aligned with their specific requirement of the client.

For an update on the technology front, now I invite Balaji to take it forward.

Balaji Srinivasan: Thank you, Sandeep.

The recent introduction of the Dreamfolks Club Membership Program on our tech platform marks a pivotal moment for us. Leveraging the capabilities of our innovative platform, we have seamlessly integrated new offerings like e-SIM, Health checkups, floral services and grooming services, enhancing the benefits available to our valued beneficiaries. These initiatives not only signify our push for innovation, but also reflect our ongoing efforts to create a comprehensive value proposition for our clients and consumers.

Our proprietary platform has been developed in-house and empowers us with the ability to create bespoke products and solutions for our clients. Aligned with the commitment to maintain an asset light and lean organization structure, our platform and tech are cloud based, with the objective of offering our clients and the end customers clear visibility into the benefits and services, facilitating access to these services through various access mechanisms and services. This is achieved through an omnichannel approach, enabling access to lounges and other benefits via cards. Card issuer apps, the Dreamfolks app, Self-check-in Kiosks, web-based portal, all of this facilitated by our hybrid technology. Utilizing our platform, our clients can effectively monitor and optimize the spends on the product P&L and implement targeted benefits for the profitable customers.

As Liberatha mentioned, we are seeing an uptake where our customers have been implementing these solutions. I would like to point out a couple of examples where these solutions are getting implemented. A large bank has implemented this for one of the premium credit card products, among others. Using our Tiers technology, they have defined a few tiers of benefits and each tier has different number of benefits, for example, one tier might have 8 lounges per quarter, while the upper tier might have 12 per quarter and more interestingly, getting access to more premium services as well in the higher tier such as Airport Transfer and Meet & Assist. So, depending on the annual spend, the additional tier or the next tier would get unlocked and the associated benefits as well.

Another example would be where another large bank has implemented this for the debit card users. Here the tier incentives are evaluated every quarter and benefits such as lounges are assigned based on the spend cohorts. Further, I am delighted to share that our platform is now compliant with the Payment Card Industry Data Security Standard, which is PCI DSS version 4 signifying the substantial upgrade from the previous PCI DSS version 3.2 and thus a significant milestone for DreamFolks. These enhanced standards not only align with the latest industry best practices, but also reinforces our dedication towards data security and thus instilling trust and confidence on the stakeholders.

To conclude, our Tech stands as one of the most prominent assets, underscoring our perseverance to continuously upgrade platforms. This commitment is rooted in the pursuit of giving appropriate and timely solutions to our clients, and continue to disrupt the industry.

With that, I hand over the call to Giya to take over and walk us through the financial performance.

Giya Diwaan: Thank you, Balaji and a very warm welcome to everyone on this call.

Before we deep dive into the Financial Performance of 3rd Quarter, I am glad to highlight that the Company has posted another set of growth results in the quarter gone by summing up a strong performance in the nine months of Fiscal 2024, building on its performance from a record year. The solid foundation laid in terms of the network, cutting edge and agile technology, and deeply entrenched client relationships positions us well to drive sustainable growth which is in line with the guidance in this ever-evolving industry.

For the 3rd Quarter of 2024, the Company reported a revenue from operations of Rs. 305.1 crore with a year-over-year growth of 49.5%. Gross profit grew by 14.7% to Rs. 38.3 crores in this quarter as compared to Rs. 33.4 crores in the corresponding quarter of last fiscal. Gross margin stood at 12.54% for this quarter, a slight uptake from Q2 FY24 levels of 12.1%. EBITDA margin for the quarter was 9.2% as against 8.8% in the previous quarter. EBITDA was at Rs. 28.0 crores versus Rs. 24.8 crores in the previous quarter. PAT for the quarter was also at Rs. 20 crores as against Rs. 18 crores in Q2 FY24. EPS for the quarter stood at Rs. 3.8 per share.

Despite recent macro uncertainty, we see growth holding steady in the travel industry. However, given the recent changes in the card industry in terms of optimizing the benefit management offered by the bank, we maintain a cautiously optimistic approach, keeping an eye on development across the industry.

