

August 18, 2023

<b>National Stock Exchange of India Ltd.,</b>  Exchange Plaza, C-1 Block G, Bandra Kurla Complex Bandra [E], Mumbai – 400051  NSE Scrip Symbol: BLS	<b>BSE Ltd.,</b>  Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001  BSE Scrip Code: 540073	<b>Metropolitan Stock Exchange of India Ltd.,</b>  Vibgyor Towers, 4 <sup>th</sup> Floor, Plot No. C62, G - Block, Opp. Trident Hotel, Bandra Kurla, Complex, Bandra (E), Mumbai – 400098  MSE Scrip Symbol: BLS
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Subject: **Transcript of Earnings Call held on August 11, 2023**

In continuation to our intimation dated August 01, 2023, please find enclosed a transcript of the Earnings Call held on Friday, August 11, 2023 to discuss the operational and financial performance for the first quarter ended June 30, 2023.

The transcript is also available on the Company's website at <https://www.blsinternational.com/>

You are requested to take the same on your records.

**For BLS International Services Limited**

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**Dharak A. Mehta**  
**Company Secretary & Compliance Officer**  
**ICSI Membership No.: ACS40502**

Encl: as above



“BLS International Services Limited  
Q1 FY24 Earnings ConferenceCall”

August 11, 2023



**MANAGEMENT:** **MR. NIKHIL GUPTA – MANAGING DIRECTOR – BLS  
INTERNATIONAL SERVICES LIMITED**  
**MR. AMIT SUDHAKAR – CHIEF FINANCIAL OFFICER  
– BLS INTERNATIONAL SERVICES LIMITED**  
**MR. SHIKHAR AGGARWAL – JOINT MANAGING  
DIRECTOR – BLS INTERNATIONAL SERVICES  
LIMITED**

**MODERATOR:** **ADFACTORS PR**

**Moderator:**

Ladies and gentlemen, good day and welcome to BLS International Services Limited Q1 FY24 Warnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the belief expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties which 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shikhar Aggarwal, Joint Managing Director. Thank you and over to you Mr. Aggarwal.

**Shikhar Aggarwal:**

Good afternoon everyone. I welcome you all to our earnings conference call to discuss the business and financial performance for Q1 FY24. I have on call with me today Mr. Nikhil Gupta, Managing Director, and Mr. Amit Sudhakar, Chief Financial Officer of the company.

I am happy to say that we have begun the new financial year on a strong note. The company's performance in the first quarter of FY24 was in line with the expectations, maintaining the upward trend of growth seen in previous quarters. The on-going revival of the travel and tourism industry worldwide is driving an increase in the number of visa applications. This, along with higher realization, is leading to continuous month-by-month growth in our visa business.

Today, I would like to share some of the recent developments and highlights. Firstly, I am thrilled to announce that the Ministry of Foreign Affairs, Spain, has once again chosen BLS International as the global visa contractor for the visa application outsourcing. This marks the second time in a row that we have been trusted with this significant responsibility.

The contract covers a wide range of regions, including Europe, America, Latin America, CIS, Africa, Middle East, and APEC, among others. BLS International has been serving the Spanish government since 2016 and operates 122 visa application centers. We process almost 2 million applications from the Spanish government every year. And this number is expected to increase further.

What's more exciting is that we have also been outsourced a national visa for the first time, which will lead to further growth in volume and opening up offices in newer geographies. As normally is the case under the contract, BLS will also be providing different kinds of additional value-added services, including SMSs, couriers, mobile

biometrics, etcetera.

By providing these services, we hope to enhance the overall experience for visa applicants and further strengthen our position as a trusted service provider. One of the key factors contributing to our success is the strong partnership we have forged with governments around the world. We currently work with more than 46 client governments in key. These partnerships have allowed us to leverage our expertise and provide unparalleled services to citizens and governments alike.

