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:** 31st October, 2023

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

**Subject- Transcript of earnings call conducted on 25th October, 2023**

Dear Sir/Madam,

In continuation of the earlier communication regarding Q2 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 Q2 FY '24 earnings conference call conducted on 25th October, 2023.

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: 2023.10.31 16:19:35 +05'30'

Dreamfolks Services Limited

**Rangoli Aggarwal**
**Company Secretary and Compliance officer**

# "Dreamfolks Services Limited
# Q2 FY2024 Earnings Conference Call"

## October 25, 2023

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on October 25th, 2023, will prevail.

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

**Moderator**: Ladies and gentlemen, good day and welcome to Dreamfolks Services Limited Q2 FY24 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. Today on this call we have with us Ms. Liberatha Kallat – Chairperson and Managing Director, Ms. Giya Diwaan – Chief Financial Officer, Mr. Balaji Srinivasan, Chief Technology Officer and Executive Director 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**: Good evening, everyone, and thank you for joining us on the Q2 FY24 Earnings Conference Call to discuss the company's operational and financial performance. We hope you all have had the opportunity to go through our investor presentation and press release that has already been uploaded on the stock exchange and our website.

For those who are new to Dreamfolks story, we are India's leading airport and lifestyle service aggregator having pioneered the concept of airport lounge access in India and enjoy a market share of over 90% in the card based domestic lounge access in India and a 100% lounge coverage across Indian airports.

We provide an in-house proprietary technology platform that allows our clients to create custom service offerings for their end customers. Our company has a global footprint extending to over 1500 touch points in over 100 plus countries. Over the years, we have ventured into additional value-added services like Meet and Assist, Golf Games and Lessons, Airport Transfer, Visa at your doorstep, Spa Services, Airport Dining and Transit Hotel, Nap Room Access and many other services. We are focusing on these value-added services both in terms of the number of services and their share in the overall revenue pie. We have also been tapping into more geographies by partnering with global lounge players like Aspire Lounges and the Plaza Premium Group.

Now let me turn your attention to the performance of the quarter. Our Q2 revenues came in at Rs. 282 Crores, which was a 6.1% sequential increase over the Q1 FY24 revenues of Rs. 266 Crores. Gross profit came in at Rs. 35 Crores, which translated to a 12.41% gross margin and an increase of 1.74% over the gross margins of the last quarter. The profit after tax was Rs. 18 Crores, translating to a net profit margin of 6.25%, an increase of 1.39% over the last quarter. Last quarter, we discussed the difference in timing between cost increases for lounge operators and the price changes for our customers. I am pleased to report that this mismatch has now started to correct itself, which is why our margin has begun to improve on a sequential basis.

In terms of some general business highlights for the quarter. We have started providing golf as part of our service offerings to a few of our clients. This is a positive step in our efforts to diversifying our revenue mix and increasing the wallet share of other services. In addition to this, we have also entered into the Malaysia market, thereby spreading our wings in another Southeast Asia country. We have also collaborated with the leading visa service provider to offer premium lounges at visa processing centers and doorstep visa services. This strategic partnership marks a significant milestone for DreamFolks as these services will enhance the tailor-made offerings to augment DreamFolks client’s card loyalty program, and card value proposition.

Now, let me touch upon an important structural change that is happening in the cards industry. Some of you might have read news articles that few banks are changing the program structure of the benefits on the card programs. What used to be a blanket card benefit for customer is slowly being changed to spend based structure by such banks. For the lounge benefit, this would imply that there is a threshold spend by the customer on the category of the card, on the credit or the debit card, to get the usage of lounge services. The broader change put forth by the banks will be visible beginning November-December. At an industry level, this optimization of benefits of non-premium cards may have a short-term impact on these non-premium card sales. However, on the flip side, we expect travelers who are specifically looking on a premium benefit, such as lounge access will shift to premium cards that offer this facility. We believe consumers will get a chance of upgrading cards within the same bank offering or shift to other competitors. Realistically, the change to a premium offering might take a quarter or two to manifest from consumer awareness to applying and sanctioning the new cards. Due to this change, while in the short run we expect a reduction in the revenue trajectory, we believe that for the longer-term, the move to a spend-based benefit mechanism will be sustainable for all the stakeholders concerned. We expect the impact of the changes made by various card issuers to be visible starting November-December. Given the evolving nature of the specific changes made on the various categories of card, it would be premature on our part to quantify the impact at this moment. We expect that our previous guidance would have to be revised. And, where does our confidence on the long-term growth can come? It is a combination of many factors. But I would like to highlight a few that are driving this unique industry forward. The first factor is travel that is driving growth. The travel industry is expected to continue to grow at a CAGR of 9% and expected to reach $125 billion by FY27 from $75 billion in FY20, driven by factors such as rising Middle Class, increase urbanization and a shift in consumer preferences towards the travel and new experiences. Despite being seasonally modest quarter for the industry, the domestic passenger data from the DGCA showed that the traffic this quarter grew by more than 20% year-on-year driven by an improvement in both business and leisure travel.