In 9M FY24, our revenue exhibited substantial growth surging by 59.5% Y-o-Y from Rs. 535.5 crore to Rs. 853.9 crore. Gross profit experienced 19.1% Y-o-Y increase reaching to Rs. 101.7 crores in 9M FY24 compared to Rs. 85.4 crores in the corresponding period of the previous year. EBITDA for 9M FY24 was Rs. 71.6 crores marginally up from Rs. 67.1 crores in 9M FY23, primarily due to the compression in the gross margin. PAT for 9M FY24 was Rs. 50.7 crores compared to Rs. 47.2 crores in the corresponding period of the previous year. EPS for 9M FY24 was at Rs. 9.6 per share compared to 9M FY23 at Rs. 9.0 per share.

As an asset-light Company with a streamlined team and structure, we currently do not anticipate significant capital expenditure requirement. We are assured in our ability to fund potential acquisitions and expansions using internal accruals. Our strong profitability and our ability to manage our operations efficiently had enabled us to maintain strong return ratios as ROE stood at 23% and ROCE at 30% on YTD basis. We are pleased with our performance in Q3 FY24 in an evolving business environment. In terms of guidance for the Fiscal ‘24, given the YTD performance, we would like to reiterate the revenue guidance to more than 40% year-on-year growth. Concurrently, given the improved margin performance in the last two quarters vis-a-vis quarter 1, we estimate gross margin for the year to be in the range of 11 to 13%.

With that, I would like to conclude my update and we are happy to open the floor for questions.

Moderator: Thank you very much, ma'am. We will now proceed with the question-and-answer session. The first question is from the line of Shreyans Mehta from Equirus. Please go ahead.

Shreyans Mehta: A couple of questions from my side, ma'am, first on the air traffic growth, how do you see it playing out say for next year and within next two to three years, given that the air traffic is almost above the pre-COVID levels?

Sandeep Sonawane: I think Liberatha did mention about it. I think the air traffic we are envisaging is going to be in the range of 15 to 16% CAGR for the next 4-5 years.

Shreyans Mehta: Secondly, in terms of gross margin, despite we have been on a cautious side and despite the industry going through the turbulent times, the margins seem to be at the higher end of what we have guided for, so fair to assume that disruptions are over or probably we will have some lag effect and probably we could see some disruptions in margins in next one or two quarters?

Liberatha Kallat: So, I would say and as we mentioned even in the last quarter earnings call as well that yes, I think we would try and maintain our margins at this level for the next few months, which would be between 11 to 13%.

Shreyans Mehta: So, ma'am, I will put it other way around, so you think that the disruptions are largely over because majority of the banks have already switched to the spend based and given that we have been, the conversions are intact, the margins are intact, so is it that fair to assume that there is no lag effect or probably we might see some lag effect coming in?

Balaji Srivasan: I think it is still the early days, so the program has gone live and at this stage I don't know if there is enough data for us to extrapolate for a longer period. So, I think it is still early days for us to comment on this.

Shreyans Mehta: Last question from my side, on the membership program, which we have introduced, just wanted to understand the growth prospects of the scalability and what is your strategy out there?

Sandeep Sonawane: So, fundamentally the idea for launching this membership programs are manifolds. One is fundamentally to increase the discoverability of the services. We mentioned in the call also that there are quite a lot of services that we are adding and not every client is ready at this moment to really absorb that. So, it is very important for us to ensure that the consumers know that what are the kind of services that we are adding, point number one. Point number two, I think the membership offers contemporary services as a package to the consumer. All these services may not be offered in totality by any of the clients. So, this allows us an opportunity to actually bundle it and offer it as a membership for the consumer. Third one would be to of course tap all those consumer cohorts which currently do not use any cards, I mean whether it is debit card or credit card. So, the fundamental idea was to actually achieve all these three objectives and honestly speaking we do not have any number in our mind as to this is the kind of sale that we are expecting out of this membership. The whole idea is to drive these three points as opposed to really making the consumer buy these kind of membership plans.

Shreyans Mehta: So, just to put it other way around, so I mean in terms of scalability, probably this would be more of a value-add service or for those people who don't have cards primarily for them. Is that the right way to look at it?

Sandeep Sonawane: I think I gave you three reasons. One of the reasons, yes, you are right. Quite a lot of consumers are there who do not carry or not comfortable with carrying a credit card or debit card, especially senior citizens, I think and few people as well.