We've also won some new contracts with the Italian governments, Poland governments and different other governments. On the digital services front as well, we are making significant headway. Based on the growth of our banking correspondence and e-governance business, we decided to merge these two into the digital services segment and focus on growing these lines of business.

As our number of touch points across India increase, we expect robust growth of these revenues. The business now comes under our subsidiary BLS e-Services. I'm happy to share that Board has approved a fundraising initiative through an IPO of its equity shares of BLS e-Services.

We recently filed the DRHP for the company with the SEBI. The move, subject to necessary approval and market conditions, will enable us to explore new avenues of growth and expand our reach. BLS e-Services will continue to be a subsidiary of BLS International Services. The fund raised through this will help fund our growth plan for this business where we see significant growth potential.

Overall, we aim to grow both Visa, Consular as well as digital service business organically as well as explore inorganic opportunities. To sum up, we are optimistic for the on-going fiscal and strive to foster growth. I would now like to hand it over to Mr. Amit Sudhakar, our CFO, for an update on the financial performance. Thank you.

**Moderator:** I'm sorry, sir, the line got dropped for Mr. Sudhakar. I'll reconnect him, sir. Give me a moment.

**Shikhar Aggarwal:** I can read for Mr. Sudhakar also.

**Moderator:** Sure, sir. Please proceed. I'll try connecting him in the meanwhile.

**Amit Sudhakar:** Okay. Good afternoon, everyone. I am pleased to present the financial performance for the quarter ended June 30th, 2023. In quarter 1 FY24, we recorded a revenue of INR383.49 crores, a 40% increase year-on-year, primarily driven by the robust recovery of visa volume supported by the value-added services.

We are witnessing positive momentum across all our businesses and are optimistic about sustaining growth in the coming quarter. Our digital service revenue increased about 140% year on year during the quarter, supporting the overall growth. During the quarter, our EBITDA stood at INR80.5 crores compared to INR31 crores in the corresponding quarter last year, and INR66.53 crore in quarter four FY23.

The EBITDA margin for the quarter crossed 20% mark, standing at 20.88%, an increase of 933 basis points compared to the corresponding quarter last year. We were able to offset the impact of higher cost of services and higher employee costs by implementing cost optimization and managing higher volumes, thereby benefiting EBITDA margins for the quarter.

In Q1 FY24, the PAT stood at INR70.99 crores as compared to INR30 crores in the previous corresponding quarter and INR76.73 crores in Q4 FY23. That's all from our end and we can now open the call for any questions. Thank you.

**Moderator:** We'll take the first question from the line of Ravi Naredi from Naredi and Investments. Please go ahead.

**Ravi Naredi:** Thank you for giving me opportunity. Mr. Shikhar, I am watching BLS International since last six years and realizing how you change the fortune of company with help of good consultant. Our fund is stuck with Punjab government and how we come out of that mess? Now you change business model. I am very much impressed as you are doing -- you are working and wishing you all the best.

Now my question is how many visa tender work we apply and likely to get in next few months, maybe March 24 and INR642 crores cash, how we utilize for the development of company and we are also making an IPO in subsidiary, we may be receiving money from there, so what is your plan for long term purpose? If you tell specific, it will help us. thank you very much.

**Shikhar Aggarwal:** Thank you first of all Mr. Ravi for your good wishes and I would like to reiterate that we have a 10,000 more strong strength of people in the company that are working hard you know for the growth of the company and there is no particular individual you know so it is the entire company that is working towards the growth of the company. It is teamwork.

Yes, and second of all, the growth, if you see the contracts that we have won in the last few years, in the last few months also that we have announced with the Italian government, we have announced our sixth contract within this year itself. With Polish government, we have recently announced a contract. With Thai government, we have announced a few contracts. So we have been winning all of these contracts and deploying these contracts.

In the next few months and few years also, as we discussed last time, there are multiple opportunities coming out for contracts, so that we will be bidding for. The opportunity is huge. We have already mentioned more than a \$1 billion opportunity. Out of this, some has been realized as the contract that we have been willing for.

