



SMC Ranking

★ ★ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	Airport service
Offer for sale (Shares)	1,72,42,368
Net Offer to the Public	1,72,42,368
Issue Size (Rs. Cr.)	531-563
Price Band (Rs.)	308-326
Offer Date	24-Aug-22
Close Date	26-Aug-22
Face Value	2
Lot Size	46

Issue Composition

	In shares
Total Issue for Sale	1,72,42,368
QIB	1,29,31,776
NIB	25,86,355
Retail	17,24,237

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	67.00%
QIB	0.00%	24.75%
NIB	0.00%	4.95%
Retail	0.00%	3.30%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company will not directly receive any proceeds from the Offer and the entire Offer Proceeds will be received by the Selling Shareholders, in proportion to the Offered Shares sold by the respective Selling Shareholders as part of the Offer.

Book Running Lead Manager

- Equirus Capital Private Limited
- Motilal Oswal Investment Advisors Limited
-

Name of the registrar

- Link Intime India Private Limited

About the company

DreamFolks is a dominant player and India's largest airport service aggregator platform, an incubator of the industry with its unique, asset light, capital efficient business model. It commands a market share of over 95% of all India issued credit card and debit card access to airport lounges in FY 2022 and accounted for around 68% of the overall lounge access volume in India. As on March 31, 2022 through its partnerships with other service providers, the company has a global footprint extending to 1,416 Touch-points in 121 countries across the world (covering 536 cities) out of which, 244 Touch-points are present in India and 1,172 Touch-points overseas.

Revenue Model of the company

The significant share of revenue is on per pax basis which is recognized through the swipe or tap of credit / debit card by the Consumer on its platform. Under this arrangement, the company charges a specified fee from the Client for each instance of use of its Services by the Consumers i.e. a pre-determined amount is charged on a Consumer availing the Service. In addition, it also levy annual membership fees, integration cost, platform fee etc. the client counts includes, global card networks such as Visa, Mastercard and Diners/Discover, Card Issuers such as ICICI Bank Limited, SBI Cards and Payment Services Limited, HDFC Bank Limited (in respect of debit card lounge program), Axis Bank Limited, Kotak Mahindra Bank Limited, and RBL Bank Limited. It also count sector leading corporate Clients such as Interglobe Aviation Limited, Go Airlines Limited, Air Asia (India) Limited, Vodafone Idea Limited, Jet Privilege Private Limited, Hettich India Private Limited, Easy Trip Planners Limited and Mahindra Holidays and Resorts India Limited as its clients.

Strength

Dominant player in the airport lounge aggregation industry in India with strong tailwinds: The company's dominant position is underpinned by its estimated market share of over 95% in Fiscal 2022 of all India issued Card Based access to domestic lounges in India. Moreover, it has coverage across 54 operational airport lounges constituting 100% of airport lounges in India, as at March 31, 2022. Further, as at March 31, 2022, it had exclusivity to provide access to 12 domestic lounges across 11 airports in India constituting around 22.22% of the total access of the domestic lounges for India issued credit cards and debit cards. Further, in Fiscal 2022, it catered to approximately 68% of the overall lounge traffic in volume across all lounges in Indian airports (both the domestic and international lounges). The primary drivers for growth in the industry are growth in the number of passengers using air-travel & Increase in airport lounge usage by passengers.

Entrenched relationships with marquee Clients including global card network providers in India and prominent Indian and global banks and corporates: It has tie-ups with all the 5 Card Networks operating in India including Visa, Master Card, Diners/Discover and RuPay. Further, some of India's largest Card Issuers are also among its key clients including ICICI Bank Limited, Axis Bank Limited, Kotak Mahindra Bank Limited, HDFC Bank Limited (in respect of debit card lounge program) and SBI Cards and

Payment Services Limited. In Fiscal 2022, it enjoyed over 95% market share in the India issued Card Based transactions for lounge access. In addition, it also has tie-ups with some of India's prominent corporates including airline companies, telecommunications company, OTA, loyalty aggregators, and other corporates such as Interglobe Aviation Limited, Go Airlines Limited, Air Asia (India) Limited, Vodafone Idea Limited, Jet Privilege Private Limited, Hettich India Private Limited, Easy Trip Planners Limited and Mahindra Holidays and Resorts India Limited. This enables it to broaden its customer base. It has also provided meet-and-assist solutions to a pan-India hospital chain.

Strong business moat due to flywheel effect led by Clients and Operators network: Given its dominant position in the airport lounge access market, it has been successful in building a bridge between its Clients and airport lounge Operators. Its position in the industry enables it to create interdependencies for its service offerings through its unique value proposition enabling it to attract newer clients and Operators, which helps it further, strengthen its position in the market.

