

**BLS International Services Limited**  
**Earnings Conference Call**  
**November 09, 2022**

---

**Moderator:** Ladies and gentlemen, Good day and welcome to the BLS International Services Limited Q2 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “\*” then “0” on your touchtone telephone. I now hand the conference over to Mr. Shikhar Aggarwal – Joint Managing Director, BLS International Services. Thank you and over to you, Sir.

**Shikhar Aggarwal:** Good afternoon everyone. I welcome you all to our Earnings Conference Call for Q2 FY23 and H1 FY23 business and financial performance. I have with me on the call today Mr. Nikhil Gupta – Managing Director and Mr. Amit Sudhakar – Chief Financial Officer of the company. Our performance for the second quarter has been in line with expectations, continuing with a growth trajectory. We are all above pre COVID levels despite certain geographies not having fully opened up.

As travel and tourism continue to recover rapidly across various regions we are witnessing strong month-on-month growth in our business in visa and consular services. Business in certain countries have not recovered fully yet business in rest of the regions have surpassed the combined business for pre COVID levels. So, when travel resumes and grows in these two countries these should boost our revenues significantly.

In our visa and consular service business growth is coming from multiple fronts. New clients, new geographies and enhanced services to existing clients, for instance, over the past few months we have won contracts to process visa from the Royal Thai Embassy in Kenya, from the Royal Thai Consulate in Mumbai and New Delhi, Kolkata and Chennai and to process German visas in North America and Mexico. We are also focusing on value-added services which will help us utilize our existing network infrastructure thus enhancing efficiency and margins. The past few months have been very eventful for our business correspondence as well as the e-governance line of business.

In line with our strategy to expand inorganically in June 2022 we acquired a 88.71% stake in Zero Mass Private Limited, a business correspondent for SBI in India. This acquisition has further strengthened our BC business. This moves makes us the biggest banking correspondent for State Bank of India across India. On the other front, our citizen service business continues

to grow with several new contracts during the first half of the financial year. Some of these include an agreement with the Karnataka government department of administrative reforms and an agreement with directorate of registration and stamp revenue, government of West Bengal.

Based on the progress in our BC and E-governance business and in the light of recent ZMPL acquisition which has made the BC business a substantial in terms of size and opportunity we have decided to merge the e-governance and BC business into one segment namely digital services. Digital services will consolidate all our services under the BC and e-governance business and will include a range of value added services without requiring much additional cost. We foresee a tremendous opportunity for growth in this segment and will have a clear focus with a dedicated team in the future, independent of our visa and consular business for this segment as well.

In light of this, we have transferred our entire equity stake in BLS Kendras Private Limited our wholly owned subsidiary into BLS E-services Private Limited another wholly owned subsidiary thus making BLS Kendra Private Limited a step-down subsidiary of BLS International Services Limited. There would be no change in control in either of these companies, but it will facilitate future growth plan for our digital services business. We aim to develop and grow both our segments into a sizable level of business for which we shall be aggressively bidding for new contracts. We are also looking for inorganic growth opportunities on this front to complement our organic growth efforts.

I would like to conclude by saying that all our businesses are doing well. We firmly believe that digitization is the key in the post COVID world and we will always try to use cutting edge technology for our services. This is all from my side. I now hand over the call to Mr. Amit Sudhakar our CFO for updates on financial performance. Thank you.

**Amit Sudhakar:**

Good afternoon everyone. Let me brief you on the financial performance for the second quarter ended 30th September 2022. During the quarter we reported a revenue of Rs. 357.04 crores, an increase of 87.46% YoY basis and 30.87% QoQ, mainly driven by continuous recovery in visa and consular business as well as citizen service business. Revenue was also supported by contribution of about 40 crores from ZMPL during this quarter. We have seen a good momentum in all our businesses and are optimistic of sustained growth in the coming quarters.