Next, the credit card industry in India is expected to experience significant growth as the number of credit cards are expected to grow by 33 times in the next two decades. This will be driven by increasing shift towards digital payments. According to industry reports, online card usage has already reached 60% of the total card spending primarily in the hospitality, travel and leisure and the consumer durable sectors. However, credit card penetration in India remains low at around 5.5%. This presents a significant opportunity for growth as consumers attitudes and behavior towards credit cards continue to evolve. As the industry continues to witness robust demand, DreamFolks is well positioned to capitalize on the growth opportunity supported by the industry tailwind. The good thing for us is that all our clients are implementing these spends and usage models using our proprietary technology, which further increases a deep integration with our clients. Our technology continues to be one of our greatest strengths and our team has built a platform which is deeply integrated into our clients' operations, which also adds to the long-term sustainability of the business. The platform and the technology is cloud based and is aimed at providing our clients and their end consumers the visibility of the benefits, provide access to such benefits, a choice of access mechanism using a host of services while getting an excellent consumer experience and this superior technology stack on the multiple modes we have at our company. Through our platform, we allow lounges and other operators to check the benefits of the consumer based on the cards, memberships or vouchers and also allow access to the different facilities based on the benefits or integration as per our clients. Our next phase of growth is predicated on a multi-faceted approach. We will persist in the endeavor to promote and enhance our offerings to our clients, leveraging the introduction of premium services.

I would now request Sandeep to give an update on the business front.

**Sandeep Sonawane**: Thank you, Liberatha. I am happy to announce that we have got our first major client for our recently launched eSIM services, where the consumer of our client will get access to a free eSIM for valid cards. We also continue to see good traction in other services. During the quarter, we have also formed a strategic partnership with the leading visa service provider to offer premium lounges at visa centers. Moreover, we will also be able to provide doorstep visa services which will allow customers to conveniently submit their visa application from the comfort of their homes or offices. Further, as Liberatha mentioned, we have also started providing golf services to some of our clients in this quarter including one of the biggest card issuers in the country. Through this offering the customer of a client can arrange their golfing excursions and lessons simply by giving a call to the dedicated concierge services. We also expanded our global footprint by entering Malaysia market with technology solutions by offering our card-based lounge benefit management. This is a very different type of model where the lounge operator, in addition to being a service provider, also acts as a client to provide such benefits to their customer base. These efforts are testament to our customer centric approach that we follow in all our efforts. We are constantly developing strategies around scaling of the current services and are on lookout for bringing on newer services to our spectrum of services.

Another aspect we are extremely focused on is diversifying in terms of geography. This will not only increase our brand identity globally, but also enable our current customers in India to access lounges across the world. We continue to be on the lookout for opportunities to spread our wings like our collaborations with leading organizations like Plaza Premium Group and Aspire Lounges.

In addition to this, we are also looking at diversifying in terms of client mix and are actively adding enterprise setup to our client base by providing a tailor-made solution to them compelling value proposition for their client and stakeholders. Thus, we aim to expand into newer sectors to create customer engagement and provide loyalty management solutions to derisk or reduce our dependency on one type of a client.

Finally, with regards to our models, our continuous evolution aims to ensure our readiness for the future. We are dedicated to furnishing our clients with bespoke solutions whether through advisory services or by crafting tailor made solutions and product offering that precisely align with their requirement.

For an update on technology front, I would like to invite Balaji to take it forward.

**Balaji Srinivasan**: Thank you, Sandeep. Regarding our tech infrastructure, our proprietary platform has been developed internally with the primary objective of delivering the seamless experience to our clientele. Leveraging this technology, we possess the capability to design advanced custom-tailored products and solutions for our clients. This approach allows us to enhance the spending habits of our clients by offering precisely targeted products in presenting a high-quality value proposition rather than a one size fits all solution. As Liberatha mentioned, we are observing an industry trend where many of our clients are looking to implement spend and usage-based solutions and we are seeing rapid adoption of our spend and usage-based solutions by our clients to optimize the TCO of the product offerings and also launch new product initiatives. Now, consistent with our asset light philosophy and operational strategy, our entire system is cloud based. This infra enables operators and other partners to promptly assess the benefits available to consumers and grant access to services based on their eligibility. This not only facilitates accurate accounting, but also serves as a deterrent to system misuse ultimately improving customer experience and service by reducing unjustified demands. A notable feature of our platform is its user-friendly benefit configuration and management capabilities. We offer integration options and data exchange APIs for our partners, making our services accessible through various channels including credit cards, debit cards, card issuer apps, our proprietary app, self-check-in kiosks, web-based products, the normal bill access domain. Furthermore, we empower banks to seamlessly integrate benefits into their own applications ensuring a seamless experience for end consumers. We have also introduced GolfKlik to a client's platforms and the golf services are also seamlessly integrated into the reinforced platform. In conclusion, to reiterate what Liberatha mentioned, our tech represents our most significant asset, and we maintain our commitment to invest in and to ensure unparalleled quality, agility, minimal downtime and as a result to differentiate ourselves from competitors.

Now I handover the call to Giya for an update on the financial performance.

**Giya Diwaan**: Thank you, Balaji. Good evening, everyone. Let me quickly take you through our financial performance for the quarter and half year. The company has recorded a robust 65% Y-o-Y growth in terms of revenue this quarter from Rs. 171 Crores in Q2 FY23 to Rs. 282 Crores in Q2 FY24. This growth can be attributed to the pickup in volumes in this quarter, driven by strong travel demand. Gross profit has also recorded a strong growth of 30.4% Y-o-Y from Rs. 27 Crores to Rs. 35 Crores in this quarter. EBITDA for Q2 FY24 stood at Rs. 25 Crores in Q2 FY24 as against Rs. 21 Crores, up by 18.1% Y-o-Y. PAT for the quarter was at Rs. 18 Crores up by 19.2% from Rs. 15 Crores in Q2 FY23. EPS for the quarter stood at Rs. 3.37 per share.

