



“BLS International Q3 FY22 Earnings Conference Call”

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MODERATOR: **MR. PARTH HIMANI - PARETO CAPITAL**

Moderator: Ladies and gentleman, good day and welcome to the Q3 FY22 BLS International 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 call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Parth Hemani from Pareto Capital. Thank you and over to you, Sir.

Parth Hemani: Thank you. Good afternoon, everyone. This is Parth Hemani from Pareto Capital, we represent investor relations for BLS International. On behalf of the company, I welcome you all to the Q3 FY22 Earnings conference call, I have with me from the management, Mr. Nikhil Gupta - Managing Director, Mr. Shikhar Aggarwal – Joint Managing Director, Mr. Amit Sudhakar – Chief Financial Officer of the Company. We will have brief opening remarks from the management followed by the Q&A session.

Please note that certain statements made during this call may be forward-looking in nature, such forward-looking statements are subject to certain risks and uncertainties that could cause our actual results or projections could differ materially from those statements. BLS International will not be in anyway responsible for any action taken based on such statements and undertakes no obligation to publicly appear these forward-looking statements to reflect subsequent events or circumstances. I would now handover the call to Mr. Shikhar Aggarwal for his opening remarks. Thank you and over to you, sir.

Shikhar Aggarwal: Good afternoon, everyone. I welcome you all to our earnings conference call of Q3 FY22. I hope all of you and your families are keeping well and safe. Further to our last call, I am happy to share that we have seen a good growth in Visa and Consular business for a good part of Q3 FY22 with aggressive vaccination and booster drives in all major countries. The travel trajectory has been showing momentum ever since and we are hopeful of international travel peaking pre-covid levels with recent trends like revenge travel and VFR which means visiting friends and family. During the quarter we reported revenue of over Rs. 227 crore, which is an increment of more than 51% as compared to the same quarter last year, largely driven by opening up of economies and pick up in travel. Though there was disruption caused by a new Omicron variant, most of the countries have opened up borders with specified COVID norms and we are seeing that all our recent contracts have started to pick up and majority of our global centers are overwhelmed with applicants and demand is surpassing the available appointments.

During the quarter, we were able to get new contracts in the Visa and Consular business, including the contract with the Embassy of India in Kuwait for Consular Passport and Visa Services, we signed a renewal contract with the Thai Embassy for Visa services. With respect to the National Business Correspondent - Starfin Business, we have empaneled ourselves with Punjab National Bank and Central Bank of India to benefit from the Financial Inclusion and Digitization seen in the domestic market. We are happy to announce that the company has received the full and final settlement amount from the old Punjab Contract of Rs. 67 crore,

thereby completely settling the book of accounts. More details on the transactions will be discussed later.

As a company, we are at the cusp of a growth trajectory with a visible rebound in our Visa and Consular Business, along with our growing Banking Correspondent and E-governance business. We are hopeful and confident even in such trying times, because of the investments we have made in putting together strong technology base and processes. Another process which differentiates us from others and is helping us to ride us out of this storm is our ever-strong balance sheet and the liquidity position. As you know, we have put in a lot of efforts over the last few years to strengthen our balance sheet. Our receivables have gone significantly down with the full and final settlement of the old Punjab contract, the long-term debt is nil and cash and bank balance has increased more than Rs. 371 crore in the books. As a way to give back to our shareholders the Board has decided to consider interim dividend of Rs. 1 on face value of 1 share, 100% of the face value.

On the back of our strong balance sheet, we are exploring various opportunities for the inorganic growth in the tech enabled service space. We have focused on leveraging our technology assets to tap emerging opportunities. Rest assured; we will look at only those opportunities which will meet only our internal rate of returns threshold. Going forward we are even more committed to leveraging our technology and operational excellence to ensure enhanced service and customer experience in the post COVID world. This is all from my side and I now hand over to Amit for updates on financial performance. Thank you.

