



IPO Report

23rd Aug' 22

Snapshot

The main business model of DreamFolks is to act as a service provider between the lounge operators on one side, and banks, card networks, airlines and corporates on the other end. DreamFolks acts as vital link for banks for their credit & debit card sales and customer engagement programs, and airlines to manage customer loyalty and retention. DreamFolks is a dominant player that has 100% lounge coverage in India with significant exclusivity for India issued credit and debit card programs in key locations.

VALUATION

Company is bringing the issue at price band of Rs 308-326 per share at p/e multiple of 104x on FY22 PAT basis.

Company being dominant player in the airport lounge aggregation industry in India with strong tailwinds. Company has entrenched relationships with marquee Clients including global card network providers in India and prominent Indian and global banks and corporates. Also company has strong business moat due to flywheel effect led by Clients and Operators network. Company has ability to capitalize on growing Consumer base with no associated costs of direct Consumer acquisition along with asset and human resource light business model with a strong track record of delivering consistent growth.

Hence . looking after all above ,we recommend “Subscribe” on issue.

Price Band (Rs./Share)	308-326
Opening date of the issue	24th Aug 2022
Closing Date of the issue	26th Aug 2022
No of shares pre issue	141,410,956 Eq Shares
Issue Size	Rs 562 Cr
Offer For Sale	17,242,368 Equity Shares
Face Value (Rs/ share)	2
Bid Lot	46

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 12931777 Eq Shares)
Non-Institutional	15% of the offer (Approx 2586355 Eq Shares)
Retail	10 % of the offer (Approx 1724236 Eq Shares)
Lead managers	Equirus Capital, Motilal Oswal Investment Advisors
Registrar to the issue	Link Intime India Pvt. Ltd.

WHAT WE LIKE

Dominant player in the airport lounge aggregation industry in India with strong tailwinds

Company is the largest and dominant airport lounge access provider in India. In Fiscal 2020, of the total Indian domestic lounge access, around 80% was through India issued credit cards and debit cards. Company’s dominant position is underpinned by estimated market share of over 95% in Fiscal 2022 of all India issued Card Based access to domestic lounges in India. Moreover, company have coverage across 54 operational airport lounges constituting 100% of airport lounges in India, as at March 31, 2022. Further, as at March 31, 2022, company 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.

Entrenched relationships with marquee Clients including global card network providers in India and prominent Indian and global banks and corporates

Company have 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 company’s 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, company enjoyed over 95% market share in the India issued Card Based transactions for lounge access.

Asset and human resource light business model with a strong track record of delivering consistent growth

Company’s 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 company have a strong track record of delivering consistent growth along with high capital efficiency



COMPANY BACKGROUND

Dreamfolks Services Ltd is a dominant player and India's largest airport service aggregator platform facilitating an enhanced airport experience to passengers leveraging a technology driven platform . Company's asset-light business model integrates global card networks operating in India (Card Networks), credit card and debit card issuers (Card Issuers) and other corporate clients, in India, including airline companies (Corporate Clients and along with Card Networks and Card Issuers, the Clients) with various airport lounge operators and other airport related service providers (collectively, the Operators) on a unified technology platform

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Key Performance Indicators

Industry	Fiscal 2022	Fiscal 2021	Fiscal 2020	Fiscal 2019	Fiscal 2018
No of direct touch-points	1416	587	223	239	107
a. In India	244	223	223	239	107
b. Overseas	1172	364	0	0	0
No of cities covered	536	219	57	57	23
No of countries covered	121	59	1	1	1
No of Clients	50	43	38	26	14