For H1 FY24 our revenue recorded a robust growth of 65.6% Y-o-Y from Rs. 332 Crores to Rs. 549 Crores. Gross profit was up by 21.9% Y-o-Y at Rs. 63 Crores in H1 FY24 as against Rs. 52 Crores in the corresponding period of last year. EBITDA for H1 FY24 stood at Rs. 44 Crores as against Rs. 40 Crores in H1 FY23. PAT for H1 FY24 stood at Rs. 31 Crores as against Rs. 28 Crores in the corresponding period of last year. EPS for H1 FY24 stood at Rs. 5.82 per share.

Our strong profitability and our ability to manage our operations efficiently has enabled to maintain strong return ratios as ROE stood at 15.7% and ROCE at 20.4% on YTD basis.

Being an asset light company with a lean team and organizational structure, we do not have any major Capex needs for the time being and are confident of financing any future acquisitions or expansions through internal accruals. Our working capital cycle stood in line with our expectation with our receivable days and payable days to be within a range of 100 days and 75 days respectively. With this I would like to hand over the call to Liberatha for the closing remarks.

**Liberatha Kallat**: Thank you, Giya. I would like to thank everyone who has joined us for this Earnings Call. At DreamFolks, we are actively engaged in various strategic endeavors aimed at expanding our service offerings. We leverage our robust technological expertise and our marquee clientele to do so. Our company holds a prominent position in the airport service industry and our primary focus is to diversify our client base ensuring a consistent and prudent performance.

The encouraging external tailwinds such as the rise in domestic passenger traffic, the increased use of digital payments, and the growing demand of the lounge services, and related offerings offer substantial growth potential in the years to come. Our adept technology and strong team are poised to deliver strong performance in the future. We are confident in our ability to navigate any short-term challenges that might affect our performance, bolstered by our steadfast industry presence and a solid foundation of our company while maintaining an unwavering belief in the long-term sustainability of our business model.

With that, I would request the moderator to open the floor for questions. Thank you.

**Moderator**: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of CA Vikash from Acorntree. Please go ahead.

**CA Vikash**: One thing in the last quarter you just mentioned about the gross margin is 11% to 13%, whether this margin is intact in the future?

**Giya Diwaan**: So, we had mentioned 11% to 13% of the gross margin in our previous quarter. We maintained the same stance in this quarter as well.

**CA Vikash**: So, this will continue in next two, three quarters.

**Giya Diwaan**: This is an annual guidance which we have provided. If you see compared to the previous quarter, this quarter the margins have improved.

**CA Vikash**: What is the average range per passenger because right now our Dreamfolks pax is 2.7 million, for last quarter 2.6 million and what is the average revenue per passenger?

**Giya Diwaan**: This quarters if you see the passenger base is 2.7 million compared to 2.63 million previous quarter, and if you look at the take rate this quarter it is Rs. 990.

**CA Vikash**: Rs 990, it is improved from the last quarter is a 950.

**Giya Diwaan**: Yes.

**CA Vikash**: One thing also, the last question in the cash flow side, one part is there net cash from the investing activities which is increased 343.84 might be this is an investment you sell out I think certain investments is there.

**Giya Diwaan**: Right. So, this is an investment of the free cash reserves which we have, which we deploy for earning the investment income.

**CA Vikash**: This is a listed entity, or it is a subsidiary entity we invested in the FY2023.

**Giya Diwaan**: No. It would be in either overnight funds or fixed deposits. So, these are completely secured based on our approved investment policy. We do not invest in the markets directly.

**CA Vikash**: Okay, understood. Thank you.

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

**Mukul Garg**: Hi, good evening, and I think quite a commendable performance this quarter. Despite the air traffic going down, you guys continue to see more and more people come in. Just want to get an understanding because it has been, I think a fairly long duration that you have been increasing the conversion rate. Any sense you have whether it is on account of more lounges opening up or is this something which is because more people are kind of entering the lounges and then I am just kind of thinking about from this quarter perspective, any sense you can provide exactly what is going on behind this?

**Liberatha Kallat**: I would say that as we have also mentioned earlier that the awareness of lounges are growing and I would say that is one of the biggest reasons. Yes, number of lounges growing will add, but I would say the major thing right now would be the awareness of lounges and the benefits being given on the cards. So that is one of the major factor.

**Mukul Garg**: And the second question was, you mentioned that as kind of card issuers or rejigging the way they kind of offer the facilities to their customers. How should we think about the drag in the near-term and is this something which you expect to kind of come into the base in over next two to three quarters or will this spread out over a longer-term period, I know you cannot really quantify it because it is very difficult, but any sense on whether this can have a meaningful impact?

**Sandeep Sonawane**: We are actually giving you a heads up on upcoming trend where some of the benefits of the cards will be given out on meeting certain criteria. Maybe it is spend base or usage base that we have told, but the spend based process has already rolled out and some of the banks are already doing as we speak. So, for the time that we have seen since they have implemented there has been no serious impact as such we are seeing. But we thought at this point in time, it is right to actually call it out.