Amit Sudhakar:

Good afternoon, everyone. Let me brief you on the financial performance for the 3rd quarter and 9 month-ended of the financial year FY21-22. During the quarter we reported a revenue of Rs. 227 crore and a healthy increase of 51% Y-O-Y and 19.2% Q-O-Q. Mainly driven by opening up of economies and pickup in travel. We are optimistic that the international travel is likely to recover soon and our visa and consular businesses will bounce back to pre-COVID levels once the situation normalize.

EBITDA for the quarter stood at Rs. 25.5 crore, compared to the EBITDA of Rs. 13.3 crore in the corresponding quarter last year and Rs. 27.6 crore for the Q2 FY22. The margin for the quarter stood at 11.2%, there was a onetime hit of Rs. 6.95 crore on the EBITDA due to the settlement of the old Punjab contract, without which the EBITDA for the quarter would have been Rs. 32.5 crore with a margin of 14.3%. The company generated a PBT-Profit Before Tax of Rs. 27.4 crore for Q3 FY22 as compared to Rs. 14.5 crore in the corresponding quarter last year. PBT margin stood at 12.1% in Q3 FY22 versus 9.6% in Q3 FY21. PAT stood at Rs. 28.3 crore in Q3 FY22 as compared to Rs. 14.3 crore in Q3 FY21. PAT margins in Q3 FY22 stood at 12.5% compared to 9.5% in the corresponding period last year.

For nine-month period ended 31st December 2021, we reported a revenue of Rs. 596 crore as compared to Rs. 333 crore for the same period last year, a healthy increase of 78%. We saw an increase of 143% in EBITDA from Rs. 29.6 crore in nine-month FY21 to Rs. 71.9 crore in nine-

month FY22. PBT nine-month FY22 stood at Rs. 76.7 crore while it was Rs. 32.7 crore for the corresponding period a year ago. Lastly, PAT for nine-month FY22 was Rs. 76 crore where when compared to Rs. 27.4 crore in nine-month FY21.

During the quarter we received the outstanding receivables from the old Punjab contract against the total receivable of Rs. 67 crore as on 30th September 2021. The company has made an adjustment of Rs. 6.95 crore included in the other expenses against the said receivables. Thus, the EBITDA and PBT was impacted to that extent for Q3 and nine-months of FY22. The company has no debt as on December 31st, 2021 with cash and bank balance of Rs. 371.8 crore as on 31st December. This is all from my side. I would now request the Moderator to open the call for Q&A. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Nitin Padmanabhan from Investec. Please go ahead.

Nitin Padmanabhan: Sir I had a couple of questions. The first is, if you could give some color on the growth that we have seen for the quarter from our visa and consular services perspective, how much of that in your mind is just the recovery and how much of that is from the new contracts that you have executed over the last year, if you could give some color there? And if possible, if any percentages of the overall revenue, that would be my first question.

Shikhar Aggarwal: Thank you Nitin for that question. So, I think what has happened is in this quarter, numbers if you see in terms of visa numbers have remained at 40% to 50% of our pre-COVID numbers but we have actually got incremental revenue from our existing visa business and consular services business, so I think that has led to an increase in revenue during this quarter because our revenue per application from the existing consular, plus the 50% of the visa applications that we are doing, the revenue has increased at different levels in 2019, the reason being people are opting from different kind of services now and prices also have increased in lot of contracts and also if you talk about Punjab, you know our revenue from our existing Punjab contract has also increased, it has been like more than 2-3 years now, since we have been running the contract, so revenue has even increased from that and also our Starfin, you know banking correspondent business, so I think those are the couple of reasons. The execution of the contract that we have got has started to throw some revenue not fully plus, we expect as in normality kicks in, numbers start coming in at pre-COVID levels, the revenue and the profitability should shoot up further.

Nitin Padmanabhan: The second one just in line with the same thing was the gross margins have improved, right? Compared to the early 30% kind of gross margins that we used to do, have been in the 33% range for the past 2 quarters and I presume this is driven by the value-added services, do you expect a normalization on this or you think that this will sort of sustain at these levels?

