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Date: 16th August, 2023

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

Subject- Transcript of earnings call conducted on 9th August, 2023

Dear Sir/Madam,

In continuation of the earlier communication regarding Q1 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 Q1 FY '24 earnings conference call conducted on 9th August, 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
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Date: 2023.08.16 15:35:51 +05'30'

Dreamfolks Services Limited

Rangoli Aggarwal
Company Secretary and Compliance officer

"Dreamfolks Services Limited Q1 FY24 Earnings Conference Call"

August 09, 2023

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on August 9th, 2023, will prevail.

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

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY24 Earnings Conference Call of Dreamfolks Services Limited.

This Conference Call may contain forward-looking statements about the Company, which are based on the beliefs, opinions, and expectations of the Company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 this conference call, please signal the 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, and 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 quarter one FY24 Earnings Conference Call to discuss the Company's "Operational and Financial Performance".

We hope you all have had the opportunity to go to our investor presentation and press release that has already been uploaded on the Stock Exchange, and our website. Let me highlight a few drivers of the travel and credit card industry, both of which have a fair say on how we as a Company operate and grow.

To begin with, the undeniable rise of travel and tourism industry as a major economic force, and its potential to drive infrastructure development cannot be ignored. This sector not only fosters economic growth, but also enhances people's lives by generating extensive employment and catalyzing regional progress. There was a robust demand for travel in the leisure heavy seasonal quarter, despite high fares due to short term supply challenges in the aviation market. This is driven by a large shift in people's preference to spend on travel from their growing disposable income, in almost every month of FY 2023. The number of passengers carried by airlines domestically has surpassed the pre-COVID level and is reaching new heights. As per the DGCA data, passengers carried by Indian domestic airlines during Q1 FY24 were 38.6 million as against 32.5 million during the corresponding period of the previous year. Indicating a growth of 19% year-on-year. This growth in footfall can be attributed to revenge travel trends, greater propensity to travel by air and against the other modes of travel.

And the recovery in business travel, research also suggests that this surge in air passengers is in a significant proportion jumping from first time flyers. According to IATA projection, India's aviation industry is expected to grow at CAGR of 5.8% for the next two decades. By 2040, Indian aviation is predicted to accommodate 430 million additional air passenger journey compared to 327.28 million in FY23. To support this growing demand is the number of passengers India requires strong airport infrastructure currently, India has 140 operational airports, including international, domestic, and personal airports has experienced remarkable growth in recent years. Emerging as one of the fastest growing industries in India. India is expected to be the third largest aviation market by 2024 as per the IBS report.

I would like to quote that; the Honorable Civil Aviation Minister Jyotiraditya Scindia has said that India's aviation industry is poised for further growth and has set a target of increasing the number of airports in the country by 140 to 220 by 2025. In December 2022 Airport Authority of India and other developers have targeted to spend approximately Rs.98,000 crores in the next five years for expansion and modification of existing terminals, building new terminals, and strengthening of runways among other activities. Some major airports that are inching closer to completion are expected to begin operations in the coming years are the Noida International Airport, Chaudhary Charan Singh Airport, Lucknow, Navi Mumbai International Airport and Shri Ram International Airport, Ayodhya. The fleet sizes are also expected to significantly ramp up from 700 airplanes today to 1200 to 1500 in the coming four years.

Credit cards. Next, I would like to talk about the credit card industry. In the recent years, India has witnessed a notable surge in the use of credit cards. This transformation has had a profound impact on the country's payment system, completely revolutionizing the way in which people manage their finances. The country, which was traditionally reliant on cash transactions, has undergone a revolutionary change as plastic money is becoming the new norm. To give you an idea on how much adoption of credit cards has grown over the last few years, there were only about 2.9 crore credit cards in 2017 as per the Reserve Bank of India data, this number has surged up to over 8.6 crores in April 2023. This represents a CAGR of approximately 20% from 2017 to 23. As per industry reports, the number of credit cards in India could well surpass the 10 crores milestone as early as 2024. To add to this, recent data from RBI shows that there were 25 crore merchant transactions in April 2023 representing a total value of Rs.1.33 lakh crores more than double the value of debit card transaction of Rs.53,000 crores.

There are several drivers behind the increased adoption of credit cards in India. Firstly, the overall banking ecosystem is revolutionizing and growing, especially with the increase in the number of banks, credit cards and FinTech tying up with startups and new age companies to promote the use of credit cards. According to some industry reports, card usage online has jumped to 60% of the card spent primarily across hospitality, travel and leisure and consumer durables. As per industry reports, the total value of credit card transactions is expected to reach Rs.51.72 trillion by FY27. Expanding at a CAGR of nearly 39.2% during FY2022 to 2027. Meanwhile, during the same period, the volume of credit card transactions is projected to expand at a CAGR of around 26.4%.

As credit card adoption increases, banks too are focused on increasing their customer base by providing additional benefits and tying up with companies to provide tailored solutions to their customers. Banks have also set up kiosk outside lounges to sell credit cards, which has helped them increase issuances. According to industry sources, currently only 30% to 40% of the bank's credit card portfolio is given free lounge access. For card issuers, providing lounge access to their customers at airport is increasingly becoming a key aspect of their customer acquisition and loyalty program and there is still huge potential to increase the credit and debit card penetration in the country. While the growing adoption of credit cards reflects the changing attitudes and behaviors of the consumers, the industry still has a long headroom to grow. An important factor that will drive the industry is the integration of cards. With a unified payment interface system UPI, which is estimated to result in 30x increase credit card usage in India. The credit card penetration in India is still around 5.5% and for the most populous country in the world, which is forecasted to be the fastest growing economy by agencies worldwide. The future certainly looks bright for industry.

Moving on to the lounges at these airports, the growing inclination of travelers to use them and the increasing awareness around the lounges and one's own card benefits have led to the rapid growth in the lounge infrastructure. The number of airport lounges in India currently stands at 58, with a total area coverage of around 400,000 square feet. Although the lounges are currently experiencing a situation of excess demand, deliberate efforts have been made to de-clutter the lounges, expand the space of the existing ones and open additional lounges to meet the demand. With extremely high digital penetration and continuously growing card user base the probability that this customer base will covet, adopt and prefer air travel as well as increase its frequency is high. Currently, only a small percentage of eligible credit and debit card holders utilize airport facilities. But the future growth potential is a phenomenon due to rising awareness and evolving preferences.

For Dreamfolks, this has been an eventful quarter for the Company, both in terms of financial performance and in terms of expanding our service offerings to a far wider network owing to some newly entered partnerships.

Of the total passengers that traveled during the quarter, Dreamfolks facilitated lounge access and other ancillary services for 2.6 million passengers in Q1 FY24. As against 1.8 million passengers in the corresponding quarter, signaling a 44% growth year-on-year.