**Mukul Garg**: Really appreciate it. I think that answers the point. The last question which I had from my side was on this Malaysian expansion. Just if you can help us understand how this model will work because this looks more like a kind of you guys are providing a software solution to them and is this going to be a more of a pay per usage kind of a model similar to what you do in India or is it going to be different and does this mean that you are kind of going with a slightly different approach globally versus how we operate in Indian markets?

**Liberatha Kallat**: The thing is that, when we said that it is a different model altogether, unlike lounges which are right now our service provider, here what we have done is that we have actually given a solution to us. So that is the technology what we have built is also going to be used by the service providers. So yes, Malaysia is the first market where we have actually started this, for their are other customers see unlike if you actually see it is not just the card users who are actually accessing the lounge, but there are various customers who are accessing the lounges like the airlines and also the other I would say corporates as well. So, we have built the technology for them wherein there would be a different revenue model unlike what we have done in India. Maybe the same method will be used in India market as well. But this is one of the different things what we have built in here.

**Mukul Garg**: Just to close this, any quantification you can do in terms of whether this will be meaningful from a revenue perspective in the year ahead or is it still too small to call it out?

**Liberatha Kallat**: It is too small right now because we have just started this. So, it will be too early for us to actually quantify anything right now.

**Mukul Garg**: Perfect. Great. Thanks for taking my questions and congrats again on a good rebound.

**Moderator**: Thank you. The next question is from the line of Tarbir Shahapuri from Nidara Capital. Please go ahead.

**Tarbir Shahapuri**: Hi. Thanks a lot for taking the question. You guys have emphasized a lot on the technology that you have developed. I am struggling to kind of understand what exactly is the technological edge and if you can just help me with how much money you have spent to develop these? The technology, the platform over time that would be really helpful.

**Balaji Srinivasan**: The way to think about it is that banks basically use this as a way to administer the benefits that have been given to the end consumers, and this is the main platform on which all the usage, the spend, and everything is getting tracked. So, there are two elements to this. One is the interfacing with the client such as a bank or a network and on the other end is the access mechanisms that is deployed at let's say a lounge or a golf course or spa outlet or any of these locations. So, it is an end-to-end platform that gives the banks the ability to manage a card program. So that is the layer one of it and as we mentioned in this call as well earlier, banks are using this technology to also drive a lot of their spend based models and the usage-based models. So, they are able to carve out or identify segments of users that are profitable for them or consumers that are not good for them, etc., etc., and do a differentiated benefit in practical terms. So, the idea is that this becomes a long-term solution for them where they are able to also launch new products in this tech bit. So that is our core strength, but from an end consumer point of view also what is interesting is that the access mechanism such as for example banks are taking our technology integrating this into the bank apps and that also then has a consumer side to it, but the consumer does not really realize this is our tech because it is probably branded as somebody else's tech. To give an example, if you go to any large metros today there would be some or the other mechanism to do a kiosk check in for a lounge. It may or may not have a DreamFolks branding on it, but that tech is actually given by us. So, we do end-to-end tech service for both banks, so everyone in the ecosystem we are giving them a solution.

**Tarbir Shahapuri**: And if you can help me with what is the total cost that you have spent to develop this software or platform you call it.

**Giya Diwaan**: We have actually developed it over a period last four to five years. We started way back in 2017-2018 and slowly and gradually new capabilities/stacks get built in. If I just put a number to so far what we have invested probably somewhere around Rs. 5.5 Crores is what we have spent in last five years to develop this.

**Tarbir Shahapuri**: Understood, okay that is really helpful. Great. Thank you so much.

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

**Shreyans Mehta**: Thank you for the opportunity. A couple of questions from my side. Last quarter we had guided for 55%-60% in terms of revenues. So, I do understand that we have indicated that probably November, December would be the quarter or would be the months where you will see the major impact. But in terms of any quantification whether the revised guidance is closer to 40%, 45%, and 50% any number on that front.

**Balaji Srinivasan**: No specific number, but we do have some working. See from a modeling point of view. So like Sandeep mentioned this kind of model has already been there in the market for some time even actually it is more like in terms of years where some banks are doing the spend based on our tech for some time, and so far, there has been no practical impact on traffic. However, just to be conservative, we are baking in some correction in the short-term in our model. So what's really happening is that it is slowly developing the product itself to different not banks, it is too early to get an accurate estimate. So, we have a hypothesis that there are probably two kind of consumers. So, consumers that are probably have multiple cards in the wallet. So, in case there is some kind of spend based model in one of the cards, the consumers would just do a different card. So that is one kind of consumer and other consumer let us assume does not have any other wallet. So that simply makes it an opportunity for the same bank or a different bank to upsell a different card. So, these are the two kind of consumer behavior and realistically what we also expect is that competing banks will see this as an opportunity to onboard new set of consumers and they will start the market dynamics will change. So that is really our hypothesis. So, there may be some impact in Q3 and definitely we expecting some impact in Q4, we cannot quantify. This is our guess at this moment. However, the pattern will probably self-correct itself due to consumer behavior. I think that is our hypothesis at this stage.