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

Mukul Garg: Just had one question from my end, so you mentioned about the potential impact on volumes in the near term, any sense you can share with us qualitatively on how and when this will play out and have you already seen portion of your credit card base migrate to the newer way of kind of looking at the business and is that something which should kind of start becoming visible in this quarter or is that something which you anticipate could play out over next few quarters? And I know it is difficult to quantify, but any sense you can give on the potential reset?

Liberatha Kallat: So, Mukul, I would say that we have already started seeing that change, and if I would say that it is not that across all the clients or all the issuers have started implementing, but the top one have already implemented this and there is an impact which has been seen in Q3 as well and as and when the other issuers would start implementing the spend based model, this will further start adding to it. But I would say that it is not going to be across all the cards, or it is going to be across all the banks who would be taking this decision. So, what we have seen is that yes, there is an impact, but however we have also seen that there is an increase in (volume from) other small issuers as well because that is what the trend is going on. So, if there is a downfall in one of the card base, there is the increase in the other segment. So, that has already been seen in past in the last quarter and I would say that this will happen in the next few months as well. However, in terms of the growth, I would say that it is not that the growth will be completely impacted because if you actually see that we have grown by 50% in Q3, maybe the impact was, I would say few points for us. However, in overall thing, I would say that it would not be that huge impact because as I told that if there is a downfall in one of the segments there are segments which are picking up and that is the trend which will be going on in next couple of months as well.

Moderator: Thank you. We have the next question from the line of Imran from Longbow India Capital. Please go ahead.

Imran: Just a very simple question. I don't know whether you guys track it or not. I wanted to understand, if you have tracked this number right, unique domestic lounge basically visitors per quarter or per year if you have that?

Sandeep Sonawane: Unique number?

Balaji Srinivasan: Unique users are there. Typically, it would be in the range of about 4% to 5%.

Imran: And since only 4 to 5% of the people are using this benefit, I am sure there are a lot of people having cards who are not coming to lounges, but despite that, at least in my experience is not seeing any advertisement or whatsoever either in airport or somewhere else that you guys tell people that your debit card or credit card come with this facility, have you tried it? For basic simple and I have at least not seen it. Can you throw some light on it why it has not been done? Whether you guys can do it or maybe, basically ask lounge guys to do it from their P&L or maybe 50:50 ratio you and they do combined, can you throw your thoughts on it?

Liberatha Kallat: So, if you actually see, those benefits have been usually given by the banks or by the network provider which is Mastercard, VISA or Amex or RuPay right? So, the thing is that it is their product, it is their benefit, and we are not authorized to do any such advertisement on their behalf because it is their products. It is just not DreamFolks, but even at the lounge end. The only thing that we have tried doing is that having signage at the lounge entrance and now if you have actually seen that, we have also installed the self-check-in kiosks which are little away from the lounges as well, which also helps to talk about that which are the cards which can have the benefits. So, the consumer or the end user can actually directly go and check on their card details, but as such we cannot do any such marketing from our side because it is completely restricted, and I think it is also a compliance thing because it is a benefit which is there on a credit or the debit card which needs to be provided by the bank. And I think the banks are doing this at the time of issuance of the card. So, this is one of the reasons why you don't see any such communication at the airport or anywhere else.

Imran: So, help me understand why this number of 3-4% only using the facility would increase if basically it is not communicated in a proper way. See banks definitely would not want people to take this because it is a loss for them, right if they even put a simple banner on an ATM or let us say on their website, so how would this increase, only through word of mouth or what do you think would be the reasons this percentage will go up?

Liberatha Kallat: So, I would say that the percentage is growing because from the time when we have started this business and now if I have to say that the percentage has grown, the awareness is growing. I mean, when we started, I would say that the conversion rate was less than 1%. Today if you actually look at it, the conversion is around 5%. So, I would say that, yes, the awareness about the lounge, the awareness of the lounge benefit is growing and not only that, there are customers who are actually going for the credit card looking at if there is a launch benefit provided on that particular card. So, I would say that that is going and that is the trend what we have seen in past 10 to 11 years. So, I would say that it is more word of mouth, but I would also say that I am sure if you have seen at the airports as well where you have this credit card kiosk which keeps selling the credit cards, the first thing they also announced is that you get a lounge benefit complementary on these particular cards. So, I think the advertisement is also going on well about the card benefit. So, I would say that there is nothing much more or anything what Dreamfolks could do about it. But yes, I would say that the things like Self check-in kiosk or the Web access model which we have actually implemented. These are something which will actually create more and more awareness in the market.