INVESTMENT RATIONALE	
<i>Strong business moat due to flywheel effect led by Clients and Operators network</i>	Given company's dominant position in the airport lounge access market, company have been successful in building a bridge between its Clients and airport lounge Operators. Company's position in the industry enables it to create interdependencies for its service offerings through its unique value proposition enabling company to attract newer clients and Operators, which helps company further strengthen its position in the market. For its Clients, company's comprehensive airport lounge coverage in India and a single point access to all lounge operators in India is a vital link to manage customer loyalty and retention / enables them to provide Consumers value added services as part of their customer engagement and loyalty management programs.
<i>Ability to capitalize on growing Consumer base with no associated costs of direct Consumer acquisition</i>	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 company's business model, the acquisition of the Consumers is done by company's Clients. For company's Clients, providing access to airport lounges to Consumers is increasingly becoming a key aspect of their card sales and customer engagement programs, and company's Clients leverage its technology driven solutions and platform to provide these value added services to the Consumers as part of their customer engagement
<i>Proprietary technology platform that ensures scalability</i>	One of the key aspects of company's business model is a strong focus on technology. Company's technology platform is aimed at ensuring that all entities on or availing of company's platform i.e., Client, Operators and Consumer, have a 'hassle-free' experience. Company's platform addresses aspects such as benefits calculation and accounting, provides real time visibility of transactions to Clients and Consumers, reduces potential fraud and abuse, as well as provide the platform for Clients to run usage and spend based campaigns for their users. Company leverage its configuration-driven extendible platform with solution templates for flexibility, reliability and customization, to provide solutions for multiple access models. Company's hybrid model enables omni-channel access for Card Based transactions, through membership cards, and also facilitates digital access like its Client's banking apps (called 'in-app'), or DreamFolks mobile Application
<i>Experienced promoters and management team with strong domain expertise</i>	Company's Promoters have led from the front in establishing and growing its business and operations capabilities. Company's senior management group comprises Chairperson and Managing Director, Liberatha Peter Kallat, Chief Technical Officer (CTO) and Executive Director Balaji Srinivasan, and Chief Financial Officer (CFO) Giya Diwaan. Each member of company's senior management team has over 2 decades of experience in different aspects of its business operations and across industries sectors.



OBJECTS OF OFFER

The objects of the Offer are to carry out the Offer for Sale of up to 17,242,368 Equity Shares by the Selling Shareholders with the benefits of listing the Equity Shares on the Stock Exchanges.

RISKS

Company's success is dependent on its long-term relationship with card networks and card issuer financial institutions, which on average contributed 98.98% of company's total revenue from the operations during the Fiscals 2022, 2021 and 2020. This exposes company to risk emanating from the inability to retain its established card networks and card issuer companies as company's clients.

Company is heavily reliant on a few Clients, and company derive a significant part of company's revenue from lounge access related services and from select Clients. Company's top 5 Clients on an average contributed 84.91% of its total revenue from operations during Fiscal 2022, Fiscal 2021 and Fiscal 2020. Any instance of termination of company's contract with any of its top 5 Client in future will have a significant impact on company's revenue

Source:RHP

INDUSTRY OVERVIEW

Indian Lounge Access Aggregator Market Forecast FY 2023- FY 2030 (In Volume (Passenger (Pax) Million)) The lounge access aggregator market was studied by Frost & Sullivan, using both secondary and primary research methods. The methodology for estimating the market is as given below: Step 1- The number of lounge users were estimated at 5.2 million passengers for the year FY 2022 this includes both international and domestic passengers. Step 2- The number of India issued credit card-based lounge access is estimated at around 80% for Indian domestic lounges and around 40% for Indian International Departure lounges. Step 3- DreamFolks accounts for almost 95%-97% of this India issued credit and debit card segment due to its tie-up with all of the aforementioned card networks such that most transactions undertaken by customers in airport lounges happen on the Dreamfolks platform.



Consolidated Financials

(Rs in Mn)

Financials	FY20	FY21	FY22
Total Revenue (A)	3670.43	1056.33	2824.98
Total Expenditure (B)	3219.58	1060.11	2599.53
EBIDTA	450.85	-3.78	225.45
EBIDTA Margin	12.28	-0.36	7.98
Other Income	7.65	24.76	14.91
Depreciation	15.88	15.54	21.29
EBIT	442.62	5.44	219.07
Interest	7.05	7.45	14.31
PBT	435.57	-2.01	204.76
Tax	118.74	12.49	42.24
PAT	316.83	-14.50	162.52
NPM	8.63	-1.37	5.75
ROE %	48.36	-2.26	19.78
EPS	13.34	-0.61	3.11
Eq Cap	47.50	47.50	104.50
Net Worth	655.12	642.99	821.65

(Source: RHP)

Peer Comparison

Revenue of key players (In INR Crores)	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
<i>DreamFolks</i>	<i>98.7</i>	<i>165.6</i>	<i>249</i>	<i>364.8</i>	<i>108.11</i>	<i>282.4</i>
DragonPass	589	825	1155	NA	NA	NA
Priority Pass	2516.10	3455.2	3998.7	4181.5	1093.20	NA

(Source: RHP)



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