**Shreyans Mehta**: Secondly on the margins, on the flip side, can it happen, then banks would ask us to bear more costs or cut down on our profits. So, can there be a downside as far as our margins are concerned?

**Liberatha Kallat**: No, actually. So, the thing is that as we always mentioned that the way we try and build the costing is that whenever there is a price increase like what has happened this year, we try and pass it on. So, I do not see that factoring wherein there will be an impact on our margins going forward.

**Shreyans Mehta**: One question for Giya. If I see the working capital this quarter probably our debtor days have increased while creditor days has remained the same and our working capital, the networking capital has increased. So, is there any change to our model or this is just a temporary phenomenon?

**Giya Diwaan**: It is not a permanent change to the model, it remains the same because the credit period for the clients as well as the operators are based out of the contracts, which we sign, and we have long-term contracts with both the parties. However, there are certain business cases and changes which keeps on happening every quarter. So, say for example, the increase in the receivables was a) of course the revenue had increased, so proportionately that has increased, but disproportionately if you see when we get into a new client renewal discussion, a new client addendum gets signed so that process sometimes gets delayed by one or two or three weeks or so and then resultantly the payments get delayed. So that is the temporary impact. So, I have always said that quarter-on-quarter is not the right way to look at the receivables or working capital management cycle because on an annual basis we see that receivables debtor days are 100 days and the creditor days are anywhere between 75 to 80 days and since the balance sheet is strong in quarter-on-quarter basis that does not impact our cash flow requirement.

**Shreyans Mehta**: And two more questions from my side. Any updates on our railway business? How is it going?

**Balaji Srinivasan**: I think it is going good. I think it is kind of normal and the thing is that banks now started offering this offering to mid-tier and lower-tier product offering. So, I think it has continued to, they are seeing good engagement and banks are also considering as an opportunity to include in newer products of a specific category. So, I think, we will see more traction.

**Shreyans Mehta**: In terms of any numbers, you would like to highlight. How much that would have been in 1H or probably in this quarter?

**Giya Diwaan**: We do not do segment reporting because for us it is about the client-based services. So, segment reporting does not come in the picture. But yes, railways as well as other newly added services have been growing very fast. In fact, if you look at other services that as compared to the previous year that has grown 5X. Now of course the quantum is low over there but increase in 5X is also a big jump from the point of view that we always highlight that we focus on other services so that the mix which we actually do between the lounges as well as non-lounges business comes to a certain parity.

**Shreyans Mehta**: Lastly one data point. What would have been our ESOP charges for the quarter?

**Giya Diwaan**: The ESOP charges for this quarter, which we have booked already is close to Rs. 17.62 million.

**Shreyans Mehta**: Got it. That is, it from my side, all the best.

**Moderator**: Thank you. The next question is from the line of Bala Murali Krishna from Oman Investment Advisors. Please go ahead.

**Bala Murali Krishna**: Hi, good evening. I want to know regarding this international operations, so we are looking to replicate the same kind of Indian operations in the Middle East and Southeast Asia, and we were expecting some contracts to get signed, but any update on that?

**Liberatha Kallat**: It is in process right now as you know that any client onboarding especially with the banking or the financial sector is time taking. But however, the team is working on it, and we will shortly tell you about the new clients which are getting added. But however, in terms of the new market, I think Malaysia, as we have already mentioned to you that we have already entered Malaysia market in terms of our technology support to the lounges. However, the model is slightly different from what we do in India market wherein the tech support here usually is to the client managing their program. However here it would be more in terms of the tech support is to manage the lounge customers for the lounge operators. So here the lounges are not just the service provider for us but would also be one of the clients who would also, we would be generating revenue from them.

**Bala Murali Krishna**: Regarding this last quarter there was some hike from the lounge operator. So, you told that it is nearby, it is almost compensated from the card issuer also, and I think there will be still some, there will be some difference between this lounge hike and that is what we are offering to the card issuers. So, could you please quantify what could be still the difference? How much we are on lower side.

**Giya Diwaan**: So, these are running contracts even with the operators it is a running contract when the rates get closed for next 12 months and for the clients as well these are running contracts. So, it is very difficult for us to quantify in the manner that how much is the impact.

**Bala Murali Krishna**: Okay. That is all. Thank you.

**Moderator**: Thank you. The next question is from the line of Varun from Abakkus Asset Management. Please go ahead.

**Varun**: I just have two questions. We need some data points. Firstly, the international passenger traffic for the quarter, and secondly, if you could give the split of Dreamfolks passengers between domestic and international lounge?

**Giya Diwaan**: International passenger traffic, when it comes to the industry data, it gets published after the end of the quarter, of the next quarter. So those numbers are not yet out. So, when you see the numbers in DGCA which is 36.8 million for Q2, that is the domestic passenger traffic, and for us also when we report, when we say domestic it is for us the entire India passenger traffic whether it is in the international side of the lounge or India side of the lounge. So put together, we have clocked 2.73 million passengers in Q2.

**Varun**: So, you do not have the split of domestic and international lounge for 2.73 million.

**Giya Diwaan**: Yes. So, when we see the split, the split for this is 76:24 for us.

**Varun**: Secondly have you been experiencing any cut down on the passenger traffic due to this credit card banks cutting down on the free credit card benefits, lounge benefit?