Zero Mass Private Limited is one of the largest business correspondent of SBI India. It comprises more than 15% of all the SBI business correspondents. This move gives our BC business a Pan India presence across all states and union territories and bring our total number of customer service points to more than 15,000 CSPs. Post this, our BC and e-governance businesses together are sizable enough to be pursued with deeper focus. It is with this perspective that we have merged these two lines of businesses under digital services. The EBITDA for the

quarter stood at Rs. 56.78 crores compared to Rs. 27.57 crore in the corresponding quarter last year and Rs. 31.36 crore in Q1 FY23.

The EBITDA margin for the quarter stood at 15.9%, which is more than 140 basis point higher compared to the corresponding quarter last year. The cost optimization and higher volumes helped offset the impact of higher employee expenses benefiting the EBITDA margin for the quarter. The profit before tax stood at Rs. 56.22 crores in Q2 FY23 as compared to Rs. 28.45 crores in the previous corresponding quarter and Rs. 32.41 crores in Q1 FY23. PBT margin in Q1 FY23 stood at 15.75% compared to 14.94% in Q2 FY22.

Going forward as mentioned earlier we are investing in expanding both our business segment visa as well as digital services. The recent ZMPL acquisition has been EBITDA and EPS accretive from day one and is expected to further improve our overall ROCE. Coming to half yearly results in 6 months ending September 2022 our revenue grew 70.7% year-on-year to Rs. 629.86 crores the EBITDA stood at Rs. 88.14 crores growing at 90% YoY while EBITDA margin improved by 143 basis points to 13.99%. The PBT for this period was Rs. 88.63 crores, a YoY increase of 80%. The PAT for the period was Rs. 81.69 crores versus Rs. 47.71 crores in the corresponding period last year, a rise of 71.21%. This is all from our side. We can now open the call for Q&A. Thank you.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question-and-answer session. We have the first question is from the line of Ravi Naredi from Naredi Investment. Please go ahead.

**Ravi Naredi:** Sir my point as we enter in digital business this way how much are we going to invest in software and hardware and second what target you want to give for financial year 23 and 24 in revenue terms or in profit margins?

**Shikhar Aggarwal:** See as you know that our 90% of the revenue used to come from visa and consular business. Post acquisition of this company now 18% of the revenue is coming from the digital service business it includes banking correspondent and e-governance and the models as you know is the same wherein we collect upfront money from the citizen it is kind of an annuity business. So, we are right now generating cash from that business itself to invest in that business. So, right now there is no investment required from BLS side for expanding that business. So, we are expanding through the revenue that is being generated from that business, but we see good opportunity for growth in that business because volumes that we are getting in that business is very good and going forward we expect the margins and profitability of this business definitely to grow up because of the value added services and other services that we will offer from those services. Having said that about your next part of the question regarding the next two, three years guidance of the company as I have said that the company right now the result that we have got is because of the application count that we have got globally barring certain geographies like Russia and China which are still semi closed. So, when those geographies start becoming normalized, numbers start coming in then definitely there will be a further growth

on the numbers and that will lead to growth in revenue and profitability of the company. On top of that the additional inorganic growth opportunities in terms of the new tenders that we are bidding, we are winning we recently won contract for the German government, Philippine government, Thailand government, more tenders is expected by new foreign government. So, that will definitely add to the revenue and bottom line. So, I would say we are also maturing as a company in terms of our operations. Now, economies of scale will definitely kick in as we get new contracts and there will be further growth.

**Ravi Naredi:** In future visa and consular will be major revenue versus digital is it okay or some visa and digital business will be more in compared to gradually now it is 18 it will be may be 25 or visa will be major number?

**Shikhar Aggarwal:** Always because we see major growth in visa consular business in the coming years the percentage will definitely I think will maintain the same percentage because there will be growth in both lines of business. Definitely always major focus is on the visa and consular service there will be major growth.

**Moderator:** Thank you. The next question is from the line of Nikhil Kapoor from JM Financial. Please go ahead.

**Nikhil Kapoor:** Just couple of questions from my end one in the next two to three years any ballpark figure on how many contracts in visa and consulate business are up for tendering that is question number one. Question number two for our digital business what kind of margin outlook are we looking at on that front and lastly when we are looking at inorganic growth are we looking at international expansion as well as in the digital business in terms of inorganic opportunities or are we looking at domestic ones so those are the questions?