Imran: I think I have been listening to the con-calls from the last 6, 8 quarters and you have constantly spending, I think more than 50% of your time explaining the new things that you are doing, whether it is technology related or some other partnerships or something like that, right? Just to understand it better, what percentage of your revenues as of now come from the non-bank cards and through some other means?

Liberatha Kallat: So, largely, if you see our business is from the lounges and from the bank cards right now. So, the thing is that the reason why we are trying and adding more and more services is because we also have seen the high demand coming up from the client side as well as the consumers and that is one of the reasons that why we have added different services. At present if you ask me, I would say the majority is from here, but over the period that is, I would say next 4-5 years, I would say that these services would contribute around 20% to our topline.

Imran: And this would be negligible right now? 1% or 2%, maybe 3% right now?

Liberatha Kallat: Yes, it is negligible right now.

Moderator: Thank you. We have the next question from the line of Keshav Bagri from VT Capital. Please go ahead.

Keshav Bagri: Ma'am, my question is related to the long-term revenue growth which you are seeing in the business, because if we have seen FY23, we have seen FY24. So, these two years have been a period of very high growth for the Company for FY24, we will be closing at around Rs. 1,100 crores of topline and recently, I have also said that banks have shifted their model to spend based thing now and what is the kind of the moderation and what is the kind of the constant revenue growth which you are seeing in the business for FY25 and FY26 to come?

Liberatha Kallat: See the driving factors for us, I mean for the business is the airport traffic and the credit card penetration, right? And we have always mentioned that the way the market is growing, we will be growing in line with the market. So, I would say that the way these two drivers are growing, we will be aligned with the same.

Keshav Bagri: Ma'am, any quantitative number would have really helped us, like I know from qualitative point of view that is a very nice answer, but anything on the quantitative side would have really helped us?

Liberatha Kallat: I would really like to give that, but we have certain restrictions. I will not be able to quantify that.

Keshav Bagri: And ma'am, my second question would be on the margins like we as a business model we have seen like operating leverage plays a very minimal role in our position, in our business specifically. So, what will be the top-line growth for the Company is something which will follow up in the bottom line as well. So, my question was ma'am, do you see more moderation in margins, or do you expect margins to improve from the rock bottom level that you have hit now, like for FY25 and FY26?

Liberatha Kallat: So, as I mentioned that going forward, we will try and maintain the existing margins that are going on. But yes, the other services which we are adding on which will have a better margin. So, that will actually improve our margins as well.

Moderator: Thank you. The next question is from the line of Divya Sethi from Electrum PMS. Please go ahead.

Divya Sethi: So, I just wanted to understand in the last quarter you mentioned that you started partnered with the Visa service provider and also started Golf Club Services, how is that fairing for Dreamfolks so far?

Liberatha Kallat: So, Golf, yes, we have already initiated and there are clients which we have on-boarded and there are few in pipeline and hopefully this quarter we will also be on-boarding for the Golf program as well. Coming to the Visa at doorstep, it is also in process and very soon we will also start the program for Visa at doorstep for a few of the banks.

Divya Sethi: Ma'am, I just wanted to understand from the margin perspective, so are these high margin contributing verticals?

Liberatha Kallat: Yes. I mean, as I mentioned that all these other services, the margins are relatively better compared to the lounges.

Divya Sethi: So, just wanted to understand, if you could throw some light on the arrangement for partnership that has happened with Healthians and MyFlowerTree for lab test and plants and flowers delivery, so is Dreamfolks going to act as an aggregator or what is the arrangement if you could please throw some light on that?

Balaji Srinivasan: Yes, so it is very similar to the arrangement we have for let us say, a lounge or a golf. So, these are services that would be offered to consumers of our clients, which would be the end users, could be a bank customer or could be an enterprise as Sandeep was mentioning and with the same Dreamfolks channel and technology and these services and the membership the consumers will be able to access. So, very similar to wait the today, let us say one of our clients could be offering two lounges for a quarter as an example. Similarly, it could be two pet care services or one Healthcare checkup in a year or something. All these could be configured and that is the potential which we are enabling for our Company.