**Liberatha Kallat**: So far, we have not seen the trend where there is any reduction in terms of the usage. Actually, if you see that the trend is on the growing side as we mentioned that going forward maybe there would be something, but presently there is nothing as such.

**Varun**: Thank you.

**Moderator**: The next question is from the line of Divyesh Mehta from 3P Investor Manager. Please go ahead.

**Divyesh Mehta**: When we look at the non-lounge access revenue and the usage, while you have highlighted multiple services like Meet and Greet which have a higher gross margin, does this services have improved on a quarter-on-quarter basis. Why the gross margin still not fully recovered. So, my broader thought is, part of it has to recover when the banks contract get those higher fees. But you should also have a benefit of the meet and greet services which have a higher margin or a higher fee per customer, which should also improve your gross margins, right?

**Liberatha Kallat**: So presently if you actually see that the other services contribute very small pie to the overall business. So obviously it is too early for these services to show a benefit into the gross margin but going forward yes as we have always said that in a couple of years, maybe around three to four years, once the numbers of other services, contribution would be around 20%. That is where the impact in the gross margin will be visible. Right now, it is too early, and it is actually a very, very small pie for the total contribution of the revenue.

**Divyesh Mehta**: To continue on same thought, while you have started the services and I am assuming good chunk of banks would have taken these offerings to their customers, but what does it take, what is the penetration you have seen for these kind of services? Are they only into the Super Premium segment for a very small amount of usage or like one in a quarter or the top end card of it or how is it going through. The broader thought is to understand that if they are at this very super and a very premium end, they will not be able to get a sizable share of the benefit, the whole card benefit cost as a whole.

**Liberatha Kallat**: Yes, these services are offered to the premium cards or the ultra-premium cards, I would say, but over the period if you look at the lounge usage as well, it is over the period where the awareness has grown, and the usage has started increasing. Similarly, I would say that even these services, I would say that the awareness needs to go that there will be benefit of whether it is meet and assist or airport transfer or for that matter golf, which is a part of the benefit. The more the awareness grows, it will grow. However, just to highlight that presently I would not want to mention the client or the card which has this benefit. We actually see good growth of usage in terms of conversion from that set of cards or that set of the premium benefit which has been given. So yes, there is a good conversion which is happening right now.

**Divyesh Mehta**: Can I squeeze in just one more question.

**Liberatha Kallat**: Yes.

**Divyesh Mehta**: So, when you look at the effectively card benefits management like providing lounge access and different kind of accesses. Any bank or any credit card player would be thinking in terms of having a specific spend they would want to do every year on such kind of services and when in your interaction with banks on a year-on-year basis compared to this year to next year. What is the visibility usually see that this how much they are going to increase or decrease the spend, because effectively this is still a cost for them and they would have a mindset, we have spent X amount this year, next year we want to increase 10% or 20% depending on where their business is. In this sense have we got any visibility from the bank?

**Balaji Srinivasan:** Yes. So typically, banks think more in terms of the portfolio and typically product managers would like to think it out of the product that they own. So, when for example a new product is getting launched, the chances of them investing in that new product and investing in trying to get customer acquisition is higher, and then there will be products which are probably more in terms of maintenance, more where they are trying to manage the cost or optimize. So, depending on the product and the lifecycle of the product different products would have a different trajectory. So, in some cases they do give an indication, but I do not think we are in a position to share what they think. So typically, if you see the statement of bank, it is a cost that they are trying to manage, but they are also actively investing in new products as well. So, both happen at the same time.

**Divyesh Mehta**: Okay. Thanks a lot.

**Moderator**: Thank you. The next question is from the line of Gunit Singh from CCIPL. Please go ahead.

**Gunit Singh**: Thank you for this opportunity. Most of my questions have been asked, but I just have a couple of questions. So, you spoke about the reduction by card issuers. Can you please talk a bit more about that because you are anticipating maybe a small reduction in revenue in the short-term, but you also mentioned that most of the card issuers have already implemented the spend based model to provide benefits. So, I mean, if most of them have already done it, so why do we now anticipate a reduction. Can you talk more about that?

**Liberatha Kallat**: So, when we said that few of the banks have done it, we said that few of the banks have already started doing it, but there are few which are in pipeline right now because of the NDA we cannot announce it because you will see the announcement coming from the bank directly. But yes, the implementation were done by few, but there are few other banks who will be implementing this and that is the reason we just thought that we should give you the heads up in terms if there would be any impact coming in.

**Gunit Singh**: All right. But in the past, these had no impact, right?

**Liberatha Kallat**: We have not seen any such impact in the past.

**Gunit Singh**: So, are they just spend based or is there some other criteria also which is on the pipeline by the banks? I mean, I just want to understand.

**Liberatha Kallat**: We will not be able to disclose more on this because it would be banks who would actually give such announcement from their side.

**Gunit Singh**: Alright and in Q1 the margins were hit by one time increase in the charges by the lounge providers, right? So, can you throw some light on that and going forward, I mean, why do we expect a gradual increase in margin? Is it because these have been passed on to the customers or I mean, I just want to understand?

**Giya Diwaan**: Yes, sure. So, look, I mean, we have always been saying that escalation happens at both the sides, and this was an exceptional increase which happened in the previous quarter, and the client escalation also happens as and when the contracts get due for the renewal. We do not see this kind of exceptional increase happening again because this was one of its kind. So, our guess is that it might not happen again. So, whenever the new clients are going to get renewed, the gap to some extent would get reduced. However, our annual guidance of 11% to 13% is what we would like to stick here.