We are the industry leader with 100% coverage of airport services, including lounges nationwide, due to our industry experience, knowledge, deep integration, strong partnerships, and networks. We also have 100% coverage of railway lounges in Asia as well and are growing rapidly as railway stations continue to get modernized.

Overall, we see a very significant increase in sustainable air traffic levels, followed by a demand for value-added facilities like lounges, car services, food, and beverage outlets, and more. With an extremely high digital penetration and a continuously growing card user base. The probability that this customer base will COVID adopt and prefer air travel, as well as increase its frequency is high. On the organization level too, we have had multiple noteworthy developments, to begin with our strategic partnership with Plaza Premium Group. This collaboration helps us include over 340 Plaza Premium lounges in over 70 major international locations. This addition includes 240+ airport lounges and 100+ railway lounges into the Dreamfolks global lounge network, thereby offering an enhanced travel experience to members worldwide. This collaboration with facilitate extensive coverage of Plaza Premium lounges across four continents, including key travel hub, such as Australia, Canada, the United Kingdom, Hong Kong, Florida, Brazil, Italy, Indonesia, Malaysia, Singapore, Dubai, Saudi Arabia, Jordan and more.

Let me now get to the financials.

The Company registered a 66% year-on-year revenue growth in Q1 Financial Year '24. Revenue from operation was 266.3 crores as compared to 160.3 crores in the corresponding quarter last year. Gross profit for the quarter stood at Rs.28.4 crores in quarter one Financial Year '24 as against Rs.25.1 crores in quarter one financial year 23.

On a sequential basis the growth was close to 12%, and the generic travel industry is seeing a growth of about 3% to 4% on average. The growth is primarily on the back of continuing uptake in passenger volumes, steadily growing stake rates and increasing preference to avail airport services. This phenomenal growth is a clear indication of Dreamfolks' pre-eminent positioning in the industry with a superior quality product and an efficient leverage of technology platform that ensures highest level of service quality. As we move forward, our goals are very clear. We want to grow and grow rapidly. There is no like-to-like peers for us in India and even world over. There are just a few other peers who are in the business of what we do. The global stage is our next orbit and as I have been mentioning in my previous calls, we are making earnest attempts to penetrate into global markets starting with Asia Pacific and Middle east.

This now brings me to the question of margins. And I'm sure you have observed the drop in margins. Optically the number does not look substantial but let me walk you through the factors that contributed to the margin drop and how we see the future margins, transitory panning out. Let me outline three key reasons that have contributed to the drop in margins. The first one is a timing mismatch escalation in cost with vendors versus increase in price points with clients that occurs annually.

Second, an unexpected cost escalation and one-off revenues in the previous quarter. And the third is our investment in human capital. Let's address these issues one at a time.

There is a time gap between the cost escalation for the lounge operators versus the pricing rate change for our clients. The pricing typically lags the cost increase and hence, costs quarter 1 typically will have this phenomenon and once the price is changed in quarter two, Quarterthree for our clients, this mismatch corrects itself.

Secondly, there was a one-time significant increase in the CAM, that is the common area maintenance charges by 3x. levied to the airport operator to the lounge operator, which adversely impacted our overall renewable costs. Therefore, our operator cost to us increased by 10% to 15% instead of the usual 5% to 8%. We believe this abnormal explanation is a one-off and hopefully will not occur in future.

In the first quarter, due to the unexpected increase, we will not be able to pass on the full escalated cost to our clients.

Next, the previous quarter of last year had a one-off project revenue which led to higher margins for the last quarter. It was a one-time fee against the consulting, development, and setup of a new upcoming lounge. However, I'm very happy to inform you that this is a marquee project of Dreamfolks and would be one of its kind in India. This was a commercial construct that was unique to this project. We will share the details soon when the project is launched. Without this revenue, we would have been at a margin of 14% to 15% for the last quarter, as opposed to 17%.

And finally, the last point is the increase in employment benefit expenses, which we believe is more of an investment by the nature of ESOP charges, as added around 15% to our employee cost.

All these three heads have contributed to the drop that you'll see in the margins. So, the next question on your mind is, what does this mean for the Company from a long-term perspective? I wish I had a crystal ball to gaze at and give you a right answer. But an honest answer at this moment is that we are working in an extremely dynamic marketplace.On the revenue front, the pathway is clear, and we have a huge opportunity in front of us to grow and grow fast. With a differentiated product, the right investment in people and technology we believe we are poised for steady growth for the middle term.

On the margin front, there are various moving parts at work. The Indian travel market while growing is still young compared to the western countries. And hence, we will definitely see business models and cost structures undergoing change as we get close to the maturity stage.

Further pricing models vary between private airports and airport authority of India on airports and privatization of some of these airports will definitely increase pricing consideration in the years ahead. To date, we have not seen any comparable competition to us, but there could be new players emerging given the potential that this industry offers.

In the light of the above, we are changing our gross margin guidance from the 14% to 15% that we have been reporting over the last couple of years to a more conservative 11% to 13% for this financial year. Please note that this also assumes high margin business from some of our other services like golf, et cetera. The contribution to the margin currently is low, but we will see this adding value over a period of time. For the medium to long term, we would affect the market conditions and guide you suitably should there be any change from the stated position.

Let me now come to dividends.

I'm happy to announce that the Board of Directors has recommended an interim dividend of Rs. 0.50 per share. While we do not have a stated commitment of dividends in our dividend policy yet, our capital allocation policy will be predicted on rewarding shareholders after accounting for the growth capital that Company needs for its progress.

Another area that we have focused on is human capital. We strongly believe that our employees are our strongest assets and believe in seeing them grow along with the Company. In line with this, the Company has rolled out ESOP to more than 95% of eligible employees to recognize and reward employees' dedication and contribution to the success of our organization. We believe this policy will foster a culture of collaboration, innovation and teamwork that will further drive our growth and achieve our strategic objectives.

The moat built over a decade have helped us scale up and redefine this business. We intend to replicate this expertise by leveraging our deep knowledge of the industry technological innovation, process expertise and rich data-backed insights across new high growth and high margin markets.

Thus, we are confident that the next leg of growth will be on the back of our technology progress, deep network, strong relationships, cross selling and upselling of our services, offerings and other big expansion in the identified areas and thereby writing another successful chapter in our growth story.

I know this has been longer than the usual prepared remarks, but we wanted to ensure that our shareholders had a clear visibility to what we are seeing at our end.

With this, I would like to invite Sandeep to take you through the developments in the business during the quarter.

