DreamFolks
Your Airport Experience Amplified !

Dreamfolks Services Ltd.
#501, Tower-2, Fifth Floor, Worldmark
Sector-65, Gurugram - 122018
Haryana, India | 0124-4037306
www.dreamfolks.in | info@dreamfolks.in
CIN : L51909DL2008PLC177181

Date: August 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 Conference Call conducted on August 08, 2024

Dear Sir/Madam,

In continuation of the earlier communication regarding Quarter ended June 30, 2024 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 Quarter ended June 30, 2024 Earnings Conference Call conducted on August 08, 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

Digitally signed by RANGOLI AGGARWAL
Date: 2024.08.13 18:16:53 +05'30'

Rangoli Aggarwal
Company Secretary and Compliance Officer
Enclosed: As Above

“Dreamfolks Services Limited

Q1 FY'25 Earnings Conference Call”

August 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 August 08, 2024, will prevail.

MANAGEMENT: **MS. LIBERATHA 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 Q1 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 * then 0 on your touchtone phone. Please note that this conference is being recorded.

Before we begin, let me remind you that the 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, and 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 first quarter 2025. 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 exchange and on the company's website.

To begin, Q1 FY '25 was a robust quarter for us as we achieved a strong revenue growth of 20.5% during the quarter and recorded gross margin of 11.7%. Our adjusted EBITDA recorded a growth of 30.3% year-on-year. We are on track to achieve a revenue growth of 20%, a gross margin of 11% to 13% and an adjusted EBITDA margin of 7% to 9% on a yearly basis. Compared to the above guidance, our Q1 FY '25 numbers stands at 11.7% gross margin and 8.0% adjusted EBITDA margin.

Historically, the second half of the fiscal year tends to outperform the first half, largely due to the seasonal nature of our industry. This pattern suggests that we can expect stronger performance as the year progresses.

Additionally, the timing of our contract renewals plays a significant role in our financial outcome. We work with multiple clients and vendors, and our contract renewals occur at different times throughout the year. In the first two quarters, we focus on renewing contracts with our vendors, which typically results in lower margins compared to other periods. However, this situation improves in the latter half of the year when we renew contracts with our clients, leading to relatively higher H2 margins. These two factors are crucial for understanding our performance on a full year basis.

The DreamFolks pax in this quarter reported a 2.8% year-on-year growth to 2.7 million paxes, despite a structural shift to the spend-based program implementation by most of our clients, exceeding our internal expectations. The domestic air passenger traffic has reached 40.2 million travelers in Q1 FY '25 as compared to 38.6 million in Q1 FY '24.

On the gross margin front, we have improved from the lows of previous year in the first quarter. The gross margins for Q1 FY '25 were at 11.7%, up from 10.7% in Q1 FY '24. Adjusted EBITDA for Q1 FY '25 was at 8.0%, up from 7.4% in Q1 FY '24.

As you may recall, the last quarter, we significantly expanded our team by recruiting talent from leading business schools across the country. We are optimistic that this investment in our workforce will yield substantial returns, and we anticipate seeing the benefits over the next two years. In addition to strengthening our team, we are also taking steps to expand our global presence, aiming to replicate our successful growth story beyond India.

We have been actively working on diversifying our client base by focusing on acquiring more enterprise clients. In line with our strategy to offer exclusive travel and lifestyle benefit programs tailored to meet the unique needs of enterprises, we have successfully added four new clients in the engagement and loyalty sector to our roster this quarter. This initiative is designed to enhance the value proposition of their employees, customers, and channel partners. We are excited about these developments and the positive impact that they will have on our business going forward.

We have been focusing on increasing the share of services beyond the "Indian Airport lounge" offering and I'm pleased to report that these services have gained traction. Our golf services in particular are seeing strong demand. In the domestic market, we have launched golf programs at new locations and added 6 new clubs that provide access to golf games, golf lessons or both. We have also started golf programs at new locations for a major client in India. We have also expanded existing services by adding new products such as medicine on call and doctor consultations through our partnerships.

I would like to highlight that the credit card industry is undergoing a structural shift towards a spend-based benefit mechanism. An increasing number of banks are entrusting us with assignments to implement product-level changes and upgrades to their credit benefits. This trend underscores the deep integration of our technology within our clients' system and their reliance on DreamFolks to facilitate new projects and structural changes.

During the quarter, within India, we have onboarded 6 new airport lounges to our network, with 5 lounges at domestic terminals and 1 lounge at international terminal. Globally, we have added 41 new lounges to our portfolio.

We will continue to maintain 100% coverage in all 71 airports and 14 railway lounges in the country. And these numbers should grow with the government's focus on boosting domestic tourism through improved infrastructure and connectivity, as highlighted in the Union Budget for 2024-25 recently announced.