Ability to capitalize on growing Consumer base with no associated costs of direct Consumer acquisition: The Company is able to capitalize on the growing consumer base of air traffic passengers and card users without incurring any direct, consumer acquisition cost. Given the nature of its business model, the acquisition of the Consumers is done by its Clients. The accretion in its Consumers occurs with a growth in (a) its Client base, (b) the number of outstanding credit cards and debit cards, (c) frequency of lounge access. With Client accretion, and more importantly, the expected increase in the number of outstanding cards and the frequency of lounge access, the number of Consumers we can service increases. As its primary revenue model is on a per Pax basis the aforementioned increase in footfalls witnessed an increase in its consolidated revenue from operations which increased from Rs. 105.63 crore in Fiscal 2021 to Rs 28. Crore in Fiscal 2022. This combined with no direct Consumer acquisition cost reduces its cost of services and results in higher profitability.

Asset and human resource light business model with a strong track record of delivering consistent growth: Its business model, by design, is asset-light and its ability to scale up its business requires minimal incremental capital deployment resulting in high operating leverage. This is one of the key reasons that it has a strong track record of delivering consistent growth along with high capital efficiency. As at March 31, 2022, its work force comprised 60 full time employees including its senior management team. Its technology and employee related expenses during Fiscal 2022, Fiscal 2021 and Fiscal 2020, was Rs.17.34 crore, Rs. 14.75 Crore and Rs. 18.87 Crore, constituting 6.58%, 13.62% and 5.82%, respectively, of its total consolidated expenses.

Strategies

Increase wallet share with existing Clients: The Company intends to focus on increasing its wallet share with its existing Clients by identifying cross-selling opportunities that its diversified set of Services offer. It plans to continue to nurture its relationships with its Clients, to expand its association beyond airport lounge services to the full bouquet of Services that it offers including F&B, spa and 'meet and assist' and increase their contribution to its total revenue from operations. It plans to increase the stickiness of its Clients through deeper integration of their systems with its platform, which will allow it to generate recurring revenue and aid the aim to increase its wallet share from each Client.

Continue to maintain 100% coverage of airport lounges by expanding its coverage across new airport lounges in India: As at March 31, 2022, it has coverage across 54 operational airport lounges constituting 100% of airport lounges in India. However, the number of lounges in India is expected to grow to 295 lounges by 2040. It plans to consistently establish new relationships or extend existing relationships as and when the opportunity arises to capitalize on the expected growth

in airport lounges driven by inter alia the growing air traffic and passenger traffic, development of new airports and government initiatives. It will continue to strive to maintain its 100% coverage of airport lounges by expanding its coverage across new airport lounges.

Expanding into newer sectors to create customer engagement and provide loyalty management solutions: In addition to specific solutions for Card Networks and Card Issuers and the other sectors it caters to, it also wants to focus on customer engagement and loyalty solutions for Corporate Clients and build specific solutions for, amongst others, loyalty companies, e-commerce companies, new age digital companies, companies in the hospitality sector, and neo banks. It also plans to create ancillary revenue opportunities for Clients in the online travel agency and airlines industries.

Capitalize on dominance in the airport lounge access market and target new high growth markets globally: It has an established presence amongst its Clients, and its technology driven solutions are one of the key elements that enables it Clients to provide value added services to the Consumers as a part of their customer engagement and loyalty management programmes. It provides lounge access across all the operational lounges at airports in India. While it is dominant in India with a share of over 68% of the overall lounge traffic in volume across all lounges in Indian airport, it believes that there is a significant scope to augment its service offerings to Card Networks and Card Issuers and to that end it has launched its other Services. Further, in June 2021, it augmented its service offering by adding airport baggage transfer to its spectrum of services. It plans to replicate its deep knowledge of the industry, technology innovation, process expertise, and business model across new high growth markets. The company is in the process of leveraging its well-entrenched relationships with its global Clients for expanding its footprint to geographies like the CEMEA (Central and Eastern Europe, Middle East, and Africa) and South-East Asia.

Continue to invest and leverage its technological platform and ability to offer bespoke solutions and deep integration as a differentiator: It intends to continue to develop bespoke solutions for its Clients using its platform that focus on both maximising the value for the Consumer, and better manage the overall program and engagement cost for the Client. Its technology driven solutions and tools are geared inter alia towards providing its Clients the option of tailoring and creating different products for the Consumers. It intends to focus on improving the ability for its Clients' product managers to design customised solutions using its platform toolset, reduce time to market for them, focus on consumer experience, and track effectiveness and usage of such programs.