Divya Sethi: So, majorly, we will be acting like an aggregator for them, for Healthians and MyFlowerTree?

Balaji Srinivasan: Yes.

Moderator: Thank you. The next question is from the line of Angad Katdare from Sameeksha Capital. Please go ahead.

Angad Katdare: Most of my questions have been answered actually, one small bookkeeping question, can you comment on the receivables and payable days for the Q3 that would be helpful?

Giya Diwaan: It is in the same line of September which we reported in the range of 100 days and it has been consistently in the same normal scenario of 100 days.

Angad Katdare: And one small observation, if I look at the conversion rate, it has more or less stabilized in the past two quarters. So, going forward, how do you see this trend? Will this trend towards spend best model see this trend reversing or if you would just throw some light on it, that would be helpful?

Balaji Srinivasan: Like you mentioned, it is still early days, so we are also observing. We are seeing a couple of interesting patterns where we are seeing consumers either migrating to a different product within the same portfolio, within the same issuer. And then we are also seeing that in some cases the traffic is moving from one issuer to a different issuer, so these are some early trends and patterns that we are observing very closely. But as of now, I don't know if we can come up with a hypothesis as to how it would be in a couple of quarters. So, maybe we will observe it for a few months and then we will be able to share something with you.

Angad Katdare: And one last question on the employee expense, the employee expense Y-o-Y has increased substantially, will you see a similar trend going forward or what would be the reason?

Giya Diwaan: Yes, so there has been a growth Y-o-Y in that. One major factor which is driving the growth is definitely the ESOP expenses, which is 20% of the total employee expenses, which was not there earlier and second as we are growing up and expanding in terms of our service lines, in terms of our diversification with respect to clients, they are also spending on building up the team which is in future going to contribute to the topline.

Moderator: Thank you. The next question is from the line of Deepesh Kashyap from Invesco Mutual Fund. Please go ahead.

Deepesh Kashyap: I had just one, if you can just give me the cash on the balance sheet at the end of December and how do you plan to spend it going forward?

Giya Diwaan: So Deepesh, the cash in the balance sheet in the month of December, as on 31st December was Rs. 49 crores. And as we have always reiterated that we do have a capital allocation policy, well approved by the Board which actually devices the mechanism of allocating it for the future investments, for any opportunities in terms of any takeovers or acquisitions, and also as far as our business expansion is concerned outside India as well and definitely larger focus also goes in the form of return back in the form of dividends. So, as we end the year, this discussion would be taken care by the Board and we will announce accordingly how are we going to spend in the future year.

Deepesh Kashyap: Just to clarify, so your international expansion is largely led by the OpEx cost, right? The marketing and the employee cost, it is not any CAPEX related segment?

Giya Diwaan: It would have a mix of OpEx as well as CAPEX. When we go out aggressive in those regions as well, there would be a certain amount of CAPEX also involved in that.

Moderator: Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: A lot of my questions have been answered. So, I just wanted to ask like in terms of our guidance that we are saying, we will grow as per air traffic and credit card penetration. So, I would just like to ask how would we be able to analyze how does the credit card penetration maybe help us like as you are saying the conversion is 1% and now 5% of credit, so the kicker of an additional percentage of credit card would maybe contribute how much to our revenue, could we get some flavor on that?

Giya Diwaan: So, it is actually the way we see the drivers is a mix of both as Liberatha was also explaining, it is a mix of both credit card industry growth as well as the travel industry growth. Definitely, quantifying it and dividing the percentage of growth driven by the credit card industry vis-à-vis driven by the travel industry, mathematically also becomes difficult because somewhere some plays a larger role and in some periods, the other plays a larger role, right, but mix of these two factors drive in our growth as well combined with the awareness which has increased over a period of time with respect to availing these services.

Darshil Jhaveri: And like you said for the spend-based that you need to analyze for a few months, so this what kind of environment you see for FY25 like maybe, is this right way to look at it that H1, we will see how the spend based model is going, but as what we can observe is maybe that air travel and the credit card available only increasing for maybe H2 would be bank on what we are tracking or something like how would you maybe not exactly quantify, but qualify how you see the year progressing?