So the opportunity size is huge and whatever number that we have recently renewed our contract with the Spanish government also. So all the contracts that we have won we have deployed and these new contracts as and when they come, it will lead to an increase in profit and revenue of the company.

Regarding BLS digital services, which is BLS e-services business, you know that has grown around 140% compared to similar quarter last year, you know that is a fantastic business.

You know we see growth coming in that business also, but we do not want to utilize the money earned in visa business for the growth of that business. That was the reason that we wanted to list the company and we have filed the DRHP. The funds that will be coming in will be utilized for both organic and inorganic growth opportunities of that company. So, you know, we are expecting future growth in that company also, you know, coming in.

**Ravi Naredi:** Nice, sir. Really, those 10,000 employees are also part of our family. I forget to mention their numbers, so sorry for that. And in the state of dividend in future, you consider buy back, it will help us as a shareholder and as an investor. Thank you very much.

**Moderator:** Thank you. We'll take the next question from the line of Sakshee Chhabra from Svan Investments. Please go ahead.

**Sakshee Chhabra:** Hi, sir. Congratulations on a great set of numbers. Sir, my first question was I wanted to understand that if we are not going to use the INR640 crores of cash that we have for the digital side of the business since you are coming out with an IPO shortly, so what is this money going to be used for exactly?

**Shikhar Aggarwal:** So we, so definitely we expect further growth in the visa and outsourced consular service business. You know, that is the momentum has really increased after COVID also. So we are looking at acquisition in the visa consular states of some regional providers. And also the kind of contracts that we are eyeing and the business that we are eyeing will require deployment of cash for opening up of offices in different geographies.

Many new governments which are going to outsource for the first time now are also will require a new infrastructure and setup. So we are looking at as we have explained before acquisition, organic growth all the new contracts that we will be deploying and definitely dividend and shareholder to enhance shareholder value all the steps that we can take, we

will do that to utilize this cash.

- Sakshee Chhabra:** Right. And so is there any quantum that you have decided on the risk for the IPO?
- Shikhar Aggarwal:** We have not. I think, Amit, would you like to comment on that? We have decided on I think Amit would you like to comment on that, we have decided on the number of shares.
- Amit Sudhakar:** So, see this will be decided, the valuation will come from the merchant bankers once they get it through with the SEBI. We have defined the number of shares which we plan to dilute and issue the new ones.
- Sakshee Chhabra:** Right, but you must have decided on a certain amount that you wish to raise right?
- Amit Sudhakar:** Yes, it will be somewhere in the range of 290 to say 320 cr that is the range we are expecting.
- Sakshee Chhabra:** Okay, alright. And so another thing I wanted to just understand so if I see the EBIT that was reported in the last quarter for the digital services, that was around INR31.6 crores versus in this quarter that number is down to INR9 crores. So is it that in the previous quarter there was something exceptional because of which that number was so high?
- Amit Sudhakar:** Yes, that's right. If you see the last quarter of FY 23 result, there was an exception item of INR22 crores, which was related to this. If you take that out, then about INR965 crores was the operating EBITDA of digital segment in the Q4 FY23.
- Sakshee Chhabra:** Okay, all right. And so on your Visa and Consular Services side, what is the sustainable EBITDA margin that we can look at going forward?
- Amit Sudhakar:** See, what we have achieved in the current quarter, we are looking at maintaining that at least if we cannot increase it further, this will become the base now for the further growth.
- Moderator:** Thank you. We'll take the next question from the line of Mayur Bapodara, an individual investor. Please go ahead.
- Mayur Bapodar:** So some of my questions were answered. So I wanted to know that, so you told that margins in the Visa segment which we achieved this quarter, so is it sustainable? Right?
- Amit Sudhakar:** Yes, that's right.
- Mayur Bapodar:** So what is the reason behind such improvement in this margin improvement?
- Amit Sudhakar:** So this has a couple of factors which we have been talking about over the last couple of quarters calls. One is the value-added services which we have been able to sell much more on a quarter-to-quarter basis. And if you see the last four to five quarters, there is an

improvement in the margins . And we have got new contracts which are at a much higher rates.