Sandeep Sonawane: Thank you Liberatha. From the revenue mix perspective, currently the bulk of our revenues come from lounge access services. While we believe that the service offering is still at its nascent or growing stage in India, and there is a large headroom for growth. We are consciously making effort to diversify our revenue mix and give wings to our other service offerings too.

We are doing this in multiple ways. We are diversifying our services, restructuring our clients mix, expanding geographies or even working on newer models.

In terms of services on offer, we have ventured into adjoining premium offerings such as golf course access, and duty-free offer.

From the client mix perspective on the demand side, we have work with not just card networks, but also card issuer that is banks and are now actively adding enterprise setups to our client base by providing them compelling value proposition for their end customers, employees and even channel partners. Though quite niche at this moment it offers us another area of growth and enables us to provide customer engagement and loyalty solutions for the corporate clients, while developing tailor made solution for business in the hotel sector, e-commerce, new age digital and banking among others in another area of interest. Thus, we aim to expand into newer sectors to create customer engagement and provide loyalty management solutions to de-risk or reduce our dependency on one type of client.

Talking about diversifying geography, our recent tie ups with Aspire lounge Australia two quarters ago, or more than recent one with Plaza Premium Group are the steps taken to expand our footprint globally and not just provide our existing consumers with a wider array of options, but also get them onboard newer customers from other geographies. As alluded in earlier calls we aim to grow meaningfully in the Middle East and South Asia over time.

Lastly, in terms of models, we are constantly evolving and working on being future ready by providing customized solution to our client whether in the form of consultation or solutions on the back of, and even tailor making solutions and product offerings to suit their needs.

To take you through our tech capabilities and development. I would like to ask Bala Srinivasan – our CTO to take over.

Balaji Srinivasan: Thanks Sandeep. On the test front, our platform is proprietary and has been developed in-house and is aimed at providing our customers hassle-free experience. This superior technology starts from the multiple modes that we have in the Company.

Building on this tech stack, we are in the position to develop and offer our banking partners, customized and advanced products, and solutions to optimize the spends by pushing targeted products to their end customers and driving a high-quality value proposition instead of a plain vanilla one or something that is a one size fits all solution.

Last quarter, I have mentioned that our Web Access Portal that we had conceived and developed is already live. That's an extremely handy tool helping customers be aware of the card benefits, determine their eligibility to join certain benefits in advance, thereby avoiding confusion and grievances and ensuring a superlative experience. The adoption of this portal has been extremely encouraging, and we are seeing a partner's drive growth of this as well. In alignment with our asset like philosophy and mode of operations. Our entire platform technology is cloud based and allows lounge operators to check the consumers benefit on the real time basis. This supports correct accounting and is intended to stop system misuse and customer service line. Our advanced tech empowers seamless access to a wide range of airport services through various channels. These include credit and debit cards, card issuer applications, our own Dreamfolks app, self-seeking kiosks and web-based portals and we ensure the unified experience.

Our clients have now started incorporating lounge benefits and access seamlessly within their own applications and tools as well. Golf Click, formerly referred to as Vidsur Golf, strategically integrates the Dreamfolks platform within the global inventory of Vidsur Golf and the fusion enhances the customer value proposition for our premium players. From a way forward perspective, we anticipate the role of our newer product offerings to increase and help in maximizing the profitability per customer. Possible dynamic pricing malls to optimize utilization levels, and more extensive loyalty management programs could also be a trend in the future. And this is precisely why we continuously invest in our in-house talent and R&D efforts to ensure un-paralleled quality, agility, low or no downtime, and thereby setting us apart from our competition.

With that, I would like to hand over to call to Giya Diwaan – our CFO for the performance highlights.

Giya Diwaan: Thank you Balaji. This quarter has been a really exciting and rewarding one for several reasons, the Company registered 66% Y-o-Y revenue growth with the Q1 FY24 revenue from operations being Rs.266.3 crore as compared to Rs.160.3 crores in the corresponding quarter last year. The growth is primarily a result of a continuous increase in passenger volume, growth of the take rate and an increase in accessibility of airport services as well. We have observed strong performance across critical key performance indicators, KPIs, the Company continues to have strong client relationships that are helping in building a scalable, predictable, stable and sustainable revenue and operating margin. EBITDA for the quarter stood at Rs.18.7 crores as against Rs.19.4 crore in Q1 FY23. EBITDA margin for Q1 FY24 stood at 7.0% as against 12.1%. The reason for which we have already been highlighted by Liberatha. PAT for the quarters stood at Rs.13 crore, the PAT margins at 4.9%. As Liberatha mentioned, this quarter is an outlier, and Liberatha has already covered the updated guidance in her position of the speech.

Coming to the return ratios:

Clubbed by the Company strong profitability, stemming some efficient operations at scale and an asset light business model has helped us deliver tremendous value to our stakeholders. We understand the value our employees bring to the organization and to committed to the growth of our employees. In line with this, we have successfully extended the ESOP benefits to all the employees across the organization in the year FY21 and FY22 and some part of it got extended in FY23 as well. The policy is designed to align the interests of our employees with those of the Company and create a sense of ownership, encouraging them to be even more invested in the Company’s long-term success. The policy extends to all the employees and has a resting period ranging from one to seven years. We have extended the ESOP benefits to more than 50 employees by the time Q4 FY23 had clocked in, and also in Q1 FY24. Total cost for the same is estimated to be around 18.9 crores, which would be spread over a period of seven years starting from Q4 FY23 going up till FY2030. This had an impact in our employee costs, employee cost including ESOP as a percentage of revenue in this quarter is 2.8 compared to 2.4 in Q1 FY23. As a Company, we have remained committed to delivering value to our shareholders and maintaining a strong financial position. The Board in its meeting has taken a call to declare an interim dividend of Rs.0.50 per share, which would amount to a 25% payout for the quarter.

To illustrate the dividend plan for the years, we aim to follow this up with a final dividend this year. We are debuting it with Q1 this year and would also aim to propose it to the Board and shareholders in the future as well. We believe that the successful implementation of our internal strategies and utilization of our competencies combined with the positive external environment will augment our growth going forward. Our conviction is based on the fact that we are seeing a significant increase in the country's premiumization trends and buying power. From high end automobiles and timepieces to a growing desire for upscale services like lounges and golf outing. In addition, the tendency to travel, particularly the desire to travel by air is increasing. Customer spending has grown over time, resulting in a sustainable take rate going ahead. This demonstrates the shift demographics and a way forward in the life and purchasing patterns, which works spectacularly for Dreamfolks.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mike Sell from Alquity Investments. Please go ahead.

Mike Sell: Thank you for the clear explanation about the margin change. Whilst disappointing, you've explained it very well. So, thank you. Could we have your thoughts on the top line growth, which obviously surprised positively with 66% year-on-growth, I don't imagine you will continue at that pace of growth for the full year. So, could you give us some thoughts about what we should expect on the top line. Thank you.