Balaji Srinivasan: Yes, I think long term, we believe it will stabilize because today our hypothesis is that users have got multiple cards and they are sometime doing spends on one card while the benefit might be availed on a different card and at some stage I think when this kind of all settles down the expected pattern of behavior is that the users are using predominantly one or two cards in which they are using, on which accumulated spends are happening, and that is the card that is used on which the benefits are also there. So, we are right at the beginning of this process where users will migrate, will choose, will select and will be smart about which card to use for which transactions and therefore they can avail the benefits of that spend based. So, realistically, a user who is used to, let us say, availing a lounge service will not go without using the lounge service because the air traffic and the air travel will still continue to happen. So, our hypothesis is in the very short term or near midterm all this would actually stabilize to what it was at very similar to what it used to be before, that is all.

Darshil Jhaveri: And that would take a year or two maybe right, like that what is in this phase? And just wanted to ask that they want to call clarification that margin that we were saying was gross margin, 11 to 13%?

Giya Diwaan: Yes, it is gross margin.

Moderator: Thank you. We have Shreyans Mehta from Equirus with the next question. Please go ahead.

Shreyans Mehta: My follow-up question is for Balaji. So, Balaji just wanted to understand what proportion of the large market share credit card players will be on this platform of spend based either with us or probably on their own platform?

Balaji Srinivasan: I don't know immediately a number comes to mind, but a lot of the large players have already moved to this model.

Shreyans Mehta: And this is for Giya ma'am, one clarification, you indicated 40% growth, so that is for FY24?

Giya Diwaan: Yes, that is for the entire year.

Shreyans Mehta: Because if I just the back of the envelope calculation, so are we expecting a fourth quarter degrowth year-over-year as well as quarter-on-quarter?

Giya Diwaan: So, quarter-on-quarter is actually always not consistently growing right? because the seasonality factors also play an important role. If you see, Q3 is always higher for us.

Liberatha Kallat: Just to add on, we spoke about the spend based and the impact which is there and as mentioned that the impact has already been seen in Q3, so we will also see a further impact coming in Q4 because not all the issuers had actually migrated to this model, but there is a migration which is happening in this quarter, so that would be one of the reasons that why we would see, I would not say a degrowth, but I would say less points compared to the previous quarter.

Shreyans Mehta: So, should I put it this way, it is on a very conservative side that we are guiding for this?

Giya Diwaan: Definitely, yes.

Moderator: Thank you. The next question is from the line of Siddhant Punjabi from Way2Wealth. Please go ahead.

Siddhant Punjabi: So, ma'am, just quick clarification, you guided for a gross margin of 11 to 13%, but if I look at FY23, throughout the quarters you were doing just about 16 to 17% gross margin. Then of course, the issue about the CAM came in, which is why we had to take the hit. But now that the banks are also shifting to spend based lounge access and benefits, so going ahead, what is really stopping us from going back to the 16 to 17% gross margin or even 14 to 15% maybe in the coming years, I understand that Q4 you said that it is still in transition phase but in FY25 or maybe even the latter half of FY24, what is really stopping us from going back to those numbers?

Liberatha Kallat: So, if you actually see that the way we are actually forecasted and what we were talking about, adding different services as well as different clientele where we know that the margins will improve, right. So, the thing is historically, yes, we have always maintained around 14% to 15% of margin. However, it is a few points down now, but in couple of months I would say or few quarters later we would actually get back to our, I would say, stabilized way as and when the other services and the client base would increase. So, I would not rightly comment about which year or from when it would start doing it, but the focus is completely on adding or building up other services and adding different client base which is enterprises and we are also working closely with the airlines and the OTAs. So, I would say that is as and when the business would pick up for these segments, of course the margins will get better.

Siddhant Punjabi: But ma'am, we had these segments earlier as well and like if I am not mistaken the previous question, you also said that 80% of our card-based lounge access will continue to remain while 20% will come from the other services that you are planning to improve on. And so I believe that even that 80% that is also you said after 4 to 5 years and currently we are still looking at about 98 or 97% of our revenue coming from card-based lounge access. So, even if I take these new services in hand, considering the growth base and the base that you are seeing, I don't really understand why we can't really take things ahead because clearly we do have the infrastructure, we do have the technology and everything in place, what is really stopping us from doing that?