**Shikhar Aggarwal:** So as I had explained before because of COVID the tender cycle and lot of visa contracts had become they have given expansion, but now all of these contracts have come up for renewal and we have been working on them for the last three, four years. The opportunity size is quite big if you talk about only visa, consular services which is \$1.5 to \$2 billion worth of contract, but if you add on top of that even certain new consular services contracts like we won for the Philippine government you know wherein we are doing passport renewal for certain for Philippine government in three countries and planning to expand that. There are lot of new governments which have never outsourced so that was never in the horizon. So, that is a new opportunity that will add also bottom line, top line for us in terms of growth opportunity in visa and consular services. If you talk about the margins in our digital service business margins are in line of 12.5% to 15% because this is relatively new business and we think that the margins will definitely increase going forward because if like in the visa business if we can increase revenue per application in this business also that is the main aim for us so definitely margins will increase in this line of business. I forgot your third question Nikhil you have a third question.

**Nikhil Kapoor:** So, the inorganic opportunities that we are looking at for digital business this is domestic or international as well?

**Shikhar Aggarwal:** See our main aim as a company was always to expand globally. We also started to see the visa business with a Portuguese Embassy contract in New Delhi and we started with the Indian government globally and eventually we start working for foreign governments. So, definitely where you get payments in dollars and Euros which is abroad we will definitely look at global opportunities. We are very open to global opportunities. Wherein our terms and conditions where in upfront payment there is negligible investment and there is negative working capital if those things are taken care of then definitely we look at expanding globally.

**Moderator:** Thank you. We have the next question from the line of Nitin Padmanabhan from Investec. Please go ahead.

**Nitin Padmanabhan:** So, my questions are more related to the kind of opportunities that are out there if you just throw some color on a few of them. So, I think one is the UKVI I think October was supposed to be the time when they sort of announce the final list of bidders the second was on the US side of things where I think PAE has already sort of tied up chosen a sub-contractor, GDIT any incremental move there with GDIT and finally anything in KSA or any other geographies that is sort of standing out and finally these Germany contracts that you have picked up what is the kind of volume one should sort of anticipate there per annum those are the questions?

**Shikhar Aggarwal:** So, I think what I can comment on is that all these tenders we are in different stages of qualification. These are not simple tenders they take years you need to get pre qualified and then qualified and when there is a negotiation round. So, we are I would say different successive stages and I would not like to comment on particular opportunities, but none of the results have started to come in yet as and when they are announced we will definitely be coming out with the news to the market. So, that is the opportunity right now and addition to that there are lot of Schengen contracts also by different European governments that are expected to come out. So, we are preparing for that. In regards to German contract since it is a first time outsourcing by the German Embassy in US and Mexico. For Germany in USA we are going to open more than 10 offices in Mexico we are going to open two offices out of which we have already opened couple of offices in which we have started with very limited numbers because embassy wants to first make sure how normal system happens, the operations everything is airtight and once they get a comfort then initially and gradually the counts increase. Having said that the service charges that we have got are very high more than 30 years, 32 years old in both the geographies and even the charges for value added services are quite high. So, we are expecting good margins from these German contracts. Numbers since it is the first time outsourcing as and when there is probably a 6 months operation then we can have a better hang on the application count.

**Nitin Padmanabhan:** So, basically you should have a better handle on absolute volumes from these only later, one last thing on the visa volume that we see today on an absolute basis excluding China and Russia what you mean to say is the absolute visa volumes are higher than pre COVID or the revenues are high than pre COVID how should we think about it?

**Shikhar Aggarwal:** See it is absolute numbers definitely cannot be higher because the geography of Russia and China still have not started. So, absolute numbers are definitely what we did in 2019 on a total level is not higher, but if you remove the count from Russia and China and if you do a Apple to Apple basis definitely count should be in the same ballpark what we did in pre COVID levels. Definitely revenue per application is higher then what we did in 2019.

**Nitin Padmanabhan:** So, if I understood it right the number of applications excluding China and Russia are higher and or is the revenue per application is actually higher?

**Shikhar Aggarwal:** I would say the revenue per application is definitely higher application count would be marginally higher.