Liberatha Kallat: Thank you so much. So, yes, if we look at the top line, the forecast for this year is around 60% to 65%. So, that is the growth what we are expecting for this financial year.

Mike Sell: I'm sorry, ma'am. Did you say 55% to 60%, did I hear correctly?

Liberatha Kallat: Yes.

Moderator: Thank you. Next question is from the line of Jaspreet Singh Arora from Equentis PMS. Please go ahead.

Jaspreet Singh Arora: Just to get that clarity right. So, earlier, the trend or let's say the so-called guidance was 14% or more now we're talking of 11% to 13% for this particular year. Is that right?

Participant: Correct.

Liberatha Kallat: Yes.

Jaspreet Singh Arora: Okay, thanks. And given whatever I could understand from the detail breakup of the three examples, it looks like they are more for 2Q, 3Q, till 3Q and therefore suffice to say, from 4Q onwards on a much higher base, because obviously we are on this 60% or more base going on, we could be back to 14% or more margins as early as first quarter onwards?

Liberatha Kallat: No, so as we mentioned that we are looking somewhere between 11% to 13% margin for this financial year.

Jaspreet Singh Arora: So, would next year you would be back to that, because much of whatever you've told in the call earlier it looks like it's more of a one-year phenomenon?

Liberatha Kallat: So, to be very frank enough, it's not the way the volumes are growing, so obviously and we all know that there are a top five clients who are the major contributor to the business. So, the way the volume is growing, because the expectation was that it would grow around 20% to 25%. But the growth level is around 50%. So, yes, there is a cost pressure even from the clients end. So, I would not say that it's going to be only for this year, but I would say that, yes historically we used to maintain around 14% to 15% but going forward the margins will be slightly drop and where we would think that it would range from 11% to 13% going forward. However, the other services which we had like the golf, meet and assist and the airport transfer, but the margins are very high, but yes, in the present existing business, where the contribution from these businesses the revenue is very marginal, but over the period, if we are expecting and the way the forecasting is done, that the contribution from these services are also going to be in a range where this will also impact our margins as well and Yes, then we would say that we would come back to our 13% or 14% margin going forward.

Moderator: Thank you. Next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: So, my question is, so the demand is so high, and there is a cost push which is happening for you, can't we push this cost to the customer like all these banks, and all we can't take hike from them?

Liberatha Kallat: You can actually see, it was always that whatever the explanation used to be from the operator side and historically, it used to be around 5% to 8%, and which we used to pass on to our clients. However, now as we have mentioned in our speech as well, it is a one-time connection from the airport side as well, especially on the CAM charges. So, the increase from 5% to 7% or 5% to 8% has gone nearly to 15%. So, because of the volume pressure or the volumes which are growing we are not able to pass on that complete escalation to our clients, and as a Company, and we understand the value what the clients are bringing to our business. So, we have decided to absorb a certain percentage at our end at least for this year. So, maybe going forward with the help of the other services, we'll try and manage our gross margins. But this year, I would say that as a Company we decided to absorb a certain percentage and the rest we are expected, the clients would be taking up.

Sunil Jain: This common area maintenance charges is of the airport or the lounge owners?

Liberatha Kallat: It is from the airport to the lounge operators.

Sunil Jain: Okay, so they had passed it on to us, but we can't pass it on to our customer?

Liberatha Kallat: Absolutely, yes.

Sunil Jain: And second thing this ESOP charges for this quarter was 2.8 crore?

Giya Diwaan: ESOP charges for this quarter was 1.2 crore.

Sunil Jain: 1.2 crore. And how it is expected in the coming quarter?

Giya Diwaan: If you see there was a chunk of ESOP grants, which we did in Q4 for which the cost did not come in Q4 itself, but from Q1 onwards this year it's coming, so if I see all the Quarter 4 of this financial years, we would have a cost of 6 crores spread across these Quarter one to Quarter 4.

Sunil Jain: Okay. So, this cost will continue or maybe a bit high also?

Giya Diwaan: Yes because allotment happened just in the last quarter. So, as you are aware that the entire cost spread across over a period of vesting duration, and in the initial years the higher cost gets absorbed vis-à-vis the later years. So, in this year, FY24, we will absorb a cost of 6.3 crores to be precise, on account of the ESOP expenses.

Moderator: Thank you. Next question is from the line of Sanjay Ladha from Bastion Research. Please go ahead.

Sanjay Ladha: So, just wanted to understand the business model a bit more detail. So, firstly, we hold more than 90% market share in card base lounge access in India and 68% market share in overall volume of lounge access. So, just wanted to understand what are we doing differently or the competitive advantage as a Company we have compared to others or is there any entry barriers to the business?

Balaji Srinivasan: Sure. So, let me first explain the two numbers. So, if you observe the traffic that goes in a lounge, the bulk of the users who are using the lounge are typically the users who get this benefit complimentary from banks. So, that accounts for the bulk of the revenue and in that market, we have the major share which is more than 90%-95% and that's the number that we operate in. However, the other number, the 67% number is the number of traffic that we are sending and the remaining traffic is the traffic that comes from for example airlines, because they also run loyalty programs, there are international travelers. So, all of that contributed if the overall channel number. But interestingly, if you think about the major lounges, we sent more than 80% of traffic to such lounges in the key major locations, for example Bangalore, Delhi, so on and so forth. So, is that clear?

Sanjay Ladha: Yes. So, sir just wanted to understand, are there any entry barriers to this business which we operate?

Balaji Srinivasan: Sure. So, yes so, I would say there are three moats that we consider. So, one is the relationships that we have with our lounge operators and partners. So, since we drive the major amount of traffic to these lounge operators, we have excellent relationships. And that also helps us get excellent pricing, because we are able to send so much traffic to these operators, the pricing that we get is fundamentally at a differentiated level. So, a new entrant, for example, will not be able to get a pricing that we get. And what we also do is pass on, so exactly the point that we were discussing earlier in this call, is that we pass on bulk of these benefits or the discounts that we get to our customers. So, the pricing that we are therefore able to operate or give to our clients is very, very less compared to what a competition might do. So, that's the first entry barrier. The second thing is that, we have got a very deep relationship with our clients. And what they also do is that they use our technology to manage the benefit. So, it is not that we are simply basic aggregators, rather than what we do is that the banks and some of the network they are using our technology to run a lot of the programs themselves. So, to give an example, let's say a bank wants to run any kind of spend management, usage-based model, so on and so forth the underlying tech is actually also supplied by us in addition to the aggregation business. So, this is what we do, and this is the second big mode.