So that has been contributing on the revenue side, margin improvement, as well as on our cost optimization. After the COVID got over, we have maintained our cost under control, whereas the volumes and the revenues are going up. So these factors have made us reach this 20% plus, EBITDA margins.

**Mayur Bapodar:** Okay, so is there any chance to improve the margin further going forward like not in the short term but in one to two years span in Visa processing?

**Amit Sudhakar:** We are looking at every day to improve it further and hopefully we will be able to improve it further on a quarter-to-quarter basis. But this what we have achieved, we think we can maintain this.

**Mayur Bapodar:** Okay, great, sir. And my second question is regarding you told that the cash on balance is like INR642 crores, we are going to utilize it in expanding our Visa segment, Visa processing segment. So can we expect anything concrete like acquisition or something in the span of at least one year from now?

**Amit Sudhakar:** Certainly, there should be some acquisitions getting finalized. But again, as I said, you don't know till the last moment. We are seriously looking at acquisitions in both the Segments, not only in Visa, but we are also looking into digital business also.

**Mayur Bapodar:** Okay, okay. Right, right. So, and so my second question is regarding some. One UK tender was there which got float in the February or January I think and results for that were expected in the end of current year -- first half of current year. So anything is there regarding that, we bid for that tender or not?

**Shikhar Aggarwal:** As when the results are announced, we let you know.

**Mayur Bapodar:** Okay, so results were not out right now, right?

**Shikhar Aggarwal:** Correct.

**Mayur Bapodar:** Okay, okay, sir. And, sir, what will be the BLS International's holding in the e-Services subsidiary after the listing? Currently it is 69% something. So what will be after the listing?

**Amit Sudhakar:** So, Mayur, it will remain a subsidiary of BLS International, we will ensure that it is not less than 50%.

**Mayur Bapodar:** Okay, okay. And rest of the stock promoter is also selling this stock or?



- Amit Sudhakar:** No, this is all a new issue IPO. The funds will be used for the organic and inorganic growth, what we are looking at acquisitions as well as expanding existing business.
- Moderator:** Thank you. We'll take the next question from the line of Dhvani Shah from Investec. Please go ahead.
- Dhvani Shah:** Can you please explain why was there a dip in the margins of digital services? If I adjust for the exceptional item for last time, it was around 12.1% and now it is 10.8%. This is after adjusting. And if you see Y-o-Y, it was 13.5% so if you can just explain the difference?
- Amit Sudhakar:** So as we have explained we started digital and are expanding it now. We are spending on hiring new people on board, investing in people. We have also had opened a new office in Gurgaon, so the rentals have gone a little higher. So we are basically creating an infrastructure for the next growth which we are anticipating in the next year or two. Therefore the expenses are a little higher.
- Dhvani Shah:** Okay, understood. And could you tell us how much was the contribution from ZMPL this quarter?
- Amit Sudhakar:** So ZMPL, I just said, one second has contributed about INR6.5 crores EBITDA.
- Dhvani Shah:** Okay, INR6.5 crores, and that's been on 13% margin?
- Amit Sudhakar:** Yes, that is about 13% margin, exactly about 12.78%.
- Dhvani Shah:** Correct, got it. Perfect. And is there any seasonality in visa or in digital services in Q1?
- Amit Sudhakar:** Digital segment you don't have much seasonality but visa obviously you have seasonality. It peaks during the winter as far as India is concerned. As of this quarter there is a seasonality impact that there has been a little less revenue compared to Q4. And if you see on a Y-o-Y basis, the growth has been because of the COVID getting over and from the new contracts which have been now executing.
- Dhvani Shah:** And just one last question, could you share the visa volumes for this quarter?
- Amit Sudhakar:** Exact figure we don't have at the moment, but I can share it with you later.
- Dhvani Shah:** Sure. Thank you so much.
- Moderator:** Thank you. We will move on to the next question which is from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Sir, my question is again from BLS e-Service IPO, BLS International receive any fund or

all fund will be from new investor only?