Amit Sudhakar: I think these will sustain going forward because these are certainly up, no doubt related to the COVID situations but most of them are these additional value-added services which we have added, like mobile, biometric and providing VIP lounge and providing other facilities which

have been on the increase, so we feel that these will remain at this level now. The new norm will be this.

Nitin Padmanabhan: Perfect, two quick ones before I leave the floor, one is any update on the Spain contract renewal, I think it is due for renewal? Second is, any thoughts on the taxation in UAE, which they have recently announced from the 1st of June 2023? So, any thoughts on those will be helpful.

Shikhar Aggarwal: So, as you know as we told you we have been operating Spain at a very healthy level, government is very happy with us, the number of tourists going to Spain have increased 15%-20%, partly also because of our technology system, ease of availability of appointment, so government is very happy. Even most of the governments have given extension to all the contracts, similar situation is with us, so we expect currently to run it for extending towards the end of the year but the government is very happy, so we expect no reason to not to continue with that for Spain. Second question, Amit you can answer.

Amit Sudhakar: So, Nitin as far as these new guidelines for the tax in Dubai, frankly speaking, we are studying the details but on the face of it, 1) They have said that we will not be applicable, the tax may not be applicable to the FZE zone, where we are present. 2) But the details are still needed to be studied and then we will know a better idea on those tax liability on that side.

Moderator: Thank you. The next question is from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Thank you Shikhar & Amit and Mr. Nikhil Gupta, your team is doing wonderful job to run the company. My point is, if company has a substantial cash Rs. 371 crore as on 31st December, so what is the plan to use this cash for accretion of shareholder's wealth in your mind?

Shikhar Aggarwal: Thank you so much sir for this question. As you know, we have been working very hard to sustain during these COVID times and so the company remains profitable and going forward we are looking at actually realizing the fruits of our effort in terms of getting new contracts and we are hopeful the cash flow situation even improves further, so this is the money that we have earned in the last 14 years of the formation of the company and we have saved and invested the company that has helped us in these times. Also, as you know we have also announced 100% dividend on the face value per share this quarter and we are looking actively for acquisition in visa outsourcing and also in our banking correspondent business. There were some regional players during COVID times that were not that profitable up for grabs, so we are actually not wanting to take a haphazard decision regarding acquisition, we are doing a complete due diligence and we feel that when the rate of return and our growth and synergies can be aligned only then we do the acquisition but I think very soon we should, when things become normal and we see a right value, we will be spending that money in that and also as you know we have spent money through dividend we have been giving, first time we have given this high dividend, our board felt that this is the right time after getting money from Punjab also.

- Ravi Naredi:** Right. And secondly, why not you buyback instead of dividend for enhanced value of shareholders?
- Shikhar Aggarwal:** Sir these questions actually have been discussed in the Board meeting and the Board of Directors have recommended looking at the future scenario and the future growth in the market, as we have said that more than \$2 billion worth of tenders are coming up for renewal, we will certainly need some money to operate centers for those developed markets, invest in technology and also at the acquisition, so definitely we are looking at various things and as we have started with a good dividend this quarter, I think things are looking very bright, in terms of actions for the shareholders for the company.
- Ravi Naredi:** I agree with you but whatever value of dividend has been given to the shareholders, instead of dividend if you buy back the share, in long run the value of shareholders will enhance including the promoter's stake, that is my point. If you consider it in your Board meeting, it will be very useful.
- Shikhar Aggarwal:** Thank you so much for your thoughts and your well wishes for the company, we will put it up to the Board, this time in the next quarter and definitely raise it up.
- Moderator:** Thank you. The next question is from the line of Akhil Hazari from Robo Capital. Please go ahead.
- Akhil Hazari:** In the last few conference calls, I think you have mentioned that when Visa business runs at pre-COVID levels, the run rate would be around Rs. 220 crore on a quarterly basis and now it has hit around that number but you have mentioned that the visa business is only currently at 40% - 50% of pre-COVID, so I just wanted to know how sustainable would this be going forward, will Rs. 220 crore be the new run rate then or is the revenue going to increase on a quarterly basis?
- Shikhar Aggarwal:** See what I can comment on is that with the existing business and the existing numbers because of the growth that we have experienced, the numbers have grown to this level, I know for a fact that the visa numbers have not come to pre-COVID level till now, we are only doing 50% of what we were doing at pre-COVID level, definitely I think once the numbers become normal, I see a further increase in the revenue, this increase has happened due to increase in our existing contracts.
- Akhil Hazari:** Okay great. And regarding the EBITDA margins, so again it would have been 14% had it not been for the other expenses because of Punjab government the Rs. 6 crore that you had mentioned, so then would 14% also going forward would that be sustainable?
- Amit Sudhakar:** Yes, that should be sustainable on the current operations what we are working on, it should be sustainable at 13% - 14% now.