**Moderator:** Thank you. We have the next question from the line of Rajiv Venkatesh an Investor. Please go ahead.

**Rajiv Venkatesh:** In the investor presentation and in your inaugural call you said that you will be merging the BC and e-government services, are we bringing any new CEO for this particular vertical?

**Shikhar Aggarwal:** The segment that we have worked out for creating our internal focus in these businesses. So, at the moment we have not got any a separate CEO for all these businesses, but individually we have CEO's for these businesses separately, but I think Rajiv what we are doing is that as individually Zero Mass already had a CEO and the e-governance business has CEO, but going forward definitely we are going to have a dedicated focus to have competent people we will have different individual handling that business.

**Rajiv Venkatesh:** And my second question is on I think the e-government services with the Karnataka government and with the West Bengal government. So, one is department of administrative reform and other one is with I think is revenue and services like is it similar on the lines with UP and Punjab I think we did few years back the Punjab one?

**Shikhar Aggarwal:** See definitely the services are quite similar in that West Bengal we are doing registration, land registration agreements and certificates, services are different in Karnataka I would say services are quite similar as Punjab wherein this includes birth certificate to death certificate. So, services are kind of similar what we are doing in Punjab.

**Rajiv Venkatesh:** And the margins and the top lines will be similar to the Punjab ones?

**Shikhar Aggarwal:** top line in all our lines of business e-governance is similar.

**Rajiv Venkatesh:** And do you have any new states in the pipeline for these type of services I think this quarter we did not report any new pipelines for new states?

**Shikhar Aggarwal:** I think there are many states we are working in different models, but as we took time to even get into these states after Punjab if you see because we are being very careful. We are looking at different states, we are only looking at states which suit our model wherein our model if state is implementing then we are looking at it and we are looking at two, three states talking to them looking at this model.

**Rajiv Venkatesh:** The question is like with regard to the contracts that are to be renewed so did we get any renewals from the European countries especially Spain I think in the last few calls we were talking to about the renewals for Spain which is coming up this year?

**Shikhar Aggarwal:** Right now all the current contracts are ongoing and as and when there is any decision on extension or renewal we will definitely announce.

**Rajiv Venkatesh:** And one more question on the gross margins we are at 33% gross margins and our EBITDA is also like pre COVID levels and in the last quarter we had a significant I think the human resource count was added the margins were bit affected because of that, are we optimally utilized on the human resource for this quarter or do we see any levers which can play out over a period of time to improve the gross margins and EBITDA margins?

**Shikhar Aggarwal:** Rajiv this quarter has been normal and we have optimized our expenses as per the volumes of business which we are doing currently. So, once we get any new geography or something then obviously with the new contract we may add more people, but the current volumes of business we are optimized as far as expense is concerned.

**Rajiv Venkatesh:** And on the books we have sufficient amount of 500 odd crores I think I am considering even the H2 cash flow generation we will be having around close to 500 odd crores. So, I think this has been a pressing question from couple of years in fact for more than one and half years, what is acquisitions we are in pipeline considering that we have already completed the zero mass one?

**Shikhar Aggarwal:** If you see the 30th September we have cash equivalent of around 385 crores in a balance sheet which was as on 31 March was about 410. So, we utilize in the 6 months about 130 crores for the acquisition and the couple of acquisitions we are working seriously on and as and when they get crystallized we will be announcing them, but we are working on those.

**Rajiv Venkatesh:** These are more on the visa and consular services related acquisitions or on the e-governance part?

**Amit Sudhakar:** Actually, both, we have one or two proposals which we are working on the e-governance and on the digital service area and one or two in the visa side also.

**Rajiv Venkatesh:** On the Slide #14 on the UAE, we have provided customized solutions, is it a new set of solutions what we are providing or the existing ones I just wanted to check if that will be coming into the part of the top line?

**Shikhar Aggarwal:** Rajiv which slide you are talking about.

**Moderator:** We have the next question from the line of Shikha Kapur from Quant Investec. Please go ahead.

**Shikha Kapur:** One thing Mr. Shikhar you had mentioned a while back that a largely growth was on account of revenue per count and less on the volumes, can you quantify that figure please?