**Amit Sudhakar:** So, Ravi, there will be no OFS. It's all going to be a fresh issue. As I explained, it will all be for the growth of the company.

**Ravi Naredi:** So, BLS International, how much it will be having after the IPO?

**Amit Sudhakar:** So it will remain a subsidiary of BLS International therefore it will be higher than 50%.

**Ravi Naredi:** Okay, thank you.

**Amit Sudhakar:** Thank you.

**Moderator:** Thank you. We will take the next question from the line of Neha Jain, an individual investor. Please go ahead.

**Neha Jain:** Good afternoon, sir, and congratulations for a good set of numbers. Just wanted to check, the growth in digital service that we have as of now, is that kind of sustainable? How do we see it going forward? Just wanted some light on that.

**Amit Sudhakar:** Neha, see the digital business, if you see the base is very small currently. So the growth what we are anticipating will continue the way we have been doing till now. We are looking at acquisitions as well as new contracts which will keep this momentum going. So, we are very bullish about this business per se. We can really take it to a different level altogether.

**Neha Jain:** So sir, in terms of percentage wise, do we see it contributing a sustainable percentage in the coming two to three years?

**Amit Sudhakar:** Yes, we are very bullish and we should continue with this momentum, which we have seen, the percentage rise more than 100% growth is what we are foreseeing in the near future.

**Neha Jain:** Okay. And sir, our operating expenses have also reduced. So are there any specific measures that we are taking towards it?

**Amit Sudhakar:** So as I said that we have focused on cost optimization since the COVID happened and luckily the volumes have started coming in but we have been able to control our costs and still we are keeping these cost under control. That's why you can see the improvement in the margins.

**Neha Jain:** And also do we have any plans for inorganic expansion like M&A?

**Amit Sudhakar:** Very much.

- Neha Jain:** Do we have anything that is already in process?
- Amit Sudhakar:** Yes, we are talking to couple of targets and let's see when they get finalized.
- Neha Jain:** So then will that require any further capex?
- Amit Sudhakar:** Capex, no, maybe funding will be required and that is what we are working on.
- Neha Jain:** How do we plan to get those funded?
- Amit Sudhakar:** So it will depend on case-to-case basis and on the circumstance of each situation . The whole objective is to improve the ROI of the company. So whatever best combination we think will improve company's ROI , we will go for that. It may be a leverage buyout or equity if we think is required. But the intention is, to improve the ROCE of the company.
- Neha Jain:** Okay. And just one last question. So these value-added services, what kind of revenue does it generate and what kind of margins does it generate for the company?
- Amit Sudhakar:** See, these value added services improve our margins at a much more than the visa service per se. Because...
- Shikhar Aggarwal:** Amit, Let me answer that. I think, so value-add service, combined the service charges and the value-add services, the margin that we are generating is on a combined level. And definitely, over the years, the consumer mentality has changed. People are opting for different home delivery kind of services, mobile biometrics. So that is where we see, and we've also, and we are now working in more geographies around the world where the consumer pattern is different. So on a consolidated level, we can now as we have achieved a better margin of around 20%.
- Neha Jain:** Okay, got it sir. Thank you so much and good luck.
- Amit Sudhakar:** Thank you.
- Moderator:** Thank you. We will take the next question from the line of Harsh Sharma, an individual investor. Please go ahead.
- Harsh Sharma:** Hi sir, good afternoon. Sir, you did mention INR22 crores of exceptional items. Can you please share what comprises of this?
- Amit Sudhakar:** This was in Q4, last FY '23, not in the current quarter. As we have explained it last time also, this was a sweat equity payment which the promoters have given for the shares, which have shown as the exception items.
- Harsh Sharma:** Thank you. Also, sir, if we see our depreciation has grown around 145% Y-on-Y. Have

we made any investment?