Liberatha Kallat: So, just to add on what Bala was saying, so for your question that what do we do differently? So, when Dreamfolks started, we started off with a differential offering in terms of the technology, because there was a similar offering in India and globally as well. Whereas the banks were offering lounges to their card holders, but they were offering a separate plastic, what differential we did was to give the offering or the benefit on the same credit and debit cards. So, that was one of the biggest differentiator what we created in the market. And that's how we are different from our competition. We do not have to have a separate card, or even now the way we have enhanced our technology, it's not necessary that you need to download a separate app, like what the competition is. But we had deeply integrated with our clients were in we sit inside the bank app, so you do not have to have a separate app. So, that is what we have created difference in the market and that's how we stand differently and of course, yes, the long standing relationships in terms of with our operators, which is the lounge operators and the other service providers. And secondly, also the long-term relationship what we have with the client. All this put together is a strongest moat what Dreamfolks have today.

Sanjay Ladha: Thanks for the detailed answer. My another question would be, we charge the client on two model, one is annual maintenance or integration on the platform that is annuity based yearly charges, and other is when passenger uses the service that is variable on when passenger access the services. So, could you share the revenue percentage on each segment and how's the trend over the years?

Balaji Srinivasan: So, the bulk of the revenue that we get is per PAX. So, every time a customer goes into the lounge, that's the revenue generation opportunity for us. There will be some clients for which there will be some kind of tech fee or a platform fee. But on a case-to-case basis we choose to either absorb that cost into the transaction fee, or there might be an independent line item in our billing, but that is not really the way we think of the thing, because when we structure the deal it is more in terms of the absolute billing that we are able to get from our client. So, most of the revenue would be per PAX.

Moderator: Thank you. Next question is from line of Shreyans Mehta from Equirus Securities. Please go ahead.

Shreyans Mehta: One, if you could break down or if you could highlight in terms of numbers, what would have been the impact because of the two reasons which we've given in the EBITDA?

Liberatha Kallat: So, Shreyans if you see, we were talking about how we ended the previous year, we ended the previous year, especially the last quarter with close to 14% gross margin. And now if we are talking about close to 11%, 10.7% to be precise, the primary impact is on account of the escalation which we have got from our operator. Now, historically also this escalation used to happen, but it used to happen in the range of 5% to 7%, 8%. While this time it was upward of an even 15%. So, that delta of 7% escalation is what we have got, so that's one. Second is the time gap which we spoke about, though the contract with our operators started from April, Q1 being part of the escalated cost we would be able to actually do the escalation with our clients starting from August, September onwards. So, that's another part of this differential 4% which we are talking about is contributing to it.

Shreyans Mehta: Got it, sure. And, just to add on to, that this now that the time lag impact is over. So, is it fair to assume that it would be retrospectively because that amount should be given to us probably this quarter?

Liberatha Kallat: Sir your voice is echoing we are able to hear but not able to clearly understand.

Shreyans Mehta: So, my question pertains to the time lag which we just discussed, so that would be retrospectively or prospective in the sense that now since the agreement has been signed. So, will that amount accrued to us during this quarter what we've lost for the 1Q?

Giya Diwaan: It happens prospectively Shreyans so, if it is due in the month of September for example, it would start from September. For our operators it was due in April so, escalation started from April. So, the cycle is for 12 months and when any contract is getting due for renewal it starts from that day.

Shreyans Mehta: Got it, sure. Secondly, as a premium if you could quantify what can be the potential impact as far as our international ops is concerned?

Liberatha Kallat: Okay. So, actually in terms of inventory what we have actually got from Plaza Premium is around (+300) lounges which also includes railway lounges as well. Now, the thing is that the advantage is that, in terms of the commercials, so obviously the way the strategic partnership is done that we enjoy our best commercials from them and equally we can have a better margins, because presently, if you actually see in terms of the global and which we have always mentioned that because of the high volume what we drive in the Indian lounges, we enjoy the best of the commercials. And that’s the reason the operating margins, or the gross margins are better. However, in global market we are not, we have just recently started and for us to actually position ourselves in terms of driving the revenue or driving the volume there to enjoy the best of the commercial, but eventually take time, but with this partnership what we have done with Plaza in most of the continents as we have mentioned that we have got the best commercial as usually the most of the Indian travelers travel. So, we forecast that, the way we have started the global business or giving access to our customers for the global lounges, we will be able to derive a better percentage or a better margin from the global market as well.

Shreyans Mehta: Got it. And one more question from my side. News article suggests that Adani’s and Visa have been joined hands and will be issuing co-branded cards. So, any comments on that, can it be a threat to us?

Liberatha Kallat: So, it is just a co-branded card, it is unlike all the other brands which come up with a co-branding, there are airlines which come up with a co-branding. There are other brands, which are there for co-branding as well, like Amazon, but the thing is that the benefit, which is there, has actually been provided by different service providers. So, when it comes to lounges obviously it is still Dreamfolks who would be managing the complete program in terms of managing the lounge benefits. So, we actually don’t see a threat and we have always mentioned whether it is any operator for that matter, because they will still have a limited lounge inventory. And today, the client when they actually look at it, they actually look at the lounge inventory in terms of not just India, but also global, and also the other services and that is one of the reasons that why we are growing our network and also adding more and more services. So, we don’t see a threat but actually it is a good thing because more and more such co-branded cards come in the market, it is going to add value and add numbers to the lounge benefits.

Shreyans Mehta: Sure. And lastly, if I can add one more question, just one clarification on the guidance of EBITDA margin, does this also factor in the change in the passenger mix since the international mix is moving upwards so does that factor that as well?

Liberatha Kallat: So, the international of course impact it and it will slightly move it upward.

Shreyans Mehta: Got it. So, just for clarification 13% guidance which we have given does it factor in the higher international PAX?

Liberatha Kallat: It does, yes.

Moderator: Thank you. Next question is from the line of Mukul Garg from Motilal Oswal. Please go ahead.

Mukul Garg: Thank you for taking my question. I know this has been asked multiple times, but I'm still a little unclear on the movement in gross margin during this quarter you kind of adjust for that one-off revenues last quarter there is almost 400 basis point sort of dip, is it possible to break out the impact which you have seen from #A timing mismatch, #B the cost escalation on the airport side and #C any pressure you're seeing on pricing from banks, which you have also indicated?