The government's push to position India as a global tourist destination, supported by targeted investments and strategic initiatives to promote cultural and heritage tourism. This invites visitors, not only domestic travelers, but travelers from around the world. With substantial capex allocation for infrastructure, we expect even more opportunities arising in terms of building of new airports, modernization and renovation of existing airports, as well as railway stations. In short, the future looks bright for the travel industry.

The premium services like lounges, spas, sleeping pods are also witnessing a rise in demand, driven by an increase in the rising disposable income as well as increased business travel and an exponential rise in the complementary services provided by credit card companies.

This higher demand is visible throughout the industry, as the companies providing these services have been witnessing solid growth. Globally, airport lounges are evolving the kind of services they provide to meet the evolving needs and demands of travelers. Lounges at several airports around the world have introduced services like on-site gyms, gaming zones, augmented reality, virtual reality and even library, basically offering something for everyone's interest.

The Indian lounge industry is also expected to take cues from these innovations and will definitely come up with similar innovations to stay relevant.

Additionally, the market for luxury and lifestyle services like golf is experiencing a notable increase in demand due to the sports' escalating popularity worldwide. According to industry reports, golf has attracted a participation base exceeding 60 million individuals across more than 200 nations. In light of golf's increasing appeal, the golf market is poised for a favorable surge in the forthcoming years.

The credit card industry is also flourishing. This is visible through two key metrics which we now track on a quarterly basis. First, the number of credit cards in circulation. This has also grown to 103.8 million credit cards as on 30th June 2024 from 101.8 million credit cards as on 31st March 2024, which is an increase of more than 2 million credit cards during the quarter. While the average spend per credit card remained at a similar level than the last quarter of the corresponding period, the general trend has been going upward, and we expect this will continue as the aspirations and disposable income will increase.

Now coming back to DreamFolks, our strategies remain strong and in place. First, we will continue to focus on increasing the revenue contribution from services other than the India lounge. Second, we will continue to add enterprise clients to our list and offer them more and more services, thereby increasing their wallet share. Thirdly, our focus will also remain on expanding our geographical footprint. All these strategies, covered with strong industry tailwinds will ensure that DreamFolks continues to grow sustainably in the future. While we have seen some short-term challenges over the last year, we believe our team has been able to navigate those challenges fairly well, and we will continue to perform to deliver positive results in the future as well.

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

Sandeep Sonawane: Thank you, Liberatha. And to all the participants, hello for joining us today. Our expansion strategies have been the cornerstone of our success as we strategically onboarded six new airport lounges to our networks, enhancing our presence with four lounges at domestic terminals of Nagpur, Vizag, Ranchi, Bagdogra Airport and one lounge at the international terminal of Amritsar Airport. In addition to this, we have also added one lounge at domestic terminal of

Gwalior Airport, which will soon be operational. The expansion is not just about numbers, but it is all about our commitment to maintain 100% coverage and ensuring that our services are accessible wherever it is possible.

At DreamFolks, innovation is at the heart of what we do. We have taken significant strides in aggregating and integrating contemporary services beyond traditional lounge offerings.

Furthermore, we have added new products like medicine-on-call, doctor consultation to our existing suite of services under Healthians, ensuring that the customers' health and wellbeing are catered to. I would also like to give you an update on golf. Domestically, we have expanded our footprint in the golf sector by adding 6 new golf locations, catering to the discerning tastes of consumers who appreciate the finer things in life.

Lastly, our strategy to add more enterprise clients has also started bearing fruit. We have welcomed four new enterprises or non-banking clients, as we always say, to our client list, a clear indication that our value proposition resonates with the corporate world. These partnerships are not just business transactions, but they are relationships built on trust, quality and shared vision for excellence for the years to come.

As we look ahead, we aim to continue to carry this momentum. We will continue to innovate, expand and deliver unparalleled services and solution to our clients and redefine the standard of luxury and convenience in the travel and lifestyle services. Our strategic efforts are designed to cultivate expansion, augment client value and broaden our market reach. Through the integration of modern services, strengthening relationships with clients and expanding our client base, we stand poised to seize the industry opportunity and propel sustained growth.

Now I would like to hand over the mic to Balaji to update on the technology.

Balaji Srinivasan: Thank you, Sandeep. By leveraging the advanced capabilities of our proprietary tech platform, DreamFolks have successfully integrated new partnerships and expanded our service offerings, enhancing the benefits available to our valued clients. These integrations have enabled us to introduce new services and enhance existing ones such as medicine on call and doctor consultancy through our platform.

These initiatives not only reflect our commitment to innovation, but also demonstrate our ongoing dedication to developing a comprehensive suite of solutions for our clients and consumers. Our in-house-developed tech platform allows us to create customized products and solutions built to the specific needs of our clients.