**Amit Sudhakar:** So, see this has gone up mainly because of two reasons. One, we acquired in June last year ZMPL, the company. So the depreciation of that business has come in. In the current, if you see the Q4 FY23, we are practically at the same level. So, Y-o-Y the difference you see is because of that ZMPL was not there in the Y-o-Y June FY '23 results.

**Harsh Sharma:** And sir, if we see, our other income also has gone up by 87% or 87-odd percent. So, could you please throw some light on that?

**Amit Sudhakar:** Sure. So, other incomes have mainly gone up because the interest rates on our FDs have changed in global market. Last year, on average, our FDs were at 1% in US dollar, whereas now, most of them are at 5.5% so that has improved our other income and as well as the additional funds generated from operations the number of FDs have gone up so that's main reason of the interest income.

**Harsh Sharma:** Thank you and sir one last question now that China has opened its borders, do we see any kind of volumes or revenue? Do we expect?

**Amit Sudhakar:** Yes, Shikhar, can you?

**Shikhar Aggarwal:** Yes, definitely China has opened up, so we expect increase in volumes coming from China.

**Harsh Sharma:** Okay, fine. That's it from my side. Thank you, sir.

**Moderator:** Thank you. We'll take the next question from the line of Aniket, an individual investor. Please go ahead.

**Aniket:** Thank you for the opportunity. I have few questions sir. So sir, how does the company plan to utilize this cash? Can you throw some light on this?

**Amit Sudhakar:** I think we have already answered this multiple times in the last few questions.

**Shikhar Aggarwal:** As we said, we are using this money for new M&A activities as well as for new contracts which we expect to win in the next couple of quarters.

**Aniket:** Okay. And sir, how many touchpoints do we have as of now?

**Amit Sudhakar:** Around 1 lakh.

**Aniket:** Okay. So sir, on the M&A plan, would this be for the visa or for digital services?

- Amit Sudhakar:** For both, we are looking aggressively in both the segments.
- Aniket:** Okay, thank you. Okay, and sir one last question, can you give some guidance on the visa volume and also on the revenue realization? Since now value-added services are contributing well to the revenue?
- Shikhar Aggarwal:** No, first of all, we are seeing growth in the numbers as we have explained -- right after COVID and we have also got increase in service charges. So our service charges are more from before. So prices have increased. So conversions have improved a little bit but prices have increased more both in service charges and other services. So we expect to maintain the growth momentum.
- Aniket:** Thank you. Thank you, sir. This is from my side.
- Moderator:** Thank you. We'll take the next question from the line of Mayur Bapodara, an individual investor. Please go ahead.
- Mayur Bapodara:** So just I wanted to understand, so the visa contracts which are up for renewal like opportunity of \$1.5 billion. So in that case that our competitors are serving for those governments already for a long time in past. So how we are planning, how we are strategizing to get the market share from those contracts? What is the strategy we are looking at? So can you provide some light on that?
- Shikhar Aggarwal:** See, strategy is definitely internal of the company and this is what we have been working on. But definitely as we mature as a company, we are in touch with those governments and doing pilots all over and have been talking to these governments for last couple of years. So definitely we have people from the industry that are working on such things.
- Mayur Bapodara:** Okay, sir. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Shikhar Aggarwal, Joint Managing Director for closing comments. Over to you, sir.
- Shikhar Aggarwal:** Thank you everyone for your participation in our Q1 FY '24 earnings call. In case of any further queries, you may get in touch with Adfactors PR or feel free to get in touch with us. We look forward to interacting with you next quarter. Thank you.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of BLS International Services Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.