Risk factor

- The company's success is dependent on its long term relationship with card networks and card issuer financial institutions which on average is 98.98% of its total revenue in the last 5 years.
- The company's success also dependent on its relationship with airport lounge operators which on average is 98.5% of total revenue in last 3 years.
- The company's operations are heavily dependent on the travel industry. Any down trend in this industry can pose high risk to the business.

Peer comparison

As per the DRHP, there are no listed companies in India that engage in a business similar to that of the company. Accordingly, it is not possible to provide an industry comparison in relation to the company.

Industry Outlook

The Indian market is expected to grow at almost 6X from around 175 million air travelers in 2019 to around 1 billion travelers in 2040 as compared to the expected global growth of 2X to a total of 10 billion passengers in 2040. The Indian aircraft fleet is also expected to grow 3X and reach around 2200 aircraft by 2040. The Indian growth scenario is supported by various factors such as government initiatives, infrastructure improvement, increase in demographic dividend, increase in per capita income and the GDP growth as discussed in earlier sections of the report. The Indian domestic air travel passenger is expected to grow at a CAGR of around 36% and surpass 280 million between 2021-2025. The international Indian air travel market is expected to almost grow at 31% CAGR between 2021-2025. In the long term the domestic market is expected to grow at a CAGR of around 14% and the international market is expected to grow at around 15%. The total Indian travel market is expected to surpass 1 billion by 2040.

Outlook

The company is the first mover enjoying a unique place in the segment. Given Dreamfolks Services' dominant position in the airport lounge access market, it has been successful in building a bridge between its clients and airport lounge operators. The Company has ability to capitalize on growing Consumer base with no associated costs of direct Consumer acquisition. On the flip side the company revenues have dropped in the last 3 years. Even the margins are on declining mode.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	24-Aug-22
BID/ISSUE CLOSES ON	26-Aug-22
Finalisation of Basis of Allotment with the Designated Stock Exchange	01-Sep-22
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	02-Sep-22
Credit of Equity Shares to demat accounts of Allottees	05-Sep-22
Commencement of trading of the Equity Shares on the Stock Exchanges	06-Sep-22

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	31-Mar-22 (12 Months)	31-Mar-21 (12 Months)	31-Mar-20 (12 Months)
Revenue from Operations	282.50	105.63	367.04
Total expenditure	255.25	100.93	318.20
Operating Profit	27.25	4.71	48.85
OPM%	9.65	4.46	13.31
Other Income	1.49	2.48	0.77
PBDIT	28.74	7.18	49.61
Depreciation	2.13	1.55	1.59
PBIT	26.61	5.63	48.03
Interest	6.13	5.83	4.47
Profit before tax	20.48	-0.20	43.56
tax	4.22	1.25	11.87
Profit After Tax	16.25	-1.45	31.68

* 31st March 2020 is restated Standalone Statement

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-22	As on 31-Mar-21	As on 31-Mar-20
Non-current assets			
Property, plant and equipment	2.98	3.83	5.29
Capital work in progress	0.00	0.04	0.64
Intangible assets	4.55	0.26	0.12
Right of use assets	6.42	7.37	0.00
Investment property	1.79	27.10	0.00
Financial assets			
Other financial assets	2.72	2.47	2.58
Deferred tax assets (net)	1.24	0.78	2.10
Other non-current assets	21.01	18.66	10.57
Total Non - current asset	40.70	60.51	21.31
Financial Assets			
Financial assets			
Trade receivables	90.66	39.55	68.52
Cash and cash equivalents	1.10	10.00	32.13
Other bank balances	13.47	0.00	0.00
Other financial assets	8.27	5.09	2.86
Other current assets	6.20	1.90	5.68
Current tax assets	8.29	5.46	7.27
Total non-financial assets	127.99	61.99	116.45
Total Assets	168.68	122.50	137.76
Liabilities			
Non - current liabilities			
Borrowings	1.02	1.29	2.01
Lease Liabilities	6.43	6.33	0.00
Provisions	1.70	1.84	2.22
Total non - current liabilities	9.15	9.45	4.23
Current liabilities			
Financial liabilities			
Borrowings	0.25	0.73	1.08
Lease Liabilities	0.55	1.11	0.00
Trade payables	71.31	30.89	56.14
Other financial liabilities	1.40	2.66	5.33
Other current liabilities	3.58	13.01	5.35
Provisions	0.28	0.34	0.11
Total current liabilities	77.37	48.75	68.01
Total Liabilities	86.52	58.20	72.25
Net worth represented by:			
Share capital	10.45	4.75	4.75
Other Equity	71.72	59.55	60.76
Net Worth	82.17	64.30	65.51

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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