In line with our strategy to maintain an asset light and efficient operating model, our cloud-based platform provides transparent access to a wide range of benefits and services for clients and their end users. This access is facilitated through a robust set of omnichannel mechanisms that includes various touch points such as physical cards, apps of our clients, the DreamFolks app, self-service checkin kiosks, web-based solutions, and all supported by a sophisticated hybrid technology that keeps the benefit always in sync. The platform plays a crucial role in redefining and defining the spending behaviors of a clients' consumers by delivering highly targeted products and offering superior consumer value propositions, moving away from a generic one-size-fits-all approach.

In summary, our technology is a vital asset that underscores our unwavering commitment to continuous enhancement. This dedication is driven by a goal to provide relevant and timely solutions to our clients, solidifying our position as a catalyst for innovation within the industry. With that, I hand over the call to Giya to discuss our financial performance.

Giya Diwaan: Thank you, Balaji, and a warm welcome to everyone on this call. We are pleased to report that the company has achieved another impressive performance in the first quarter of 2025, showing gains across all key operational and financial metrics. The consistent performance during a typically slower season reflects the stability of our business model and the continued value we provide to our clients and operating partners.

Let me take you through the financial performance for the first quarter of 2025. During Q1 FY '25, the company reported a revenue from operations of INR320.8 crores compared to INR266.3 crores in the corresponding quarter, recording growth of 20.5% year-on-year in spite of a rather mild quarter. Gross profit was at INR37.6 crores in Q1 FY '25, up by 32.2% from INR28.4 crores in Q1 FY '24.

Gross margin for the quarter witnessed an expansion of 100 basis points to reach 11.7% from 10.7% in Q1 FY '24. Our adjusted EBITDA, after adjusting for noncash ESOP expenses, was at INR25.8 crores in Q1 FY '25, which has grown by 30.3% year-on-year. This has translated to an adjusted EBITDA margin of 8.0% in Q1 FY '25 versus 7.4% in Q1 FY '24.

Adjusted profit before tax was INR24.6 crores in Q1 FY '25, up by 31.4%, with adjusted PBT margin of 7.7%. PAT for the quarter stood at INR17.2 crores, up by 32.3% year-on-year, with a PAT margin of 5.3% compared to 4.9% in Q1 FY '24.

Our net worth as on June 30, 2024 stood at INR254.5 crores. Supported by our consistent financial performance and a solid asset-light and low-cost business model, we maintain a strong conviction in the sustained growth of our performance. This confidence is backed by our strategic endeavors which are anticipated to yield a steady improvement in margins. We are also very positive on the travel industry, which will continue to grow owing to government push towards infrastructure, increased customer spending, shifting preferences towards more premium services and experiences, and many other drivers.

On this note, now I will request the moderator to open the floor for questions

Moderator: Thank you very much. The first question is from the line of Shreyans Mehta from Equirus. Please go ahead.

Shreyans Mehta: So primarily, if I see the numbers, it seems the revenues are largely driven by the price hike. Is that the correct way to look at it? Have you taken any price hikes during the quarter?

Giya Diwaan: Shreyans, yes, as we mentioned during our speech as well, that there are different cycles of our contracts as well, okay.~~?~~ So some of the escalation also happens during this period and some falls in the second half of the year.

Shreyans Mehta: Sure. So also just wanted to understand, last year same quarter, we started at 10.7%. And gradually, we improved by 100, 150 basis points. So can we see the same thing happening this year as well?

Liberatha Kallat: Yes, Shreyans. As we also mentioned that usually, our first half of the year is always low. And that's also because of the seasonality. And we also mentioned about our renewals as well, our contract renewals. So the way you have seen it and historically also that was the trend. So you would actually see that our second half would be doing much better.

Shreyans Mehta: Got it. And one clarification. There's no consultancy income this quarter, right?

Liberatha Kallat: No.

Shreyans Mehta: None. Sure. Second question is, if you could give some flavor on our international operations. Almost 9 odd months we've done a tie-up at the Malaysian operations. So how are the volumes moving out there?

Sandeep Sonawane: So Shreyans, 9 months is the too lesser time for us to really go and give you a number which actually makes you feel that we have a substantial number. We have started, the revenue still remains low. However, as we speak, there are quite a lot of clients which are in pipeline. And the results will be shown in the coming, well, maybe a year or so.

Liberatha Kallat: Just to add on, on what Sandeep said, particularly to the Malaysia market, as we also mentioned to you earlier, the model is different than what we have been doing right now in India market. This is more of a technology what we have built there. So we have still not onboarded any issuers or networks. So obviously, the volumes would take some time to come. So we are already in the process in few of the Asian markets for onboarding networks and issuers. So once we have these clients on board, that's when we would actually start expecting to see some numbers and obviously, a contribution to our top line as well.

Shreyans Mehta: Got it. Got it. And my last question is for Balaji. So on the golf part, I just wanted to understand, currently, we just added 6, what's the total number, number one? And number two, in terms of system integration, I believe it will be largely not on our platform because many of them wouldn't be having those systems in place. So how are we working on that front?

