

Dreamfolks Services Limited IPO

Dreamfolks Services Limited (DFSL) 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 follows an asset light business model that integrates global card networks in India, card issuers and other corporate clients in India, including airline companies with various airport lounge operators and other airport related service providers on a unified technology platform. DFSL facilitates the customers of its clients to access the airport related services such as Lounge, Food & beverages, Spa, pick up and drop service amongst others. Company has 100% market share in facilitating 54 lounges currently operational in India and it also has over 95% market share of all India issued credit and debit cards access to the airport lounges.

Positives: (a) Dominant player in the airport lounge aggregation industry in India with strong tailwinds (b) Strong relationships with clients in card network and card issuer space (c) Evolving services portfolio leading to increased cross selling benefits for clients and indirectly increasing client stickiness for the company (d) Asset and human resource light business model providing ability to scale business with less incremental cash deployment.

Investment concerns: (a) Business possesses high key man risk (b) Slowdown in Travel Industry (c) High Client and Revenue Concentration (d) Threat of airport lounge operators forward integrating and tying up directly with card networks and card issuers.

Outlook & Valuation: In terms of valuations, the post-issue P/E works out to 104.8x FY22 EPS (at the upper end of the issue price band). However, the multiple looks higher mainly due to lower profitability caused by pandemic led industry wide issues. DFSL enjoys a 95% market share and enjoys early mover advantage in the segment. It has been an asset-light business model gaining the preference of air travelers. Further, DFSL has focused on diversifying and increasing its services portfolio. Thus, we have a **SUBSCRIBE** rating on the issue from a medium to long-term perspective.

Key Financials

Y/E March (₹ cr)	FY'20	FY'21	FY'22
Net Sales	367	106	282
% chg		-71%	167%
PAT	32	(1)	16
% chg		-105%	1221%
EBITDA (%)	12.3	(0.4)	8.0
EPS (Rs)	6.1	(0.3)	3.1
P/E (x)	53.8	(1,174.7)	104.8
P/BV (x)	26.0	26.5	20.7
ROE (%)	48.4	(2.3)	19.8
ROCE (%)	63.4	(2.6)	22.6
EV/Sales	4.6	16.1	6.0

Source: Company RHP, Angel Research

SUBSCRIBE

Issue Open: August 24, 2022

Issue Close: August 26, 2022

Issue Details

Face Value: ₹2

Present Eq. Paid up Capital: ₹ 10.45cr

Offer for Sale: ₹ 562cr

Fresh issue: ₹ 0cr

Post Eq. Paid up Capital: ₹ 10.45cr

Issue size (amount): ₹ 562cr

Price Band: ₹308- ₹326

Lot Size: 46 shares and in multiple thereafter

Post-issue mkt. cap: * ₹1,609cr - ** ₹1,703cr

Promoters holding Pre-Issue: 100%

Promoters holding Post-Issue: 67%

*Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	75% of issue
Non-Institutional	15% of issue
Retail	10% of issue

Post Issue Shareholding Pattern

Promoters	67.0%
Public	33.0%

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Company background

DFSL 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 follows an asset light business model that primarily integrates global card networks in India, card issuers and other corporate clients in India including airline companies with various airport lounge operators and other airport related service providers on a unified technology platform. Company has tie up with all the 5 card networks in India including Visa, Mastercard, Diners/Discovery and RuPay, also the company has tie-ups with India's largest card issuers such as HDFC Bank, Kotak Mahindra Bank amongst others.

DFSL facilitates the customers of its clients to access the airport related services such as Lounge, Food & beverages, Spa, pick up and drop service amongst others. Company currently has 1,416 total touchpoints of which 244 touchpoints are in India and 1,172 are outside India. Through these touchpoints company facilitates its services to the customers of its clients.

Diverse range of Services:

- 1) **Lounge Access:** DFSL has 100% coverage of operational lounges in Indian airports, and it offers a unique value proposition to its clients by enabling access to the Consumers to a network of all operational airport lounges in India. As of 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. Revenue from lounge access services contributed on an average 98.55% over FY20 to FY22 to the top line.
- 2) **Food and beverage offerings:** DFSL had tied up with various entities to facilitate access to around 57 restaurants / F&B outlets at 18 airports across India.
- 3) **Spa Services:** Consumers can avail of specified massage therapies such as head, neck and shoulder massage, and foot reflexology. DFSL facilitates access to this service in tie-up with O2 Spa Salon Private Limited.
- 4) **Airport transfer services:** DFSL facilitates airport transfer, i.e., airport 'pick-up and drop' facilities in 47 cities across India and in 145 cities outside India, as of March 31, 2022
- 5) **Baggage Transfer:** DFSL has tied up with a service provider to provide baggage pick-up and drop-off facility to and from airports across Bengaluru, Hyderabad, Mumbai, and New Delhi
- 6) **Other:** In addition to providing Services at airports, DFSL has also, in the current Fiscal, forayed into the railways sector and, company has entered contracts to provide lounge access at 8 railway stations in India.

