

## Rating

# SUSCRIBE

(only for High-Risk Investors)

## Issue Offer

Issue Opens on	Aug 24, 2022
Issue Close on	Aug 26, 2022
Total IPO size (cr)	562.10
Fresh issue (cr)	562.10
Offer For Sale (cr)	Nil
Price Band (INR)	308-326
Market Lot	46
Face Value (INR)	2
Retail Allocation	10%
Listing On	NSE, BSE

## Objects of the issue

- Offer for Sale.
- For Listing gain.

## Issue Break-up (%)

QIB Portion	75
NIB Portion	10
Retail Portion	15

## Shareholding (No. of Shares)

Pre Issue	52,250,000
Post Issue	52,250,000

## Indicative Timetable

Finalisation of Basis of Allotment	01-09-2022
Refunds/Unblocking ASBA Fund	02-09-2022
Credit of equity shares to DP A/c	05-09-2022
Trading commences	06-09-2022

Incorporated in 2008, DreamFolks is a dominant player and India's largest airport service aggregator platform. It provides services to all the Card Networks operating in India, Card issuers and other corporate clients with various airport lounge operators and other airport related service providers on a unified technology platform. DreamFolks carefully crafted a service proposition and a tech platform to provide DreamFolks clients the option of offering a wide-ranging bouquet of services to their end customers, as part of their customer engagement and loyalty management programs. It provides with access to a host of services: from door-step to the airport, within the airport, and again from the airport to the door-step at the destination, including Lounges, Food and Beverage, Spa, Meet and Assist, Airport Transfer, Transit Hotels/Nap Room access, and Baggage Transfer.

**Outlook & Valuation:** The Indian aviation industry is at the cusp of exponential growth in the next two decades due to its demographic advantages, the potential growth in middle-class income, rising business travel, reduced cost of air travel and increased travel in Tier-2 and Tier-3 destinations. Due to the growing air travel, it is expected that the number of airport lounges will quadruple by 2040. Further, with the increasing size of the lounges, significant growth in the number of credit cards, and privatization of airports the Indian Airport Lounge Access Market Size is expected to rise from Rs. 4,014 million in 2018 to a whopping Rs. 66,784 million by 2030. DreamFolks will be one of the biggest beneficiaries of the aforementioned theme due to its first mover advantage and dominant position in the lounge access market (68% share in terms of volumes). Further, it has significant exclusivity for India-issued credit and debit card programs in key locations. The biggest competitive advantage for the company is its network effect; the tie-up with all the 54 lounges in India enables it to provide a one-stop solution to its clients and strengthen its position between the clients and the lounge operators. Additionally, the company has created a proprietary technology platform that ensures scalability. Although the company doesn't have any competitors in the domestic market, they face competition from large global programs such as Priority Pass, and Dragon Pass which have significant experience and a huge international presence. Despite the asset-light operations, the company has witnessed volatile cash flows due to high receivables. Finally, the nature of the issue is OFS which will lead to a 33% dilution of the promoter's stake and premium valuations (P/E of 104.82 based on FY22 EPS) makes it suitable for long-term investors with moderate to high-risk appetite. And therefore, we recommend a "SUBSCRIBE" rating **only for "High Risk Investors"**.

## KEY MANAGERIAL PERSONNEL

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- Liberatha Peter Kallat is the Promoter, Chairperson and Managing Director of the company. She holds a bachelor's degree in science from Andhra University. She has been associated with the company since 2014 and is responsible for the strategy and overall management of the company. She has experience in the hospitality sector and has, in the past, been associated with Indian and global multinational companies such as Taj GVK Hotels & Resorts Ltd, PepsiCo India, Premium Port Lounge Management Co Pvt Ltd, and Pernod Ricard India (P) Ltd.
- Giya Diwaan is the Chief Financial Officer of the company. She has significant experience in business operations, corporate finance, accounting and strategy across fintech, internet commerce and consumer technology companies. She joined the company on September 24, 2021.
- Rangoli Aggarwal is the Company Secretary and the Compliance Officer of the company. She joined the company on October 19, 2021.
- Balaji Srinivasan is an Executive Director and Chief Technology Officer of the company. He has been associated with the company since 2019. He has experience in the technology sector.

## COMPETITIVE STRENGTHS

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- Dominant player in the airport lounge aggregation industry in India with strong tailwinds.
- Entrenched relationships with marquee Clients including global card network providers in India and prominent Indian and global banks and corporates.
- Strong business moat due to flywheel effect led by Clients and Operators network.
- Ability to capitalize on growing Consumer base with no associated costs of direct Consumer acquisition.
- Asset and human resource light business model with a strong track record of delivering consistent growth.
- Proprietary technology platform that ensures scalability.

## KEY STRATEGIES

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- Increase wallet share with existing Clients.
- Expanding into newer sectors to create customer engagement and provide loyalty management solutions.
- Continued focus to expanding our client base in current sectors.

## KEY CONCERNS

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- Highly dependent on the travel industry.
- Black swan events such as Covid -19 significantly affected the profitability of the company.
- Heavily reliant on a few Clients.
- Potential saturation of Indian markets and requirement of expansion in global markets.
- Threat of airport lounge operators forward integrating and tying up directly with card networks and card issuers themselves which will directly impact their business.

**COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31<sup>ST</sup> MARCH 2022)**

Company operates in an industry which has no listed peers in India.

**FINANCIALS (RESTATED CONSOLIDATED)**

Particulars (Rs. In Millions)	FY 2022	FY 2021	FY 2020
Equity Share Capital	104.50	47.50	47.50
Other Equity	717.15	595.49	607.62
<b>Net Worth</b>	<b>821.65</b>	<b>642.99</b>	<b>655.12</b>
Total Borrowings	2.53	7.34	10.81
<b>Revenue from Operations</b>	<b>2,824.98</b>	<b>1,056.33</b>	<b>3,670.43</b>
EBITDA	240.4	20.9	458.5
Profit Before Tax	204.76	(2.01)	435.57
<b>Net Profit for the year</b>	<b>162.5</b>	<b>(14.5)</b>	<b>316.8</b>

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