**Shikhar Aggarwal:** No, I mean that there is definitely as I have said that pre COVID levels we have grown per application count from 1x to 1.4x. So, we are getting I would say 20%, 30% more revenue per application now. There has been growth in application count from the countries where we are currently operating. So, there has been a marginal growth of 5% to 10%, but geographies of as I said certain geographies still have not opened up, so there is no revenue from those geographies.

**Shikha Kapur:** So, what would be the breakup of that 70% increase in the value terms?

**Shikhar Aggarwal:** It is in terms of value-added services.

**Shikha Kapur:** Secondly my question is on profitability of ZMPL I guess half year or maybe four, five months we targeted about 50 crores to your top line, so what about the profitability how much is it contributing in terms of profit margin?

**Shikhar Aggarwal:** This quarter we have added revenue of around 40.5 crores on the top line and the bottom line is 5.5 crores has come from the zero-mass operation.

**Shikha Kapur:** Thirdly, you had mentioned about Royal Thai Consulate business, so what is the scope of work for you here and what is the size of our business, is it sizable?

**Shikhar Aggarwal:** Shikha basically this is outsourcing of the Thai visa's within India. So, we won the contract from the Royal Thai Embassy in Delhi, Calcutta, Chennai and Mumbai because they take out different tenders we are running through all four and we also won a contract for the Royal Thai Embassy Kenya. These are all people who want to go to Thailand and they want to apply for a physical visa they are applying through us. So, since we have just started we are getting around 3,000, 4,000 applications per month so which is expected to further grow as things become normalize, but it is good profitable contract for us and in our existing centers we are accepting applications. So, we do not have to set up any new infrastructure for that.

**Shikha Kapur:** So, this is over and above visa on arrivals in Thailand I mean these are the services which should be provided to Indian citizens?

**Shikhar Aggarwal:** Correct.

**Shikha Kapur:** Lastly one more question in your presentation it was mentioned about your subsidiary of step subsidiary in addition to ZMPL there was some Kenya and Italy also, so I am assuming these two geographies you may have some application processing work, so what is the size of the business over there?

**Shikhar Aggarwal:** Italy we are working for the Philippine government currently, Kenya we work for three, four governments for Qatar, Spain, Thailand so we work for three, four government. So, size of the business I think we need to check what is the revenue size from those countries, but I do not think it will be very big.

**Moderator:** Thank you. The next question is from the line of Aniket Redkar an Investor. Please go ahead.

**Aniket Redkar:** So, sir I have a couple of questions sir as far as our BC business is concerned so are we focusing mainly on the SBI only?

**Shikhar Aggarwal:** I think we are not only focusing on SBI although we have the largest BC of SBI right now in India, but we are working with many other banks like Karur Vyasya Bank with Central Bank of India, Bank of Baroda, Punjab National Bank. So, we are working with many other banks, but the biggest bank definitely is SBI, but slowly we are planning to grow in the other banks also.

**Aniket Redkar:** And sir what would be our strategy in terms of identifying the government those who are not currently outsourcing the visa and the consular services?

**Shikhar Aggarwal:** Strategy is very simple first we see where the counts are big and second we see where the government is facing a problem in processing application themselves. So, I think that is where how we are focusing.

**Aniket Redkar:** Sir as far as our value added services is concerned how much does the company earn in terms of the revenue and the profit margin?

**Shikhar Aggarwal:** I think on a total level our profit margin is 15% EBITDA. So, I think that includes the total revenue of the company and the profitability.

**Aniket Redkar:** And sir who will be our main competitors basically and what are the entry barriers for our business basically?

**Shikhar Aggarwal:** If you see competitors globally there are different competitors. So, we have PLS contacts and VFS global which are competitors in this business and entry barriers it is different entry barriers

in different contract, it took us 15 years to get here as you have explained before. So, there are different restrictive clauses we need to process as many applications in different geographies. So, definitely you have to pre-qualify for bidding for these contracts.