Balaji Srinivasan: So the way it works, Shreyans, is that, we have, I think, maybe around 1,400-odd courses that are part of our network globally. And the booking is specific typically through a concierge, or in many cases, it is run through web access solution that we have, so either the consumer would call the concierge at the bank or they'll login through the web access and make a booking themselves.

So these are the mechanisms through which the booking is done. And we don't need to typically deploy a solution at the golf course end. There is a booking portal that they have access to and they receive the bookings over there. So that's how it works.

Moderator: The next question is from the line of Pratap Maliwal from Mount Intra Finance.

Pratap Maliwal: I'm just trying to understand the business model a little bit. So as I understand that we're transitioning to a comprehensive travel and lifestyle service aggregator. So I just wanted to understand that are these new offerings, are they based on the same model of benefits offered by banks on their credit card? Is it the same model?

Sandeep Sonawane: So yes, but partially true. If you were to look at the CVP of a bank there are many more services other than the lounge like your spas, your airport transfer, your meet and assist, so on and so forth. But having said that we are not restricting ourselves to cater only to one type of a client which is the bank and that is where we have taken new people and we kept saying that enterprise is something that we are targeting.

And enterprises generally are the ones who actually asked us to acquire a service which is very contemporary. It could be say a pet care, it could be self-grooming, it could be health checkup, it could be golf. So these are the lifestyle services. So yes, we have to bouquet of both. Over a period of time we have acquired both the lifestyle as well as travel related services in our portfolio.

Liberatha Kallat: And just to answer that if the model is going to be the same, primarily, yes, the way we have structured the lounge. But obviously, I mean we are doing a change as well in terms of doing a membership model. So here it would be more of a membership wherein the other service benefits which would be travel and lifestyle benefits would be included.

So there would be some benefits which would be complementary in that package and few would be at a discount. So yes, it would not be a similar model what is existing right now. And as Sandeep was mentioning the focus is not just on the banks. We are now focusing on the enterprises where we'll be offering all the other services.

Pratap Mallival: Okay. Understood. But then like these new offerings do they also become vulnerable to like the change in policies such as a shift from blanket benefits to spend based benefits? Do they also churn to the same thing?

Liberatha Kallat: Yes. So at the moment that has become a spend-based. See, earlier I mean if you actually look at it, it was I would say, that only 4% towards the conversion in terms of the benefit usage. But at the moment now we have a large set of services. So we are actually giving choice to the customer that in case of once they actually fall under a criteria of a benefit, it's not necessary they have to use only our airport lounge, but they also have the other services which would be a spa or a health package or a beauty. So it would actually consider, but I would say that the option or catering to a large customer base would open up for DreamFolks.

Pratap Mallival: Okay. Understood. And just one last question. The last concall I think you had said that a few more clients which are significant in the number in terms of contribution. They are yet to go to the spend-based program and we expect that effect to come in maybe H1. So has that kind of come in right now and what do we see going ahead?

Liberatha Kallat: So that is still in process I would say, because there are a couple of them who have just started. So we would still see that impact I would say in Q2 as well.

Pratap Mallival: Okay. And regardless we still hold on to the 20% kind of growth aspiration, is that correct?

Liberatha Kallat: Yes. Considering the impact we have said that it's going to be 20% growth for the full year.

Pratap Mallival: Okay. Thank you. Thanks for taking my questions and best of luck for the quarters.

Moderator: Thank you. The next question will be from the line of Kunal Ochiramani from Kitara Capital. Please go ahead.

Kunal Ochiramani: So as you have shifted your focus from banks to other players now, so are the margins same or on lower or higher side? Second, how big is the addressable market here?

Liberatha Kallat: Firstly to answer the focus has not changed. I would say that banks and network providers would be our focus. We are saying that yes the additional set of clients are what would we be focusing now, would be in addition to what the banks and network providers are.

Coming to your next question about the margins, yes, and we have always said that the margins are all driven by the volume what the client is given and basis the volume from the client we actually proposed our pricing to them. And in terms of the market size, it's somewhere around INR 60,000 plus crores.

Sandeep Sonawane: The addressable gifting market would be in excess of INR 60,000 crores.

Kunal Ochiramani: Okay. And how much do we aspire in this in next 2, 3 years? How much business should we expect?

Liberatha Kallat: So I would say that next 3 to 4 years the enterprise segment of the client base would contribute somewhere around 15% to 20% to our top line.

Kunal Ochiramani: Fair enough. And you did not answer my question about margins. Would that be similar or less or more?

Liberatha Kallat: No, I told you that it would be more because as our pricing depends on the volume what we actually have from the client. So obviously the bank volume if you actually look at it, the enterprises volume would be competitively lower so the margins would be better there.

Kunal Ochiramani: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: And how much of sales are you expecting from the new set of the services that we have started doctor on call and medication services?

