

Company Overview

DreamFolks Services Limited began operations in 2013 by facilitating lounge access services for the consumers of Mastercard. They transformed from being an airport lounge access aggregator to an end-to-end technology solutions provider offering services like lounge access, food and beverage offerings, spa services, meet and assist, airport transfer services, transit hotel and nap room access, baggage transfers and others from door-step to the airport, within the airport, and again from the airport to the door-step at the destination. As of 31st March 2022 they have 50 Clients including the Card Networks and many of India's card Issuers like 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. They also focus on the operators who provide the services and give them the option of a single point access to the consumers along with consolidated footfall and revenue, while also giving them technology to validate the benefits available to consumers.

Objects of the issue

The IPO proceed will be used towards the following purposes:

- ⇒ To carry out an offer for sale by selling shareholders.
- ⇒ To realize the listing benefits of equity shares on the stock exchange

Investment Rationale

Dominant player in the airport lounge aggregator industry in India:

DreamFolks Services Ltd has coverage across 54 operational airport lounges constituting 100% of airport lounges in India, as at March 31, 2022. They hold a 95% market share of all India issued credit card and debit card (Card Based) access to airport lounges and accounted for around 68% of the overall lounge access volume in India in Fiscal Year 2022. Currently they facilitate access to 100% of the 54 lounges currently operational in India and have a global footprint extending to 1,416 touch-points in 121 countries across the world out of which, 244 touch-points are present in India and 1,172 Touch-points overseas.

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

DreamFolks is designed to be an asset light business model thus scaling up the business requires minimal capital deployment leading to a higher operating leverage. This is one of their key reasons of consistent growth and high capital efficiency. Additionally DreamFolks is not very human resource intensive, their force comprising of 60 full time employees including the senior management team. Their technology and employee related expenses during Fiscal 2022, Fiscal 2021 and Fiscal 2020, was INR73.43 million, INR147.54 million and INR188.67 million, constituting 6.58%, 13.62% and 5.82%, respectively, of their total consolidated expenses.

Valuation and Outlook

The Indian air travel industry propensity (i.e. the ratio of passenger traffic to the overall population in a given region) is low at 0.08 in CY 2020 but has significant expected growth potential with air travelers increasing from 175 million in 2019 to around 1 billion in 2040. DreamFolks Services Ltd has the first mover advantage and a market share of 95% in the airport lounge aggregator industry thus, making it the beneficiary. The company's experienced management, partner eco-system, and service offerings coupled with its robust technology have led to its client base increasing from 14 in FY 2018 to 50 in FY2022. The company does not have any listed peer companies for comparison of performance as it operates in an industry that is in its initial stages. On the upper end of the price band, the issue is valued at a PE of 104.82x (based on FY22 earnings), which we believe is to be overpriced. However, with the positive market sentiment toward this IPO on the back of their future growth strategies like increasing the wallet share in their existing clients, expanding into the newer sector to create customer engagement, and capitalizing on the dominance in the airport lounge access market we recommend a "SUBSCRIBE" rating for the listing gains.

Issue Details

Offer Period	24 th Aug– 26 th Aug, 2022
Price Band	INR.308 to INR.326
Bid Lot	46
Listing	BSE&NSE
Issue Size (no. of shares in mn)	17.24
Issue Size (INR. in bn)	5.62
Face Value	2

Issue Structure

QIB	75%
NIB	15%
Retail	10%
BRLM	Equirus Capital Private Limited Motilal Oswal Investment Advisors Limited
Registrar	Link Intime India Private Limited

Particulars Pre Issue % Post Issue %

Promoter	100%	67%
Public	0%	33%
Total	100%	100%

(Assuming issue subscribed at higher band)

Research Team - 022-61596407



DreamFolks Services Ltd

IPO Note

Income Statement (In mn)

Particulars	FY22	FY21	FY20
Revenue			
Revenue from operations	2,825	1,056	3,670
Total revenue	2,825	1,056	3,670
Expenses			
Cost of Services	2,373	875	2,996
Employee benefit expenses	166	126	179
Other expenses	61	58	45
Total Operating expenses	2,600	1,060	3,220
EBITDA	225	(4)	451
Depreciation and amortization expense	21	16	16
Other income	15	25	8
EBIT	219	5	443
Finance costs	14	7	7
PBT	205	(2)	436
Current tax	48	-	103
Deferred Tax charge	(6)	12	16
Total tax	42	12	119
PAT	163	(15)	317
Diluted EPS	3.1	(0.3)	6.1

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars (Rs in million)	FY22	FY21	FY20
Cash Flow from operating activities	(121)	63	224
Cash flow from investing activities	59	(269)	3
Cash flow from financing activities	(26)	(15)	(7)
Net increase/(decrease) in cash and cash equivalents	(89)	(221)	234
Cash and cash equivalents at the beginning of the period	100	321	87
Cash and cash equivalents at the end of the period	11	100	321

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY22	FY21	FY20
Liabilities			
Share Capital	105	48	48
Other Equity	717	595	608
Net worth	822	643	655
Long-Term Borrowings	10	13	20
Long-Term Provisions	17	18	22
Lease Liabilities	64	63	0
Total Non Current Liabilities	91	95	42
Borrowings	3	7	11
Trade payables	713	309	561
Other Financial Liabilities	14	27	53
Short Term Provisions	3	3	1
Other current liabilities	41	141	54
Total Current Liabilities	774	488	680
Total liabilities	1,687	1,225	1,378
Assets			
Property, plant and equipment	30	38	53
Right of Use Assets	64	74	0
Capital work in Progress	0	0	6
Investment Property	18	271	0
Intangible Assets	45	3	1
Financial Assets	27	25	26
Deferred tax assets	12	8	21
Other non-current assets	210	187	106
Total Non current assets	407	605	213
Current Tax Asset	83	55	73
Trade Receivables	907	395	685
Cash and cash equivalents	11	100	321
Other Bank Balances	135	0	0
Other Financial Assets	83	51	29
Other current assets	62	19	57
Total Current Asset	1,280	620	1,165
Net Current Assets	506	132	484
Total Assets	1,687	1,225	1,378

Source: RHP, BP Equities Research

Key Risks

- ⇒ The company's operations are heavily dependent on the travel industry and in particular the airport travel industry.
- ⇒ The company is at risk of airport lounge operators forward integrating and tying up directly with card networks and card issuers thus impacting their business.
- ⇒ The company's revenue and profitability is heavily reliant on the long-term relationship with the card networks, card issuer financial institutions and airport lounge operators

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392