**Gunit Singh**: Alright, I mean, to achieve 11% to 13% margins now, we would have to clock near 20% margin for the coming two quarters.

**Giya Diwaan**: It would not be 20% margin. Yes, I mean, 10.6% to some extent larger than what we have said in this quarter. It would be slightly higher than 13% and 14% to be in the range of 11% to 13%.

**Gunit Singh**: Alright, got it. That is all from my side. Thank you.

**Moderator**: Thank you so much. Next question is from Arka Bhattacharjee. Please go ahead.

**Arka Bhattacharjee**: I really was hoping that this would be coming out, and I am pretty much happy with the results that are given, and I have just two questions. One is in the previous presentation it was mentioned around 1700 has there been a reduction in the number of touch points because in the earlier presentation it is showing around 1500. This is one and second is the kind of businesses that you guys are acquiring from time-to-time, whether it is the lounge services, the spa, how much you guys expecting from these businesses? These two questions I only have.

**Balaji Srinivasan**: Actually, it is a good question, and the number of touch points are actually rapidly increasing for us. So, like today, I think we are also talking about, for example, we just did a partnership with Salon for new services and that itself contains 200 touch points. When we did the golf partnership that came with 1800 touch points. So, I think at some stage the number is sounding more and more larger, and so we actually thought let us not give that kind of nuanced detail because then we will also probably need to explain what those numbers really are. So, we have just gone with a safe and conservative number of 1500 plus. But for example, just if you think about all the services, if you see all the services that itself will probably be 600 touch points in the last maybe couple of months. So that is the reason we have stopped giving number because sometimes people get the impression that there are not so many lounges and then how come your number of touch points are larger than the total number of lounges. So, these kind of anticipatory questions do come, and we faced these questions in the past. So that is the reason we are sticking to a number that we are going to be kind of remaining stable with that number, we are not trying to go and keep updating this.

**Arka Bhattacharjee**: And regarding the second question, how much is the kind of businesses that you guys have actually involved, how much top line the service contribute?

**Sandeep Sonawane:** So, the answer to that already was told the other services in the three to five years would continue, I mean, they are growing significantly but would touch 20% of our overall service portfolio.

**Moderator**: Thank you so much. We will take the next question from the line of Jainam Shah from Equirus Securities Private Limited. Please go ahead.

**Jainam Shah**: Thanks for the opportunity. My first question is related to the our client base given that in RHP you have been disclosing that how much income has come from the bank and how much has come from the card issuer. So, has there been any broader sense how it is moving as of now?

**Giya Diwaan**: We do not report client wise, I mean, that was one of the requirements in RHP wherein the segregation from a network to a BFSI to any other segment was disclosed on a quarter-on-quarter basis or annual basis. We do not disclose client wise because internally the client arrangement also keeps changing, I mean, within the client, there are different billing entities. So that becomes very complicated for us at this point in time to get into a segment reporting.

**Jainam Shah**: And then the other question is more on to their business profile. So, as we can see that we are having 95% market share in card-based lounge access in India, and I believe that majority of the lounge access in India is through the card only and majority of this is being borne by bank and this issuer companies. How it has been at international or whether walk-in are higher or clients are bearing this cost, or some corporates are doing it. So, any broader sense on the market dynamics on an international level?

**Liberatha Kallat**: So internationally it is slightly different than the India market because internationally if you actually look at region wise there are few regions where mostly it is more on the airline loyalty program. So that is one of the major contribution I would say, walk-ins as such I would say that is at a lesser or in the same line the way it is in India market because even in India if you see hardly it is less than 1% contribution from the walk-in customers, largely it is to the card holders. So similarly, I would say that the airline loyalty program holds a major in the other markets outside India and then there are few regions like whether it is Southeast Asia or Middle East countries and also few of the European countries where you actually have the card benefits which are part of the lounges.

**Jainam Shah**: So eventually when we go into this regions. So, we need to have contract with three parties. One could be airline, other could be the banks and events are like part benefit program and third one would be lounge operator, right. So, we think that you have substantially grow in the international levels. We should be having all these three contracts in place.

**Liberatha Kallat**: So internationally if you actually see in terms of the inventory, we already have tie up with the lounges. So that part is already covered. Second is in terms of the banks or the network providers which is in process, and we are working on that and like in India we have already tied up with the airlines, yes, we would be focusing internationally also to work with the international airlines as well.

**Jainam Shah**: Then just last on this part, so in India we are having only one plastic card which can be used for both whereas internationally there are separate cards. So, in India in last five years only, we have captured the entire market. So how we are looking at internationally given that this kind of concept will also work over there and if you are having contracts with banks or airlines, there could be substantial growth, given that penetration of the cards or even lounges is very less in India as compared to the global level.