Sandeep Sonawane: So all put together if I were to talk about all the services other than India lounge services in the next 3 to 4 years we envisage this will contribute close to 20% of our revenue. Yes, this will all include whatever the services that you mentioned.

Raaj: Okay. And sir, I had one more doubt. When you say services except from India lounge, so what does that exactly mean?

Sandeep Sonawane: The services that we told you in terms of whether it is airport transfer, whether it is meet and assist, whether it is spa, whether it is golf, whether it is F&B, whether it is pet care, healthcare. Other than the India lounge business these are all the different services that we already have in our portfolio and many of them are live as a part of the consumer value proposition on some of the cards.

Raaj: Understood. And sir, one more doubt I had regarding the EBITDA. So if you see FY '24, your EBITDA went from 13% down to 8%. So in FY '25 and FY '26 are we expecting a similar EBITDA margin range?

Giya Diwaan: That's the gross margin. So let me clarify that, that there are two numbers which we are talking about. The 11% to 13% guidance which we have given for FY '25 is for gross margins. And what you are telling right now is the EBITDA margin for which we are giving a guidance of anywhere between 7% to 9%.

Moderator: Thank you. The next question will be from the line of Shreyans Mehta from Equirus. Please go ahead.

Shreyans Mehta: So now the question is the majority of the banks have now moved to spend base. So what has been the experience from the DreamFolks perspective, as in is it fair enough to say that the worst is largely behind and we see probably margins reverting back to at least 13% plus? That's the first. And second is we interacted with the bankers. So what are the banks indicating in terms of how are the consumers taking it? Are they fine or probably we might see some more disruptions?

Balaji Srinivasan: So I think, I think the consumers are kind of don't have an option in the bank to take a decision, So I think the expected pattern is that they will work with their wallet. So they will move to either products within the same portfolio or they will move to products from a different thing. And we are seeing that hypothesis come true. We are also seeing a consolidation of spend to one product. Instead of consumers choosing to use multiple credit cards, they are consolidating so that the spend is aggregated on one product and therefore, get the benefits on that card, so to say.

So we are seeing some of that, although there's a lot of interest in creating new products. So different banks are working with us very closely. We are working closely with them. Our new products are getting launched across multiple demographics. So I think that's the reason Liberatha was mentioning we're still in the middle of that.

Banks are launching new products. Consumers are aggregating or migrating to different card products. All of that is happening. But one good thing for us is that at least all these products are using our technology. So as more and more product gets rolled out, I think the continued integration that we had done in the past. And as that all of this is using our spend-base technology, I think that is all actually good for us in the long term. So I think that is good.

Shreyans Mehta: Got it. And vis-a-vis our expectations, how are the volumes and the margins playing out? But vis-a-vis, we might have factored in lower number. So I just want to understand your view that how is that playing out? Is it better or it's playing out as what we had expected?

Balaji Srinivasan: So Shreyans, I think still we are in the middle of the transition. So I think maybe the numbers that Liberatha mentioned as part of our guidance that probably would be the right number to aspire to.

Shreyans Mehta: Got it. Got it. Got it. Sure. And secondly, in terms of our mix of lounge and non-lounge, possible to give the mix, or what would be the mix?

Sandeep Sonawane: So we moved in the last 2 years from where we were, less than 2%, to 6% currently. So these are the percentages from the non-lounge services.

Shreyans Mehta: But of that 6-odd percent, what would be the major contributor?

Sandeep Sonawane: In that, the major contributor would be through meet and assist, golf, these would be some of the bigger ones.

Shreyans Mehta: Got it. Got it. Got it. Sure. And lastly, in terms of our lounge business, possible to share the numbers of mix of domestic and international pax, the mix?

Giya Diwaan: It would be close to 75% - 25%.

Shreyans Mehta: 75% - 25%. And largely, I mean pre-COVID, it used to be, say, closer to 70-30. Is that the understanding?

Giya Diwaan: Pre-COVID, it used to be around that, but now as everything has stabilized over a period of few quarters, so it's anywhere between this range hovering around.

Moderator: The next question now is from the line of Mahisha, who is an individual investor.

Mahisha: Yes. Just wanted to ask that Adani is entering into aggregator services and lounges. So being a very big player and have so many airports, how do you plan to safeguard your turf?

Liberatha Kallat: So Adani has around 6 airports right now. I would say that even if they are getting into their own lounges, they would still require a player like DreamFolks to drive the revenue to them. So we do not consider them as a competition, rather they will consider us as a partner, right? Because the thing is that if anyone entering into this segment, it is not just their own airports or lounges because the way the client would look at in that they would require a complete coverage because they would not do individual contracting with individual lounge operators.

Apart from that, it is also about managing the program, which is end-to-end combined, including a solution and also the customer support. So I would say that there is no threat as such because

I think it is a partnership and as a partner, we drive revenue to them. And they will always need a partner like us.