Liberatha Kallat: So, Mukul the way it is actually, if I have to just give you the breakup. So, when it comes to the one-time cost, so as we mentioned that, if I remove the one time see what we have actually got for the special project, what we were talking about the gross margin would be around 14%. So, that is one. Secondly, yes in terms of the time gap, and you have always mentioned about the time gap, that there are contract revisions from the operator side, which is the lounge operators, certain contracts get revised from January to December, and few of them are from April to March. And these ones which I'm talking about are 90% of major volume driven lounges. However, when it comes to the client end most of our contract revisions actually happen from August to September, so that is a time gap and as we mentioned about the CAM charges. Now, just to give you an example historically the way the escalations was growing which used to be around 5% to 8% which because of the CAM charges have suddenly the escalation has gone to 15%. Now, we cannot, usually the way it is that we usually pass it on complete cost to the client. However, now this arise in volumes as well and we need to as a partner support the clients as well. So, it is also important that how do we support, and part of the escalation has been observed by Dreamfolks and the certain cost has actually been passed on to the client. So, these are the factors that have impacted the gross margin for this quarter. And I would say that this will also have a certain impact even in our Q2 as well. However, if I have to talk about the forecast for other financial years, I will say that, there would be certain points down, but it would be somewhere in between 11% to 13%, what the gross margin looks like.

Mukul Garg: Liberatha, I understand that what I was trying to kind of split out was, #A was the impact of timing mismatch did it contribute like 100, 150 basis point and that came from the cost escalation, and secondly, on this part cost escalation given that your margin commentary has moved from almost 15%, last quarter to 11% to 13%, what are the pushback you are kind of getting from banks on pricing given that you guys are kind of have a very, very strong moat in the system, and the extent of the price impact for you seems to be very, very meaningful. So, if you can just also help kind of explain that and before that if you can just help us to understand the impact of cost escalation on this quarters margins?

Liberatha Kallat: So, Mukul, the thing is that the impact or the pushback which is coming from the clients is basically on the cost management, because there is a lot of pressure for the clients as well in terms of volumes, because the expectation was around 20% to 25% growth for them. However, the way we see the growth is around 50%. So, obviously the cost management has actually become a major focus for them, just in terms of trying to revise the pricing for them, but in terms of the solution also we are actually trying and building a solution in a way which can be, the program can be managed well at the bank level. And when I say the solution is basically that, today it's a blanket offer which the banks or the network provider is providing to the cardholder. But the solution what we have is actually to give the benefit to the right users, this is also very important. So, I would say that there are multiple things so there is one way that we could do is in terms of revising the pricing to them, and the second one is in terms of the solution or enhancing the solution for them. So, these are the things which are happening. And yes, because we are the market leader and because we have the strongest moat in the market, there are certain things which we are trying to do it. And I would say that these are the top two things right now as a Company we are working on it.

Mukul Garg: So, sorry again to push back on this aspect, what is happening right now is that you are also opening up other areas where spending will go and that is something which again will get into relationship with the same banks. While your revenues have grown extremely well this quarter, the impact on your earnings growth is fairly muted because of this. So, with more avenues, opening up what steps you guys are taking to prevent continued bleeding on profitability so that you don't get hit on your earnings, because banks are seeing more users kind of use their offerings?

Balaji Srinivasan: So, Mukul you are right, that is actually the focus for us as well. And what we have actually figured out is that, if lounge is the only product the bank is using, and then there is pressure on them to manage the cost, that's not the best approach for us either. So, the idea for us is that we are giving them two options you could say to manage their overall cost proposition. So, from the point of view of the bank, we are actually trying to manage the cost. Now whether it is by cutting the cost or whether it is we're managing it in a different manner that's where we are consulting with them. And now we are giving them the tech to actually go and manage the costs in different manners for example, for you would have seen recently that some of the banks they are restructuring their benefit programs, some of the banks they are moving from a usage base or a spend based model. So, these are the ones they are using our tech to go and implement some of these solutions. Second while added pressure on margin on let's say the lounge product. There are other services that we have already started where the margin is higher and as banks restructure the benefit models to include other services, that takes care of our interest to ensure that the margin is maintained. So, these are the two things that we are working in parallel with the banks, and we are very deeply engaged with them actually.

Moderator: Thank you. Next question is from line of Depesh Kashyap from Invesco Mutual Fund. Please go ahead.

Depesh Kashyap: You talked about the one-off project revenue in the last quarter last year, can you please quantify the same and just wanted to know, why was it not highlighted in the last quarter itself?

Liberatha Kallat: Hi. So, as I mentioned that, this was more of a consulting development and setup of our new upcoming lounge for one of the clients. And as we mentioned that it is going to be one of our marquee projects for Dreamfolks as well. Now, the reason why it was not called out because, obviously we are always protected with the NDA, and we cannot announce it. So, that was one of the reasons why this announcement was not done. And secondly, we would talk more in detail about this project the moment it's going to launch, which is going to be very soon. And, in terms of the number as we've always said, that if we actually take out that value, the margin, which was around 17.9, if we actually take out that onetime fee it is going to be around 14%. So, that is a value which this one-time project cost was.

Depesh Kashyap: Even the last quarter for the entire year it was there?

Liberatha Kallat: Not it was only for the last quarter.

Depesh Kashyap: Okay, got it. And secondly, which all lounge operators have increased the cost I believe, like not everybody can come together and increase the cost. So, is there still a pain to come because the many different operators out there and they cannot combine together and increase the prices?

Liberatha Kallat: So, you're right that it's not that everybody but the major ones, because the major ones, I would say the top five contributors who actually contribute to almost around 80% of the total volume to our business among them there was a change and the change is basically, because all these major airports wanted to actually streamline or ensure that the price structure in terms of the charges or the CAM charges, even in terms of the rentals need to be similar. So, those were the changes or the rectifications which have been done. So, that was one of the major reasons. Secondly, I also want to highlight one more point that, whenever there is a new terminal or in case if that is a government owned airport which is privatized and if a private operator is going to actually have their lounge there. So, the pricing also varies, is revised almost 150% to 200% in terms of the lounge per pass rate as well. So, these are the major impact which are happening, and we all know that there is a lot of privatization and a lot of changes which are happening. So, it is the overall average what we are talking about, yes it's not for all the efforts, but the major ones which never had those type of price structure, they have tried and revised their price.

Depesh Kashyap: Okay. And lastly if you can just highlight where are we in terms of the international expansion that you talked about Middle East Asia, last time you told that the second we will be launching, so where are we in that respect?

Liberatha Kallat: So, the work is in progress, and we are working on it like and in terms of the network or in terms of expanding our network if you have seen that we have actually done a strategic partnership with Plaza Premium. So, it is very important for us the moment we actually start any of our business in any of the regions, we need to be strong in terms of providing the right base to them. The way we actually are strong in Indian market so now with Plaza Premium partnership, the ones which are in pipeline for the closures will be soon and very soon you will also hear some good news about the global market what we are done because it's almost in the closure. And hopefully in a couple of weeks we'll be announcing the new market entry as well.

Moderator: Thank you. Next question is from the line of Aditya Sharma from Aditya Birla Asset Management. Please go ahead.