Liberatha Kallat: So, I would say that there is nothing which is stopping us. I was just trying to mention that the focus is not just improving on the margins, but the focus is also on adding different services and working on a different client base, right and yes as you are rightly mentioning, I would say as a management we are reworking on our price structure. I think Giya you want to add something.

Giya Diwaan: So, in terms of like when we scale up as well, we will also have to see that how in terms of new additions which we can bring into our clientele, which help them get much more involved and much more deeper integrated as far as the services are concerned. As we scale up, definitely there would be some amount of services which would provide us higher margin, however, there would be some wherein we would want to get more market share. There would be existing competitors also staying over there. So, lot of such factors play a role in making us decide about the gross margin; however, as we have always said that the newer services we would see in next 3 to 5 years contributing a significant part to our total businesses. So, that would definitely have a positive impact.

Moderator: Thank you. The next question is from the line of Deepesh Sancheti from Mania Finance. Please go ahead.

Deepesh Sancheti: I just wanted to know what is the price point of the card which we are offering?

Balaji Srinivasan: So, there are 4 variants, and it ranges from Rs. 6,999 to Rs. 99,999 and so there is a very good spread of benefits between the four variants and the idea really is to have a template or a starting point which Sandeep mentioned so while these are the four variants that have launched, and somebody could just go and you could go and purchase this today on a website. This is also to kind of bring awareness of the services. So, when we go to an enterprise or any other large client of ours, they can use this as a starting point, and we are quite happy to customize for them. So, that is really the thought process of launching this.

Deepesh Sancheti: So, how are we going to market it? Are we going to go B2B for the large enterprises or are we going to go for any of the customers who want to just buy the card from the website and users also?

Sandeep Sonawane: Yes, both. So, we are definitely targeting consumers. As I told you, one of the important cohorts is that a lot of people do not want to really have a credit card, debit card for those why not access all these facilities when they are not given, by the credit card or debit card. So, that is one for sure, but the large picture definitely is actually go to B2B. So, these all services we want to make them discoverable so that they also and I am sure the banks would also start seeing the usability of the services, while currently they may be a little slower in terms of adopting this, but as more and more consumers use them, obviously it will put little pressure also on them in terms of being in line with all these contemporary services, so that they become the part of the CVP of the client itself. Yes, the large picture definitely is to drive B2B. So, the idea of going to B2B2C is to drive B2B business largely.

Deepesh Sancheti: And how is it going to be for EBITDA? I just wanted to know what is the revenue model in this because right now banks are paying for all the services which we are offering right to their own customers, now we are trying to acquire customers and selling them the same services. Wouldn't that affect our margins in the short term? I mean of course it is going to be a great data bank which we have, but how are you seeing the margins with acquisition of new customers?

Sandeep Sonawane: See, in fact, on the contrary, it will have a positive impact on the margin. I tell you. The way currently the lounges are sponsored by clients called banks we are expecting these all services which are contemporary services to be sponsored by enterprises. So, for example, if you are a large say tech Company, where there is a large, huge employee base what if I were to give my consumers in the form of reward and recognition all these services. This could be just one of the reasons. I mean, what if I were to onboard the employees and give them DreamFolks card and which ensure that all these services are actually consumed or used by the newly joined employees. So, this could be one and there could be other - channel partner incentives or for that matter there could be a consumer value proposition for some other enterprise. So, these are all targeted towards this and we are expecting that these enterprises in order to drive loyalty for the brand, drive preference for the brand, drive loyalty among all their stakeholders would use or rather sponsor these services in order to achieve what they want to achieve.

Deepesh Sancheti: So, is that the vision of the management to get into also this pathology and gifting services to expand the service booking so that these cards will have a larger service offerings and in future what is the revenue model which you are looking from airports and from these additional services which you are offering?