Mahisha: Second question is regarding the global lounges that we have acquired outside India. Can you give some color on that?

Mahisha: So we have just 41 global lounges outside India, is it the same services as India?

Liberatha Kallat: Yes. So the way we have our direct contracts here with the airport lounges, similarly, we also have contracts with lounges outside India as well, so globally. So we are already present in 100-plus countries. And it's an ongoing process of adding lounges in our portfolio. So these 41 lounges are part of those network.

Sandeep Sonawane: These were added in the last quarter, that is why we mentioned.

Moderator: Next question is from the line of Vijay, who is an individual investor.

Vijay: It's not a question as such, but more like kind of reflection. Whenever we try to access lounges in the airport, the queues are very long. And with the self-service kiosks which you keep there are also like very limited in number and it takes too much time for us to access those.

So maybe if you can do something in the number of kiosks or if you provide us and again, one more at kiosks when we are not sure which cards are eligible to access the lounge. So maybe some customer-facing app, where we can check whether they are particular cards, how many lounges that, I mean whether it is eligible for the lounge access and how many are remaining? And also if you can increase the number of kiosks at the airport, it could be beneficial for all the users. So any comment on that?

Balaji Srinivasan: So you are absolutely right, and this is a requirement. And interestingly, we do have the solution. It just may be unfortunate that more people don't know about it. So we have a solution called web access. If you go to our website, right at the very top, you'll see a button to get to access. If you log in into that environment, you can add your credit card or debit card, you will see all the benefits, and you can also generate a QR code on that portal.

It will work on your mobile phone, so you don't need to even download an app for it, actually. The QR code will get you ahead of the line to bypass the queues at different lounges. So it's pretty cool. Why don't you try it out, and check all your cards, how much you consumed, everything is there.

Moderator: The next question will be from the line of Srinivas from FundsIndia. Please go ahead.

Srinivas: Congratulations for the performance of the quarter 1. I would like to know that is it possible to publish the segment results. As I know, the company is into multiple segments. Is it possible to start publishing those results?

Giya Diwaan: Yes. That's a good question, Srinivas. We also, in some of the conversation told you that how lounge versus non-lounge contributes in the total composition. But as far as the regulatory requirement is concerned, given the split, we are not required to do a segment reporting. And once it becomes substantial over a period of a few quarters, we would start doing that.

Srinivas: Okay. In terms of present, an investor presentation, at least you can do this part or it is not very significant as such the new segments added?

Giya Diwaan: So Shrinivas, there are certain criteria to define whether we are required to do a segment reporting or not since all our offerings are based on our technology. So the benefit and the risk and reward criterias do not require us to do a segment reporting.

Srinivas: Okay. But I'm sure you must be tracking segment-wise, business-wise, you must be tracking...

Giya Diwaan: Internally, yes, we do that, of course.

Srinivas: Okay. Sure. So maybe in the coming quarters and in the coming years, we'd like to see that performance of each segment so that management also can start focusing more and more on the lucrative or better ROE parts of businesses.

Giya Diwaan: We'll keep that in mind.

Srinivas: Thank you so much.

Moderator: The next question will be from the line of Lokesh Manik from Vallum Capital. Please go ahead.

Lokesh Manik: The first question was on the new lounges that have come into the network in the domestic market. In your experience, what is the gestation period required for them to come up to the level that we benchmark that our existing lounges are at? How much time does it take? Is it 6 months or one year?

Liberatha Kallat: No, so by lounges, are you talking about the domestic or the global?

Lokesh Manik: The domestic ones?

Liberatha Kallat: If you actually look at the trend, it is mostly the metro locations where I would say the traffic is there and also the lounge usage. So today, also, if we look at it, around 75% of our volume is from the metro cities. So obviously, these locations which are added are generally the Tier 2, Tier 3 cities.

So it all depends because it also depends on the airport traffic. And also depends on how many programs because it's not necessary that the existing card programs would include these lounges because there are certain banks which would limit themselves only to a few locations. So this actually takes time until and unless the client feels that a certain location is important for them.

So that is not, as such, I would say, a gestation period where we can actually clearly tell you because there are a few lounges still in our portfolio which have been part of our network for quite some time but we hardly find any usage. But there are a few lounges, for example, Srinagar Lounge, which was added, and we immediately saw the footfalls there or the traffic coming into those lounges. So I would say that it varies from location to location. So and also it depends on the airport traffic of that particular airport as well.

Lokesh Manik: Understood. Second question is on the other services. So what would be the gross margins here? And are you making profit here or do you still need to scale up more to break-even? What is the situation on the profitability and then there?

Sandeep Sonawane: Yes. So other services definitely have better margins. Lounge is our hero product. And hence, the other services tend to have higher margins because the adoption is not as high as lounges. So any service that you will add up tend to have higher margins than what we have currently.