Aditya Sharma: Just wanted to understand as per my knowledge, these lounge owners are in a very creative business and also as the volumes increase, we understand the inherent nature of the business, there is significantly high operating leverage. So, shouldn't we be pushing these lounge owners to actually take some part of the hit on their P&L as the volumes increase, because otherwise they are putting ourselves in a very precarious situation?

Liberatha Kallat: Your observation is right, but I will say that not completely because, I will say that major of all the private owned airports right now which is Delhi, Mumbai, Bangalore, Hyderabad, all these airports the way the contracting with the airport operators are, it's more on the revenue share model. So, what happens is that, either it has to be a rental or the revenue share model, some airports have rental plus the revenue share model, where it is really very high. So, just to give you an example, there are few airports where the revenue share is around more than 40% as well. So, they have to actually share such a revenue share, so obviously they are left with a very less operating cost for them. So, and the reason why, I would not say, they are trying and supporting us in a lot of ways, but in terms of sharing the cost, but we also understand cost, what they are operating in terms of the renters, and as I mentioned the revenue share as well. So, these are the factors where we would not be or the lounge operators has not been able to take up the majority of the thing. So, Sandeep, would you like to add something?

Sandeep Sonawane: Yes. And this entire onetime cost escalation that has happened in the form of CAM has actually hit them badly and it was not expected in fact, so much so it came in newspaper also, as too people were protesting, so at best we could do that, but unfortunately the contract with the airport operator is such that there is year-on-year escalation and like Liberatha said, at some places even occupancy cost is as high as 30%, 35%. So, 30%, 35% occupancy cost, then you have another good 15% to 25% revenue share to be given at the share with the airport, you can now imagine with the kind of cost that they would have you can be as minimal as possible, but still, so we do have in a nutshell, what I'm trying to say is we do analyze their PLL and we definitely know as to what margin that these guys would have for us to really negotiate. So, unfortunately, in this case we knew there very little room to really negotiate with them.

Aditya Sharma: Okay. At least what my understanding would say that a payback period was less than four years so they are generating a decent return on their investment already. So, just another question that I wanted to understand was, so what has been the time lag to pass on the prices in the past because the six-month time lag seems quite steep?

Sandeep Sonawane: So, the time lag has always been between three to six months.

Aditya Sharma: Okay. So, three to six months?

Sandeep Sonawane: Yes.

Aditya Sharma: Okay. Also, just the last question from my end. Is it that the pressure in terms of passing on the prices have sum up because we have went public and the client can obviously see through our surprise and the profits that we are generating and that is causing in terms of passing on these prices?

Liberatha Kallat: So, yes, it is right. It's not that the client or the operator were not knowing that we are have our own margins, but yes, going public obviously the number was out in the market, and everybody has the visibility of what exactly the margins are. So, there is a slight impact to it, but I would not say that major, but it's an open thing when you do a business obviously the client and the operator are aware that we have a margin, but yes, the clarity of how much we do is out in the public, so yes.

Moderator: Thank you. Next question is from line of Dhruv from Vasuki India Fund. Please go ahead.

Dhruv Joglekar: I just wanted to know what is the cash balance as of Q1 ending?

Giya Diwaan: Sure. So, the cash balance as on Q1 ending for us is 82 crore.

Dhruv Joglekar: What was this figure as of Q4 23?

Giya Diwaan: That was 80.

Dhruv Joglekar: And second question in terms of progress on the railway side, what is the progress that did traction that you would want to highlight?

Liberatha Kallat: So, if you actually see right now there are 12 railway lounges in the country, and we have 100% coverage with them. And if you have actually seen the recent news, which have actually come where the government is actually taking a initiative of investing into the railway stations and having investment in terms of the infrastructures. So, that is the future where we actually see. So, we are already present there and in terms of the volume or in terms of the growth. So, we already have the same set of clients who are already giving a lounge benefit at the airport. So, the same set of clients are also giving a benefit at the railway stations as well. So, the way we are seeing the growth is, there is a growth of almost 15% month-on-month in railways as well. And we see huge potential. Right now, the numbers would be very miniscule when compared to the airport lounges, but going forward in coming years, railways will be one of the important and a high growing market for us.

Dhruv Joglekar: So, just to follow up on that, would there be a margin pressure similarly how we are seeing on the airport side, would there be a similar way of margin pressure on the railway side going ahead, I assume that the margins will be way lesser than the revenue per passenger would be much lesser, average tickets size will be much lesser as compared to the airport lounges, but wanted to understand what would be the pressure on the margins even on the railway side?

Liberatha Kallat: So, of course the base price in the railways would be much lesser than what it is at the airport. But however, as a Company we try and we would want to maintain a similar type of margins, what we are continuing it and the same set of margins we will try and maintain at railways as well.

Moderator: Thank you. Next question is from line of Himesh from Purnartha Investments. Please go ahead.

Himesh: This question is, continuation to one of the questions that was asked previously, given the kind of strong demand that we are seeing, and currently we are witnessing the cost pass on the banks. So, going forward, can there be a scenario where banks might actually ask you to reduce the prices given the kind of strong volume that you are witnessing?

Liberatha Kallat: So, actually to just give you a forecast or the plan what we have, the thing is that is the focus I don’t know if you have actually heard what Sandeep also mentioned. So, the focus is not just going to be with the banks or the network providers. So, as a Company, the focus is also going to be on the enterprises. So, the thing is that yes, we understand the way the volumes at the bank and are growing. But however, we also see that there is a huge market in terms of the corporates or the enterprises as well, where we see that the margins would differ. So, overall if you have to consider we will try and maintain the margins and we see huge potential coming from the enterprises as well.

Moderator: Thank you. Next question is from the line of Hemant from Alder Capital. Please go ahead.

Hemant: I have two set of questions. So, first one when I look at the numbers on a historical past, basically from a cost per passenger basis, our customers who are accessing our lounge, it was in the range of around Rs.600 odd. But it seems like there was a jump in 23 and to around 790, and now it’s around 915. So, it seems like the cost escalation from whether it’s CAM or from the vendors has been running now over last year, and even it seems to be coming through this year as well. So, the question remains that, are we in this new bracket where you are seeing more number of passengers accessing lounge and the airport operators are using that to have a systemic escalation which is going to run in a double digit going ahead, which was not anticipated and this is something or a higher level that is going to continue going ahead as well.