- Akhil Hazari:** Okay great. And my last question is regarding the tax, so I just want to know how is the tax payment so low?
- Amit Sudhakar:** So, this time we have taken a write off of receivables in the books of subsidiary, against that there has been a deferred tax which has been created. So, that has nullified the tax liability in the current quarter.
- Akhil Hazari:** And usually what is the tax rate that the company pays?
- Amit Sudhakar:** If you see at the group level, it comes to around 10%.
- Moderator:** Thank you. The next question is from the line of Nikhil Chaudhary from Kriis PMS. Please go ahead.
- Nikhil Chaudhary:** Sir I had just one question. We had a strong bid pipeline like we have discussed earlier, so wanted to understand what is the stage of the process we are in, have we already bid, are we waiting for the announcement of probably the bids and also, the second one on the Other expenses I was not able to understand what you explained, can you repeat that again?
- Shikhar Aggarwal:** So, for the bids as you know we announced in the last few quarters, we started with the win of for the Philippines government which was the first time outsourcing in 3 countries, immediately Qatar and Malaysia we have opened the centers and it is going very well over there and we are thinking about outsourcing other countries and we won the embassy of India tender in Kuwait where we are going to do 200,000 applications every year, we have opened 3 centers just last month we started and we also won the embassy of Thailand tender in New Delhi, also as we mentioned different contracts are coming up for renewal, some are in the bidding stage and some are in the next stages of bidding, as and when they get finalized we will definitely be announcing. So, this is where we stand right now in terms of bidding. Amit, can you answer the next question?
- Amit Sudhakar:** Yes. Nikhil as far as this other expenses, we have highlighted that we got all the payment overdue from our old contract with Punjab Government and in that we have taken an adjustment of Rs. 6.95 crore, a one-time settlement difference which we have to take in our books. So, that is something we have highlighted in the other expenses in this quarter.
- Nikhil Chaudhary:** So, it was some Rs. 70 crore if I recollect, Rs. 67-70 crore, right? So, probably we have written it off right?
- Amit Sudhakar:** That is right.
- Moderator:** Thank you. The next question is from the line of Nayan Gala from Etica Wealth. Please go ahead.

Nayan Gala: Sir I have a couple of questions, firstly on the quarterly revenues, we believe that this is the highest quarterly revenue in the recent past, so if you can just help us understand in terms of the businesses that we do that is Starfin, e-governance and visa consular business, how have these businesses performed and what is the contribution towards the revenue of each of these businesses?

Shikhar Aggarwal: Yes, so as you know that 85% of the revenue of the company comes from visa consular service business, which has been the conventional business, 4 years back we acquired a company called Starfin, plus we are doing some e-governance business in India in the states of Punjab, UP and Rajasthan, so combined all these businesses only pertains to 15% of the revenue, the Starfin and e-governance business, 85% majority of the revenue comes from visa consular services business. So, this is the model and visa consular business is the same with different embassies and governments across the world for outsourcing.

Nayan Gala: And going forward what kind of growth we are looking at the Starfin and the e-governance business, any rough idea as to how we can scale these two businesses from a 15% revenue contribution to maybe 20% - 25% revenue contribution?