**Aniket Redkar:** And any CAPEX plan in near future?

**Shikhar Aggarwal:** No.

**Aniket Redkar:** Are you looking for any M&A opportunities in future and if yes then in which line of business?

**Amit Sudhakar:** As I said earlier we are seriously looking at acquisition because we need to grow in all segments in the next couple of years and with the cash and strong balance sheet we are geared up to look at good opportunities available in India as well as outside India.

**Aniket Redkar:** What is our topline contribution from the ZMPL?

**Amit Sudhakar:** I just said it is about in this quarter it was 40 crores.

**Moderator:** Thank you. We have the next question from the line of Neha Jain an Investor. Please go ahead.

**Neha Jain:** I have couple of questions so we see that there is a bonus share issued during this quarter and the last one during the March quarter that is a very short gap between both the bonus share issues, so could you help us understand actually why the company has decided to do this?

**Shikhar Aggarwal:** Basically what has happened is that as you know we are generating good amount of cash in the books that we are utilizing for acquisitions and spending on new contract wins we have to spend the money in terms of setting up offices and we are also distributing dividends to our shareholders. So, we were discussing ways how we can reward our shareholders so that was one of the things that came across that maybe bonus was a good option that was the only reason that we have declared the bonus.

**Neha Jain:** Sir what is the status on this UK visa renewal?

**Shikhar Aggarwal:** First of all it is a firsthand contract for us and as I said we are in different stages of contract and as and when the results are announced definitely we announce into the market.

**Neha Jain:** In terms of ROCE what are our estimates for the next couple of years in terms of growth?

**Shikhar Aggarwal:** We are seeing the trend has been up, from around 17% we have now reached to around 27% ROCE this quarter and the intent is to take it further up over this next couple of years. So, ideally if we can reach around 30% that would be our target to.

**Neha Jain:** By when do we plan to reach the target?

**Shikhar Aggarwal:** So, we are working on that so our target is to reach somewhere around 30%.

**Neha Jain:** But you do not have a time frame yet?

**Shikhar Aggarwal:** We are working on that. So, we will see in the next 6 months or so or year it will take us to reach there.

**Neha Jain:** Sir for the value-added services to the business how much is the company able to generate in terms of revenue and profit margins?

**Shikhar Aggarwal:** See we are not calculating them separately in terms of total revenue of the company. So, as we see revenue growing they are part of the revenue of the company and total we are generating around 15% EBITDA margins. I think that is where the figure is.

**Neha Jain:** And sir for a banking correspondence business are we only focusing on SBI?

**Shikhar Aggarwal:** I just explained I think we are working with different banks we have 5, 7 maximum banks including Punjab National Bank and Bank of Baroda, Central Bank of India. So, we are focusing on different banks.

**Neha Jain:** So, this will be the major contributor from all these banks right?

**Shikhar Aggarwal:** SBI at the moment.

**Neha Jain:** So, is it possible in terms of percentage how much does SBI contribute?

**Shikhar Aggarwal:** So as we said in total right now SBI is the major contributor in terms of bank correspondence business and other banks have just started. So, we have just recently one tender in the last one year from other banks. So, even though we are getting it, major contributor is SBI.

**Moderator:** Thank you. We have the next question from the line of Rajiv Venkatesh an Investor. Please go ahead.

**Rajiv Venkatesh:** So, I just wanted to check slide 14 we are providing the customized solutions, is it a new set of solutions or the existing one for the UAE?

**Shikhar Aggarwal:** Are you talking about the latest investor presentation?

**Rajiv Venkatesh:** Yes Shikhar the latest one, I think it is under digital services, e-governance services the global one?

**Shikhar Aggarwal:** I think Rajiv it will be better if you can email me the query I am sorry, but I am not able to understand exact query.

**Moderator:** Thank you. As there are no further questions from participants I would like to hand the floor back to Mr. Shikhar Aggarwal for closing comments. Please go ahead sir.

**Shikhar Aggarwal:** Thank you everyone for your participation in our Q2 FY23 Earnings Call. In case of any further queries you may please get in touch with Adfactors PR or feel free to get in touch with us. We will look forward to interacting with you next quarter. Thank you.

**Moderator:** Thank you members of the management. Ladies and gentlemen, on behalf of BLS International Services Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.