**Liberatha Kallat**: Actually, the models would differ, and the models will change because unlike in India, yes, you are right, the number of lounges are limited, and the number of programs which are there. So, it is easy to train the lounges. However, globally, to talk about different banks or network provider or clients would be a challenge. So the way it works globally is that we are trying to do it as a Dreamfolks program or identify a Dreamfolks customer like we have already introduced our plastic which is there through ICICI, which issues a Dreamfolks cards, similarly we have also done our integration with the bank app wherein the access to the lounges is identifying the Dreamfolks logo and that is where the entry is. So these are the different ways and even the vouchers, the onetime vouchers which are also being issued to the customer also has a Dreamfolks logo so that is how the identification is done, because if you have to be in 100 plus countries where there are multiple lounges so it becomes easier for the lounge and also easier to the customer to access the lounge.

**Jainam Shah**: Got it. That is it from my side. Thank you so much.

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

**Shreyans Mehta**: Thanks for your follow up opportunity. One, in terms of looking at the way traffic is moving, are we hearing from the existing lounge operators any specifics in terms of growing or expanding their lounges?

**Liberatha Kallat**: Yes, I would say that the expansion of lounges are happening and the way the traffic is growing the airport is also in support of giving additional space to increase the lounges, lounge sizes I would say. So, if you actually look at Delhi, in international side there is a lounge which is around 35000 square feet which has already opened up. Hyderabad is coming up with a new terminal with a lounge with 20000 square feet with the additional lounge, which is already existing. So, I would say that yes, all the major cities where the volumes are growing, both the lounge operator and the airports are working towards increasing the space.

**Shreyans Mehta**: Anything from Mumbai or Delhi on the domestic front where we could see some expansion.

**Liberatha Kallat**: They are working on it and both the cities you will see additional lounges coming up.

**Shreyans Mehta**: Secondly as far as our Korean operations are concerned. Can you throw some color on it? Will it be only technology because of what I recollect probably you were also looking at some local tie ups with the banks? So where are we on that front?

**Liberatha Kallat**: You are talking about Malaysia?

**Shreyans Mehta**: No, Korea.

**Sandeep Sonawane**: We never mentioned Korea as such, but then it will definitely be part of our larger geography widespread that we have spoken already part of the Southeast Asia, but as of now we are present in Malaysia and why not tomorrow every single country is a potential geography for us where we want to enter.

**Shreyans Mehta**: So, the follow up is will it be only technology or probably we also have local tie ups that is what I want to understand.

**Liberatha Kallat**: No. So, it would be a similar model the way we have done in India. But however, it was different way we have entered there, but we are in the process of tying up with different set of clients and banks in these regions as well.

**Shreyans Mehta**: And lastly on the new line of service we added during the quarter, so how will the business model work? Will it be getting additional discounts for holding Dreamfolks card or the bank card or will it be similar to what we have as far as the airport lounge is concerned but it is totally free.

**Liberatha Kallat**: So, there are different models. So, there are models where you would be getting free services like the way the lounges are, and there would be few clients who would also give to their customer a discounted model as well. So, both the models are in place.

**Shreyans Mehta**: Got it. Thank you. That is it from my side.

**Moderator**: Thank you so much. The next question is from the line of Arka Bhattacharjee. Please go ahead.

**Arka Bhattacharjee**: It is a follow up actually. I got disconnected. I wanted to understand, I am not sure if you guys have already answered it. Regarding the line of businesses that you guys are acquiring from time-to-time from spa and salon services, golf and everything. I was wanting to know the kind of top line margin you guys are expecting from these businesses?

**Liberatha Kallat**: So, as we mentioned that these services would be of high margins and the margins are at a higher side or in a competitive way compared to the lounges. However, right now it is too early because the size of the business what we are in, in terms of the lounges compared with the other services, the contribution is very minuscule right now, and I would say that in coming years around three to four years we would say that yes, the margins, what we would be getting from these different services will contribute or will be visible in our overall margins.

**Arka Bhattacharjee**: If I may squeeze in one other question. Regarding the number of cardholders that you are seeing in your businesses, is it move towards the bank card holders or people are holding more Dreamfolks cards particularly are there any shifts in this cards?

**Liberatha Kallat**: Sorry, I did not understand. Can you please repeat the question?

**Arka Bhattacharjee**: Yes. What I am trying to understand is the people who are visiting the lounges are mostly carrying the bank cards with them, which is the credit cards or debit cards. Do you see any significant rise in that debit card holder, they are in Dreamfolks branded cards if they are carrying like in a household if there are three to five members? They could be having like two to three credit cards and two debit cards. So are they carrying Dreamfolks cards specifically as well because in your presentation you have mentioned that the proprietary application that you guys are using have both the channels Dreamfolks as well as banks.

**Liberatha Kallat**: Yes, you can actually also see that we have always been saying that the way we have managing our lounge program in India market is to give the access on the bank issued card which is the credit or the debit card. So, the emphasize of using the lounges in India market is through these cards. However, globally I would say that the card or the Dreamfolks card is primarily used as we were also talking about how the access mode is going to be or is outside India. So, it is more on the Dreamfolks logo which would be either through the plastic or through the app. So that is one of the main reasons that why you see that India it is more of credit and debit card because that is how a differentiator what we have created in the India market.

**Arka Bhattacharjee**: Thank you so much for answering my questions. Thank you.

**Moderator**: Thank you so much. As there are no further questions, I would now like to hand the conference over to Ms. Liberatha Kallat for closing comments.

**Liberatha Kallat**: Thank you once again for joining us. 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 Relations team at EY. Have a wonderful day and all the best. Thank you.

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