Shikhar Aggarwal: These businesses should grow by 10% - 12% a year, we are looking at acquisitions also, if that happens it will be substantially higher.

Nayan Gala: Okay, so these are into Starfin kind of a business that we do? Or into the e-governance business, the acquisitions?

Shikhar Aggarwal: Both types of businesses are there, which we are looking at growth.

Nayan Gala: Okay and in terms of the EBITDA and PAT levels and the track record that we have achieved in terms of numbers, we would end up to the pre-COVID levels at the end of the financial year, so what kind of projections are we looking at, maybe a year or two years down the line, in terms of revenue?

Shikhar Aggarwal: See definitely we do not like to give any projections but what as I have told you before, you know what we can see is that we have reached the number of only 50% of the counts of pre-COVID level, in terms of visa. So, if the numbers increase as economies are opening up definitely, I think revenue should definitely increase further, at the same time PAT and EBITDA, so this is where we stand right now.

Nayan Gala: Okay and in terms of the Punjab contract business that we are doing, currently is going on well, so if you can just give us some guidance in terms of the UP and Rajasthan contracts, what kind of business are we expected to do and what kind of revenues we can generate out of it?

Shikhar Aggarwal: See the model is a little bit different in UP, Punjab and Rajasthan. Punjab even the centers are provided to us by the government and you know we are paying salary of the people, plus

technology is used by us, whereas in UP and Rajasthan we are not paying any salary also, we have tied up with village level entrepreneurs and per transaction charges, commission is shared between all of us. So, we started this contract in COVID times, we are getting good amount of application revenues, so it is a profitable contract with no additional expense of cost from our side. So, same software that we have developed for Punjab is being used here, so as we grow, I think the revenue per transaction should improve plus we are looking at lot of value-added services like selling of insurances or different kind of e-commerce goods, like we have tied up with companies, so I think revenue per transaction should improve in a of couple of months.

Nayan Gala: Okay and in terms of margins, do we expect the margins to improve or it would be in a similar range as of Punjab?

Amit Sudhakar: Little bit I think the margin will be a little bit less here than Punjab, say around 10%-12% is the margin that we get from these states.

Nayan Gala: Okay and in terms of the visa consular business, if you can just help us understand any new tenders that we have applied for in the last quarter or growing in this quarter, do we foresee any new tenders which are coming out?

Shikhar Aggarwal: So, as we speak the cycle for all the last tenders is almost complete, so a lot of new tenders came out in the last two quarters and lot more are expected within this year, so I think lot of bid contracts, so without naming them I would say that we have bid for some of them and many of them are in the RFP release stage, so we will be applying for that, so next 2-3 years are very exciting for the company if we manage to grab a certain market share of these contracts which we are very confident, so the entire trajectory of the company will again change to another level.

Moderator: Thank you. Our next question is from the line of Mukesh Keswani as an Individual Investor. Please go ahead.

Mukesh Keswani: For the last 4-5 quarters we have been listening to the ratio between the visa service and the rest of the business to be 85:15, so first of all, what is the percentage EBITDA wise or percentage between the two businesses, do you have a figure for that?

Amit Sudhakar: So, on the EBITDA percentage the Punjab does about 15% or so, whereas Starfin is around 10%-12%.

Mukesh Keswani: And the Visa?

Amit Sudhakar: The visa is about 15%-16%.

Mukesh Keswani: And continuing on the same issue, for the last at least four quarters the ratio has been same, so I will put forward a question of future if, when do you expect the ratio to be 80:20, for example?

