

DREAMFOLKS SERVICES LIMITED

11-08-2023

Industry: Airport & Airport Services
 Recommendation: Accumulate

Cmp: ₹ 562.55

Key Data

BSE Code	543591
NSE Code	DREAMFOLKS
52 Week High (₹)	846
52 Week Low (₹)	348
Market Cap (₹ Cr)	2982.97
Face Value	2

Q1FY24 Financial Analysis:

The company has reported a revenue of ₹ 266 Cr, reflecting a YoY growth of 66% and a QoQ growth of 12%. The domestic passenger traffic has risen to 38.6mn from 37.5mn in Q4FY23, marking a 3% QoQ increase, and from 32.5mn in Q1FY23, indicating a robust 19% YoY rise. Dreamfolks' passenger count has elevated to 2.6mn from 2.3mn in Q4FY23 (3% QoQ increase) and 1.8mn in Q1FY23 (44% YoY increase). The revenue distribution between domestic and international segments was 74:26.

The cost of services has surged to ₹ 238 Cr, a 76% increase primarily attributed to a one-time fee. The customary cost escalation, usually at 5-8% per annum, escalated to 15% in Q1. Furthermore, the time gap between contracts among lounge operators and clients (April and August) has negatively impacted the company's gross margin, which stands at 10.67%, indicating a 505 bps YoY decrease and 719 bps QoQ decrease. Employee expenses have surged by 93% YoY and 44% QoQ. EBITDA stands at ₹ 176 Cr, marking an 8% YoY decline and a substantial 48% QoQ decrease. EBITDA margins for Q1FY24 were 6.62%, reflecting a 536 bps YoY reduction and a significant 756 bps QoQ decrease. The Profit After Tax (PAT) stands at ₹ 130 Cr, down by 4% YoY and a notable 49% QoQ decline. PAT margins for Q1FY24 were 4.87%, indicating a 352 bps YoY decrease and a 577 bps QoQ decrease. The company's profitability margins have been impacted by increased cost of sales, inability to fully transfer escalation, and the booking of ESOP costs amounting to ₹ 1.2 Cr for this quarter, which is projected to be ₹ 6 Cr for FY24.

Management Guidance

- The management projects a 55-60% growth in topline for FY24.
- Gross Margin is anticipated to remain within the 11-13% range.

Recent Updates

- Dreamfolks has established a collaboration with Plaza Premium Group, a leading global airport hospitality provider. This partnership introduces over 340+ Plaza Premium Lounges from major international airports into the DreamFolks global lounge network. The enhanced travel experience will be available to members worldwide starting July 24, 2023.
- The company has introduced new services:
 1. Teaming up with VFS Global, the world's largest travel visa facilitator, DreamFolks offers access to premium lounges at VFS Visa Centres across India. These lounges, available at all 16 VFS VISA centers, ensure seamless end-to-end visa processing, providing a serene and comfortable environment for applicants. Moreover, Visa at Your Doorstep (VAYD) services allow customers to conveniently submit visa applications from their homes or offices.
 2. E-Sim Solutions for International Travelers: In partnership with leading E-SIM solution providers like Matrix, DreamFolks presents a hassle-free option for immediate international connectivity through E-SIMs, eliminating the need for physical SIM cards and delays in connectivity. This service offers affordable International SIM Cards for global destinations.

Industry Snapshot

Customers	Open
Market Presence	Global
Govt Regulations	Medium
Msearch View	Positive

Shareholding June 2023

Promoters	66.02%
Public	33.98%

Promoters/ Management

Ms. Liberatha Peter Kallat	ED & MD
Mrs. Balaji Srinivasan	ED & MD
Giya Diwaan	CFO
Mr. Mukesh Yadav	Non-Exe Director

Key Ratios

PE	41.28
PB	26.81
EPS	13.68
RoE	64.96

Price Chart



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Mview

We continue to believe that Dreamfolks occupies a well-positioned and dominant role within the domestic airport service aggregation platform, functioning as an industry incubator with a distinctive, capital-efficient, and asset-light model. The company's margins have been affected by a one-time fee, subsequently impacting its profitability margins. In a strategic move towards diversification, Dreamfolks is focusing on providing comprehensive travel services by collaborating with VFS Global for visa services and Matrix for e-SIM solutions. Moreover, the company's geographic expansion efforts are evident through its partnership with Plaza Premium Group, granting access to over 300+ lounges (including railways) across four continents. This strategy enhances business diversification and fosters multiple revenue streams. There is high barrier to entry as they have 100% lounge coverage across India and has strong relationship with clients as well as lounge operators. The company is also a net-debt free company and requires minimal incremental cost for expansion. Hence, we remain positive on the long term growth of the company and recommend investors to use this dip as an opportunity to accumulate.

About the Company:

Dreamfolks Services Limited (DFSL) is the largest airport service aggregator platform in India. It is a market leader and has over 95% of the market share for all credit and debit cards issued in India. The company has 100% market share in facilitating access to the 58 lounges that are now operating in India. It provides travellers with an improved airport experience by utilising a technology-driven platform. By integrating international card networks, card issuers, and other corporate clients in India—including airline corporations with a variety of airport lounge operators and other service providers for the airport industry—onto a single technology platform, the company operates under an asset-light business model. Customers of DFSL's clients can enjoy airport-related services like lounges, food and drink options, spa treatments, pick-up and drop-off services. The convergence of its dominant market position, main Client base, extensive presence in the airport lounge market in India and diverse service offerings helps create a network flywheel effect.

FINANCIAL OVERVIEW:

Particulars (in ₹ Cr)	Jun-23	Jun-22	YoY	Mar-23	QoQ
Revenue from Operations	2663	1603	66%	2378	12%
Expenses:					
Cost of Services	2379	1351	76%	1953	22%
Gross Profit	284	252	13%	425	-33%
Gross Margin	10.67%	15.71%	-5.05%	17.86%	-7.19%
Employee Benefit Expense	74	38	93%	51	44%
Other Expense	34	21	58%	36	-6%
Total Expense	2487	1411	76%	2040	22%
EBITDA	176	192	-8%	337	-48%
EBITDA Margin	6.62%	11.98%	-5.36%	14.18%	-7.56%
Other Income	11	2	435%	14	-22%
Depreciation	9	8	5%	9	-7%
EBIT	178	186	-4%	342	-48%
EBIT Margin	6.70%	11.60%	-4.90%	14.37%	-7.68%
Interest	2	3	-36%	2	25%
PBT	176	182	-3%	340	-48%
Tax	47	48	-3%	87	-46%
PAT	130	134	-4%	253	-49%
PAT Margin	4.87%	8.38%	-3.52%	10.64%	-5.77%



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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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