Issue details

The IPO is made up entirely of Offer for sale ₹562cr.

Pre & Post Shareholding

Particulars	(Pre-Issue)		(Post-Issue)	
	No of shares	%	No of shares	%
Promoter	5,22,49,900	100.0%	3,50,07,532	67.0%
Public	100	0.0%	1,72,42,468	33.0%
Total	5,22,50,000	100.0%	5,22,50,000	100.0%

Source: Company, Angel Research

Objectives of the Offer

- To carry out the Offer for Sale of 17,242,368 equity shares aggregate upto ₹562cr.

Key Management Personnel

Liberatha Peter Kallat is the Promoter and Managing Director of the Company. She was designated as the Chairperson on November 30, 2021. 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 our 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 Company Private Ltd, and Pernod Ricard India (P) Ltd.

Balaji Srinivasan is an Executive Director and Chief Technology Officer of the Company. He holds a diploma in software and systems management from NIIT, New Delhi. He has been associated with the Company since 2019. He has experience in the technology sector. Prior to joining DFSL, he held senior management positions at start-up ventures such as FarEye and held the position of Vice-President at Genpact India Private Limited. He has been awarded the Smart Innovator Award 2019 at the Enterprise Innovation Summit 2019 in recognition of his extraordinary ability to innovate that resulted in creating business value for the organization and the Smart Innovator Award 2021 and Enterprise Innovation Summit 2021 in recognition of the extraordinary efforts in technology innovation that resulted in creating business value for the organization.

Financial Summary

Income Statement (Consolidated)

Y/E March (₹ cr)	FY'20	FY'21	FY'22
Net Sales	367	106	282
% chg		-71%	167%
Total Expenditure	322	106	260
Raw Material	300	88	237
Personnel	18	13	17
Other Expenses	4	6	6
EBITDA	45	(0)	23
% chg		-101%	6064%
(% of Net Sales)	12.3	(0.4)	8.0
Depreciation & Amortization	2	2	2
EBIT	43	(2)	20
% chg		-104%	1157%
(% of Net Sales)	11.9	(1.8)	7.2
Interest & other Charges	1	1	1
Other Income	1	2	1
PBT	44	(0)	20
% chg		-100%	10287%
Tax	12	1	4
(% of PBT)	27.3	(621.4)	20.6
PAT	32	(1)	16
% chg		-105%	1221%
Basic EPS (Rs)	6.1	(0.3)	3.1

Source: Company, Angel Research

Balance Sheet (Consolidated)

Y/E March (₹ cr)	FY'20	FY'21	FY'22
Equity Share Capital	5	5	10
Reserves & Surplus	61	60	72
Shareholders' Funds	66	64	82
Minority Interest	-	-	-
Total Loans	3	9	8
Other Liabilities	2	2	2
Total Liabilities	71	76	92
APPLICATION OF FUNDS			
Net Block	5	11	14
Investment Property	-	27	2
Capital Work-in-Progress	1	0	-
Investments	-	-	-
Current Assets	116	62	128
Inventories	-	-	-
Sundry Debtors	69	40	91
Cash	32	10	15
Loans & Advances	-	-	-
Other Assets	16	12	23
Current liabilities	67	47	77
Net Current Assets	50	15	51
Deferred Tax Liabilities (net)	2	1	1
Other Assets	13	21	24
Total Assets	71	76	92

Source: Company, Angel Research

Cashflow Statement (Consolidated)

Y/E March (₹ cr)	FY'20	FY'21	FY'22
Profit before tax	44	0	20
Depreciation	2	2	2
Change in Working Capital	(7)	5	-29
Interest / Dividend (Net)	0	-2	0
Direct taxes paid	(16)	2	-8
Others	(0)	0	1
Cash Flow from Operations	22	6	-12
(Inc.)/ Dec. in Fixed Assets	(7)	-36	-7
(Inc.)/ Dec. in Investments	0	9	27
Interest Received	7	0	-13
Cash Flow from Investing	0	-27	6
Proceeds / (Repayment) of borrowings	1	-1	-1
Proceeds / (repayment) of Other Financial liabilities	0	0	-1
Interest paid	(0)	0	-1
Cash Flow from Financing	1	-2	-3
Inc./(Dec.) in Cash	23	-22	-9
Opening Cash balances	9	32	10
Closing Cash balances	32	10	1

Source: Company, Angel Research

Key Ratios

Y/E March (₹ cr)	FY'20	FY'21	FY'22
Valuation Ratio (x)			
P/E (on FDEPS)	53.8	(1,174.7)	104.8
P/CEPS	51.2	16,378.4	92.7
P/BV	26.0	26.5	20.7
EV/Sales	4.6	16.1	6.0
Per Share Data (Rs)			
EPS (Basic)	6.1	-0.3	3.1
EPS (fully diluted)	6.1	(0.3)	3.1
Cash EPS	6.4	0.0	3.5
Book Value	12.5	12.3	15.7
Returns (%)			
ROE	48.4	(2.3)	19.8
ROCE	63.4	(2.6)	22.6

Source: Company, Angel Research;

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