- Shikhar Aggarwal:** So, we are aggressively bidding for contracts and winning new tenders in both the areas and as you know both the businesses are growing for us, the visa outsourcing business has been growing and even the banking correspondent and e-governance is growing, that is why the ratio has been maintaining the same, so going forward I think the contract that we have seen the visa consular's phase and both the banking correspondent, I expect the ratio should maintain because we have seen a massive growth in both the segments, unless and until some acquisition or growth comes in which will change the ratios there.
- Mukesh Keswani:** No, the question arises because of so many new tie-ups that you have had in other services apart from visa and the ratio does not seem to increase at least as per the number of tie ups that we have seen in the last 4-5 quarters?
- Shikhar Aggarwal:** So, the reason is the business for visa is also increasing at the same time, the consular visa business is also increasing at the same time from 4-5 quarters if you see the trajectory. So, we are seeing massive growth in both the businesses, so that is the reason that the ratio is being the same.
- Mukesh Keswani:** Okay, now the second question is, in which country or geography do you have the highest revenue in the visa and consular services?
- Shikhar Aggarwal:** We normally do not comment on individual countries because we report it from a regional perspective or the segment reporting, but definitely we see good revenue from the North America and Gulf markets.
- Mukesh Keswani:** Okay, thank you and the next question is sir, can you give us an update on health certificates and your tie-up with another Amazon?
- Shikhar Aggarwal:** So health certificate as you know, we tied-up with a Singapore-based company and we have started processing applications. Singapore was also shut for a longest time and we are seeing that some of it has started to open and will be opening soon. So as and when, you know the country opens up, travelers coming in and out of Singapore will need that health certificate where we are trying to set in the applications. So as and when number increase, our number should definitely go up and when we have in talks of tying up with different countries also in terms of health certificate. In terms of tie-ups with different e-commerce players as I have told you, that we tied up with all the different e-commerce players like Flipkart, Amazon and we have started selling their services through our providers in UP, Rajasthan, Punjab wherein we are starting to seeing some traction. So, this is a very new model, where we have never tested it, we are seeing some traction and we are starting, they have been assisting us, we are doing some marketing. So as and when numbers grow, I think we could see some increase in revenues and margin from that.
- Mukesh Keswani:** Okay, now the last question from my side is, last time we discussed about the Blackstone taking some stake in VFS and we at the same time got a view from you, as to you have also been

approached at least by big investors to understand your business. Do you have any update on that?

Shikhar Aggarwal: I do not remember commenting anything on that deal first of all, but as you know in the public domain, we have definitely seen that Blackstone acquired our competitor. So definitely I think that is a very interesting proposition and let us see, you know further what does Blackstone deal with it, there has been lot of traction in the market because of that deal but we are going strong at the same time.

Moderator: Thank you. The next question is from the line of Rajeev Venkatesh as an Individual Investor. Please go ahead.

Rajeev Venkatesh: Hello Sir, congratulations on a good set of numbers. I have a couple of questions, I think last conference call or the previous conference call, you had alluded to capex for the software upgrades. So where are we on that and what is the amount incurred on that and what are the capex lined up for this year, for this current year.

Shikhar Aggarwal:: So Rajeev, we are still reviewing those proposals which have come in on the technical and getting it technically validated before we will get into it and we expect that in this quarter, the fourth quarter we will initiate the focus.

Rajeev Venkatesh: And what is the capex number, sir? Opex number, sorry.

Shikhar Aggarwal:: We are looking at, the current performance are all in the range of Rs. 15 crore to Rs. 20 crore.

Rajeev Venkatesh: Okay thank you sir. And the second question is on the Spain renewal, so where are we? I think the last conference call you had said like you will be getting a confirmation in some timeframe.

Shikhar Aggarwal: So we had told you as we do, all the contracts during Covid have been extended and we are currently running the contract, it is towards the end of the year. As and when something happens, we will let you know.

Rajeev Venkatesh: Okay thank you sir and all the best for your next quarter results, thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to Mr. Shikhar Aggarwal for closing comments. Thank you and over to you sir.

Shikhar Aggarwal: Thank you everyone for your participation in our Q3 FY22 earnings call. In case of any further queries, you may get in touch with Pareto Capital or feel free to get in touch with us. We look forward to interacting with you in the next quarter. Stay safe and healthy, thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of BLS International, that concludes this conference. Thank you all for joining us and you may now disconnect your lines.