Lokesh Manik: I understand that. But are we making money? Are there any profits or are there any profits there for the expansion that we are doing?

Sandeep Sonawane: Yes, very much.

Liberatha Kallat: The margins for other services are much better than our airport lounges. So one of the reasons also being because of the new services which gets added, obviously, the cost is different. The moment the volume increases, that's where things change, I would say, even the whole math changes. So right now, I would say that, yes, the other services are of a higher margin compared to the airport lounges.

Lokesh Manik: Okay. Just the last question, I understand we cannot actively market these services directly to consumers, at least the lounge services. But any other initiative where like the other participant you mentioned and you answered that we have a website. But let's say, at the airports, like you could install a kiosk or something that will give you a menu of the services that are available with DreamFolks so that the customer can you know plug in his credit card or swipe his credit card or something and see what all they can have access to. Because as I understand, you cannot directly market these offerings to customers. So is there any other initiative that we are doing to create this awareness?

Liberatha Kallat: You're right that we cannot do any such marketing for these services or the benefits which are there in the card. But we have already done that in terms of having our kiosks in the airports. So there are 2 ways that, I would say that the placement of the kiosk was primarily to also do the queue management there, but also this helps the customer who can actually go and check the benefits on their card personally on these kiosks.

Not only this, even web access is the other thing what we have actually introduced. So even with web access, it's not just about the lounge benefit, but any other benefit which is on the DreamFolks platform like the meet and assist or airport transfer, if you also have a spa benefit or a golf benefit. All these benefits can actually be seen on your web access as well.

So yes, so these are some initiatives we have already started. And I would say that this is actually helping us to also market the other services, including the lounges.

Lokesh Manik: Fair enough. And since we are an asset-light model, any policy on cash utilization, what do we have in times moving forward? Are we looking at dividends or buybacks or are we looking for any inorganic acquisition?

Giya Diwaan: Yes. Lokesh, we do have a board-approved dividend policy. It is much broader policy, which captures the allocation towards investment and expansion and acceleration of the business. And it also supports the cash flow to be paid in the form of dividend as well as return to the investors. And under that policy, only, I'm sure you are aware that during our results announcement for FY '24, we also announced dividend for that year.

Moderator: The next question will be from the line of Arul Selvan from Independent Advisors Private Limited. Please go ahead.

Arul Selvan: I just had a couple of questions. The first one is with respect to lounge capacity. I'm sure you're aware that the lounge capacity, especially in Tier 1 markets, is very constrained. So any subjective thoughts on how any expansion plans in the lounge markets and airports are shaping up?

Sandeep Sonawane: Yes. So you are right. If you were to look at last year, full year, I mean the square meter of space that was occupied by the lounges, all lounges in India put together, were close to around 28,000 square meters, which actually converted by the end of the year to 35,000 square meters.

So there was a significant increase in the space because it's a very profitable business for the airport operator. We may continue to see that. However, I would be sharing one news with you people which you should be glad about, that we are no longer wanting to limit our offering within the 4 walls of a lounge. We are actually offering services, which are beyond the 4 walls of the lounge, which is like you have F&B at the airport, you can actually have a meal in the flight, you can actually select the seat. So you can see that even if the consumer misses and is late in terms of arriving at the airport, he or she can actually go and have F&B at the airport. If he or she is misses there also, then you can actually go to the flight and have a meal inside the flight.

So yes, both in terms of infrastructure wise, there is a significant increase that is happening in terms of the increase in the lounge area. At the same time, we are taking proactive steps and measures to ensure that our consumers are not standing and have to wait for the queue at the lounge, but we are taking and giving them offerings beyond the lounge.

Arul Selvan: Okay. Interesting. But then in this particular scenario, the service provider is not the lounge, right? It's somebody else, correct?

Sandeep Sonawane: That's right. That's right.

Arul Selvan: Okay. Okay. Then in that case, we would still have the same problem that we're having in terms of marketing our services to the right clients. Would that still be kind of a concern? Because the way I understand over here is that the lounges are your number 1 product, which all the banks and financial services industries want. So we are still trying to kind of expand those services if I'm not mistaken, right?

Sandeep Sonawane: Yes, that is true, but we have to be cognizant of the fact that it took a lot, many years for consumers to really discover this service. And till today, I mean overall, out of 100 people going to a airport, only 6 to 7 people are actually going into the lounge, we do not know as to how many people entering the airport are eligible for the lounge access. So it has taken time. However, I think because of the digital adoption, the country demographic that we have, I think the next service and the next-to-next service will have a faster adoption rate.