Liberatha Kallat: So, its a good observation what do you have, but if you have actually also seen the changes, which are happening in the airport industry as well. So, there are a lot of airports, which are actually getting privatized, and the moment the privatization happens, the price escalation usually as we mentioned that it varies from actually 150% to 200% or 300% in terms of the pricing. So, I would say that that is one of the biggest reason and if you have actually seen in last two years, because there were more lounges especially if you have seen that Adani has taken over six airports, however not all the airports have been taken over and have started. But there are few from almost six airports, there are three airports which are being controlled directly by Adani. So, there is a price escalation in these airports. And secondly, even the existing airports, what we were talking about, when there is a new terminal or a change is happening in terms of the service, there are changes that terms of the pricing. So, I would say that these are the impact in terms of the pricing, which is there and we have always mentioned that if it is a government owned airport, and from there if it goes to a private player, so obviously the price impact is around 200% in terms of the per pass rate. So, the observation from 600 to 800 and today it is 900 is all in terms of the way the privatization is happening. And this is one of the impacts and yes, as he also mentioned that the CAM charges are also one of the biggest reasons, Giya in case if you want to add few more details here.

Giya Diwaan: Sure, that's a very good observation in the trend, I must repeat that again. Now, this is the recent development which we discussed about right, that one of a large escalation happening. , Historically also if you see there is a similar amount of delta which we have been talking about, 14% to 15%, for quite some time now. Because that's the way it was constructed commercially between our operators as well as on the other hand with our clients. So, as and when the inflationary based escalation was happening, we were also able to pass it on to the clients as well and our clients also very well understand what is going on in the lounge space as well. A lot of development as Liberatha is mentioning has been happening the way the lounge used to be five years back, is very different than the way it is right now. There are some very key locations, wherein the kind of lounges they have introduced is not less than a premium lounging section or I must say a hotel kind of thing. So, having said that, this amount of escalation which we have been driving from Rs.600 to now going up to Rs.905, I would just urge you to look at Quarter 4, which was 835, that's the kind of escalation we have been driving. And similarly, our clients have also been absorbing the similar escalation for us. This one-off is definitely creating a little gap which we spoke about, which over a period of time, I would say normalize and this is a one-off thing which we don't expect in future to happen. Now, this definitely has another angle to it that with the growth, which we are witnessing at this point in time would also kind of marginalize the gross margin for us as well and hence the new guidance of 10% to 13% on a conservative basis is what we would want to highlight here.

Hemant: So, the second question being, see as investors we are concerned about business models where pricing power starts weakening and why I say this is, when we look at the number of passengers increasing at the airports, as observers we obviously see a huge build out of people who want to access lounge and aren't able to access it. What I want to understand from you is, are you thinking about tackling obviously, the potential that you talk about and really see on the ground that people are accessing it by giving a differential so called structure for people who are visiting the airports and also card providers. So, that if you are at a particular card level where you are charging the customers at a higher level, maybe you can have a differential product over there and maybe charge even the end user, your customers as well accordingly, maybe that gives a little bit more better pricing power, because what seems like out here is that when you have a level playing field, and if a large number of customers are coming in as a funnel, you will have to succumb to the fact that, the pricing is not leveled out from the end user as well and there in the problem lies.

Liberatha Kallat: So, right observation we are already working on it, and we have already started doing that in terms of the segmentation right. So, in terms of giving a premium offering, we have already started doing that. So, the thing is that, in terms of the benefits so the premium card holders are not just getting the lounges, but we are already offering a meet in essence or the airport transfer which is a premium offering to them. And similarly, the way we are actually working in terms of the product segmentation, that we have already started and Bangalore is already one of an example what we have actually done in terms of giving a differential offering to our card holders, where the premium card holders get a different set of services at the lounges whereas a different segment of the cards get different lounge service. So, this has already started and which we are very closely working with the airport. However, as a Company we have also started working on different service offerings in terms of F&B offering, and there are a few more which we are going to announce very soon. And there are some, super luxury products as well, which are there for the premium cards as well, which we have already announced, if you have already seen our deck, we have actually announced a service like VFS services, which is the visa at doorstep and also a lounge at the visa center. So, these are actually for the premium card holders and also one of the other products is e-sim. So, there are a few more products which are in the pipeline and in a few weeks or months we would be announcing those services as well. Now, these services are basically to create a differential offering in terms of different set of cards. So, this is what we are doing, we understand that today the lounges are getting full and there is a space constraint there. But I would say that the airports are also very closely working with us in terms of increase the lounge space, giving a differential offering for the lounges. Secondly, we are working on, different services it’s not just outside the airport, but within the airport as well. So, I would say that overall, Yes, not just the service offerings, but I would say that in terms of the solution also the way we have integrated with the bank and giving the solution in terms of whether it is a spend base or whether it is a credit to be given to a higher user, customer. Those are the modules what we have already created, and we have already started working on it.

Moderator: Thank you. Next question is from the line of Dhruv Joglekar from Vasuki India Fund. Please go ahead.

Dhruv Joglekar: My question was regarding the expected margin in the next coming quarters. So, since our guidance is around 11% to 13% going forward, and what would be the ask rate and will we see a substantial jump in the margins in Q2, Q3 or how do we perceive this?

Giya Diwaan : When you are talking about the guidance of 11% to 13%, it would increase over a period of time in Quarter 3 and Quarter 4 as well and that is where we will reach an average blended rate of 11% to 13%.

Dhruv Joglekar: So, how do we plan to do that, so are we expecting this timing mismatch to take in the Q3 onwards or how?

Giya Diwaan : So, as we mentioned that, client escalations are due starting from August, September and October, are some client escalations happening. The moment we close that, this time gap would get mitigated over a period of Quarter 3 and Quarter 4.

Dhruv Joglekar: Understood, okay. And going forward for the CAM charges for the next year onwards also, do we expect this escalated price to continue or can we see some bit of drop there, or how do we see the CAM charges going forward?

Sandeep Sonawane : No, I don't think so. This will happen, because CAM charges this time around it happened through an external party and then one airport did that and obviously the other airport took queue from that, and the airport that we are talking about are those airports which contribute very high in terms of PAT contribution. So, I don't think so because there's a lot of resistance already that's happening. So, I don't think it was one-off, it is not possible to the kind of unprecedented, escalation that happened. This would be one-off clearly.

Moderator: Thank you. Ladies and gentlemen, due to time constraint this was the last question for the day. I would now like to hand over the conference to the management for their closing comments.

Liberatha Kallat: To conclude, I would like to highlight that Dreamfolks is working on a number of new projects and initiatives, with the goal of providing a wider variety of services to our clients throughout the whole value chain. With the help of our unique technology, wide range, and large networks, as well as external tailwinds of strong growth in the aviation and credit card sectors, we are positioned correctly to grow our business sustainably and not to forget the undivided attention on our top line. Thank you all for joining the call today. And we hope all your queries have been answered. Feel free to contact strategy growth advisors, our investor relationship advisors. Should you have any additional inquiries, stay safe and take care. Goodbye.

Moderator: Thank you very much. On behalf of Dreamfolks Services Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.