Sandeep Sonawane: So, yes, these, health services is just one part of it, gifting solution is other part of it because as we go and increase or accrue lot of clients other than the bank, lot of other clients would probably want very contemporary services which currently banks may not be adopting. So, we want to be in that race, and we want to be well ahead in the race and that is why we are going and keeping ourselves abreast of what is happening. So, we are acquiring and aggregating all the services which the consumers of tomorrow are going to like or for that matter, some of the enterprises currently are going to like these services. To answer your second question, Liberatha has already guided all these services will contribute close to 20% of our revenue in the next 4-5 years. So, we definitely expect both. It could be a mix of existing clients which are banks as well as enterprises. Both put together would probably consume 20% of these services, additional the newly launched services. That is the expectation.

Deepesh Sancheti: Sir, just to understand the B2B concept of offering your cards, so let us say if you are giving this to a cognizant, they will have this card available for its employees depending on the grade of course and they will be able to, it will be similar to, we will be tapping a completely different, a new segment for all these things, is that what the Company is planning?

Sandeep Sonawane: Yes. And I think we already did that. I mean, there is nothing that we have actually started new. It is just that we are accelerating this. I mean we were always there. We always had a client in fact in our presentations, if you were to go even for that matter last year presentations, they were always enterprises as a part of our client base. It is just that we are accelerating, seeing the kind of the potential that these enterprises tomorrow will have. We now feel that, yes, there is, we need to really push the button and push it little harder. We are not changing anything. We are just pushing it and pushing it harder.

Moderator: Thank you. The next question is from the line of Nitin Gandhi from Quest Financial. Please go ahead.

Nitin Gandhi: Can you share some thoughts or risk which you perceive as the cannibalization due to your launch B2C product of credit cards which will be pursued by your existing B2B plans?

Balaji Srinivasan: It is the other way around. So, just to clarify, we are not really going for a direct B2C right because if you notice we are not doing any spending, we are not tracking metrics like customer acquisition, what is the lifetime value, we are not going in that direction at all. All we have done is that we have launched 4 price points at which a bundle of services is available. This is used more as a marketing tool or a starting point for conversations with our enterprise customers. So, this is really the thought process of launching it. So, Sandeep already kind of mentioned it, but the idea is that we are not really going after the B2C market. This is purely additional tool by which it will help us bundle and sell services. So, today we sell services in an unbundled form and now we are bundling it and that is an option that we are showing to our clients. So, that is all we are doing.

Nitin Gandhi: No, I don't get that point, but will you not be going for website login e-com, portal-based selling to direct whoever logs in and?

Balaji Srinivasan: Of course you can do that. But that is not really our focus. Today you can go and buy this. You can try it on the website.

Nitin Gandhi: So, that is what I am saying. It is a partly B2C digital sales, but if it picks up, then will not be the corporate enterprise will be pursuing because you are approaching the same database which you have on your cards and other things, right? You are not going to get?

Liberatha Kallat: So, actually, if you look at the packages the way we have built in, okay, it is not just the travel related, but it is travel and lifestyle and most of the benefits which are also not part of the card benefit which is the credit card benefit. The reason of doing and the way Sandeep and Bala were trying to explain is that we are not trying to get into that segment The reason of doing getting this membership is primarily to enter into the enterprise segment because we see and we understood that yes, there is a demand where the enterprises would want to give it as a loyalty to their consumers or to their employees. And it is not focusing on just the airport lounges. The focus is more on the lifestyle services as well. So, this is where it is. Secondly, the way we are also talking about, the way the banks have started restructuring on the benefit which is now instead of giving a blanket offer, now they have started doing a spend based. So, it is very obvious that not everyone would get a launch benefit today the way it has been there. But however, if someone who is used to it and would still want to have the right package, can also go for it. As a Company, the model we would want to keep it the same, we would be a B2B Company only because we do not want to enter the segment of B2C where we will have to spend on the marketing or the customer acquisition, we would not want to actually get into that model. The model is very clear that we would still stick to B2B. However, in any customer would want to still take a membership directly through Dreamfolks they can go on our website and get it done. Secondly, in terms of the pricing, we have very clearly structured our pricing that we would want to maintain, and we would ensure that our pricing would never be competitive with our banking clients or any other clients in that way.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Ms. Liberatha Kallat for closing comments. Over to you, ma'am.

Liberatha Kallat: Thank you for joining us today. We hope all your queries have been answered today. If you have any more questions, please do not hesitate to contact us or our investor relationship team at EY. Have a wonderful day and see you all again in the next quarter. Thank you.

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