Arul Selvan: Understood. Understood. The second question that I had is with respect to the 4 new enterprise clients that you guys have added this quarter. Any objective color on what kind of services they were looking for? Are they also predominantly interested in the lounge services? Or are they more willing to explore your other services? Because the way I see it over here is that and as what the CEO had earlier remarks at the lounge services has the least amount of margins and the other services have much higher margins. So my understanding here is that the faster you can really expand and scale up your non-lounge services, that would really have a bearing on your EBITDA margin?

Sandeep Sonawane: Thank you. Yes, we are absolutely trying for that. And I mean we have recruited a few people from good schools only for this reason. So I tell you about the enterprises. What we have done is actually very interesting is that we are actually able to sell a package to the enterprise. When I say package, it is more than one service. So that should answer your question and also give you comfort that actually enterprises are not actually buying one service, they're actually buying package of service. So the package would be different for a company A and would be completely different for company 2. So it would be a golf, airport transfer and a spa for one A company, and it could be a golf, lounge and say a meet and assist for a company B, point number one.

Point number two, because of these package designs and lower volumes, as we mentioned earlier, our margins are anyway higher. And yes, the entire effort is to ensure that we acquire more and more number of such type of clients. And yes, I mean looking forward for better results coming from enterprises.

Arul Selvan: Excellent. And the last thing is actually a follow-up on one of the suggestions that the previous contestant asked.

Moderator: We suggest you to return to the question queue...

Arul Selvan: Yes. It's not a question, it's just a suggestion that I would also agree with the previous participant that in case you guys can give a segment-wise breakup that would be helpful. So please do consider that favour please. Thank you.

Moderator: Thank you. The next question will be from the line of Rohan Patel from Turtle Capital. Please go ahead.

Rohan Patel: I just wanted to get a broad prospect regarding what kind of revenue are we targeting in the next three, four years? Like if you can just give an idea about that? And what kind of margins we can achieve on such revenue after we can raise our other services other than lounge services?

Giya Diwaan: Yes, Rohan, we are looking at in the next three to four years-time we are looking at 20% to 25% growth rate in terms of our top line. And more or less, as we see now a similar kind of range for even gross margin.

Rohan Patel: Okay. So in your gross margin will increase at a faster pace as we are adding other services which will be more margin lucrative?

Giya Diwaan: Yes, of course, over a period of next two to three years. I mean, as the mix starts changing in, there would be an impact. And I think that would be the right time for us to crystallize the numbers what we are talking about in terms of guidance. But as we speak now, the broader guidance is in terms of 11% to 13% for gross margins.

And I would also want to highlight what we speak about in terms of our mix. In next two to three years' time, the other services will start contributing close to 20%. That's when we will get more clarity on how the margins are shaping up in future.

Rohan Patel: Okay. And can you get this kind of enterprise client portfolio you would be handling, like would there be all top 100 companies or top 200 companies not in there, just to get an idea.

Sandeep Sonawane: Yes, it will be a mix of that, sure. I mean we are targeting every enterprise considering the limitations and the resources that we have. So our GTM or go-to-market model is basis that. So yes, we will have both, mix of both types of clients, small and large.

Rohan Patel: Okay. And how's this traction going on lately, like you will be engaging with them? So how's the adaptation, if you can just give some perspective?

Sandeep Sonawane: Adaptation of what?

Rohan Patel: The traction, like the success rate of getting the clients on enterprise side? Do they approach you or you approach them? Just I want to get the idea.

Sandeep Sonawane: It is in both ways. It is always both ways because we have 100 people, now come from various backgrounds. So some of the companies approach us. And of course, there is a team which is actually going out, especially first.

Moderator: The last question for today is from Shreyans Mehta, which is a follow-up question, from Equirus. Please go ahead.

Shreyans Mehta: Thanks for the opportunity. So first is on the employee cost. So is the large part of increase in employee cost primarily because of the new additions which we made during the quarter?

Giya Diwaan: Yes. Two factors, Shreyans. One is the annual increment, which happens year-on-year, and the other one is the investment in the new employee workforce.

Shreyans Mehta: Perfect. So what would be the sustainable employee expense number which we should be looking at, closer to say INR 88.5 crores?

Giya Diwaan: I mean we have not yet stopped. I mean there is more expansion. As Liberatha was also mentioning in her speech, we would be investing in the manpower. So it is not yet final numbers in Q1.

Shreyans Mehta: Got it. Sure. And one more clarification. When we say we added five new airports under our bouquet, so just trying to understand because we already have 100% coverage. So is it that these airports were there and they didn't have lounges? How should one look at it?

Liberatha Kallat: Yes. So these airports do not have lounges. So as and when there are new ones coming up in the airports, we actually include them in our network.

Shreyans Mehta: Got it. Sure. And last, if you could, just a bookkeeping number, what is the cash on the books as on date?

Giya Diwaan: Cash as of 30th June, is INR81 crores.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Ms. Liberatha Kallat for our 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 E&Y. On behalf of the company, I thank you all once again for your time and participation. Do take care of yourselves, and goodbye. 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.