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NEW DELHI Nov 14, 2018 (Thomson StreetEvents) -- Edited Transcript of BLS International Services Ltd earnings conference call or presentation Tuesday, November 13, 2018 at 10:30:00am GMT

Ladies and gentlemen, good day, and welcome to Q2 FY '19 earnings conference call of BS -- BLS International, hosted by Asian Market Securities Limited. (Operator Instructions) Please note that this conference is being recorded. I'll now hand the conference over to Mr. Vinay Pandit from Asian Market Securities. Thank you. And over to you, Mr. Pandit.

Thanks, Kish. I welcome you all on behalf of AMSEC to the BLS International conference call (inaudible). On the call, we have with us: Mr. Nikhil Gupta, Managing Director; Mr. Shikhar Aggarwal, Joint Managing Director; Mr. Karan Aggarwal, Executive Director; and Mr. Ajay Milhotra, Chief Financial Officer.

I would now like to invite the management to give the opening remarks, post which we can get into Q&A. Over to you, sir.

Good afternoon, everyone. Welcome to the Second Quarter Earning Quarter of BLS International Services Limited. And you are all aware, BLS International is a specialist service provider of visa, passport, attestation and citizen services developmental, diplomatic missions across the world.

I'd like to give you a quick highlight of the second quarter ended 30th September 2018. And then open the session for question and answer.

Consolidated results for quarter ended 30th September, 2018, which was Q2 FY '19 vis-à-vis Q2 FY '18, the total income stood at INR 191.2 crore, which is a quarter-on-quarter growth of 2%.

EBITDA of INR 45.4 crore, this was a Q-on-Q growth of 2.8%. Net profit stood at INR 32.9 crore, which is a Q-on-Q growth of 33.1%. And EPS for Q2 FY '19 stood at INR 3.22 as compared to [INR 3.62] in Q2 FY '18 for the corresponding period.

The second half year comparative from April to September of '19 vis-à-vis '18, total income stood at INR 393.4 crore in H1 FY '19, up 2.7% from INR 383.2 crore in H1 FY '18.

EBITDA of INR 95.9 crore in H1 FY '19 is up by 8.8% from INR 88.2 crore in H1 FY '18 for the corresponding period.

That's an increase of [INR 57] crore in H1 FY '19, is up by 20% from INR 55.85 crore in H1 FY '18.

Earnings per share for half 1 '19 stood at INR 6.54 as compared to INR 5.45 for half year FY '18. The company has ended this quarter with excellent results that are a testimony to our performance in Q2 FY '19, which has been remarkable for us, owing to the timely and quality deliverables of our contracts in both the domestic and international markets.

In the face of the government across the globe and providing best-in-class service, coupled with outstanding results is a reflection of the pace at which the company is growing and which is likely to continue for the coming years as well.

We continue to aspire to be the substantial service provider for all governments and diplomatic missions in India and overseas with a specialized domain expertise and have set newer benchmarks and service delivery with quick rollouts and excellent execution of all our contracts across the world.

We've been able to do several times various [back counter] repeating it by almost 30% to 40%. In just FY '18, we processed close to 11 million applications as compared to 20 million applications processed until the end of FY '17.

Furthermore, by the end of H1 FY '19, BLS International processed more than 5 million applications globally.

In this quarter, the company is also pleased (inaudible) in the Forbes Asia's Best Under A Billion list of top 200 publicly listed company in the Asia-Pacific region out of 24,000 companies that were selected on sale, the revenue and earnings growth. The company received [the spin BLS national security (inaudible) during the quarter.

BLS International was first visa outsourcing [ESP] who has confirmed -- conformed to the [ALS] compliance. And only 69 organizations in the world who are ALS certified, sharing with companies like Google, Microsoft, Oracle, to name a few.

This green global contract in BLS International back in December 2016 also yielded a strong result and for another quarter in a row.

Due to rollout of the project, the visa application center has really been fortified with life changing value-added services for the applicant's convenience. So there's Internet, photocopying, photo booth, form filling, courier, premium lounge, (inaudible), et cetera.

The company also commenced operation of its new contract of visa services by the Punjab Government in this quarter.

The first contract is for a period of 5 years, and BLS International is operating 352 facilitation center for providing 159 citizen centric services, serving 16 districts of Punjab and working with 32 departments.

BLS International marks the second quarter of FY '19 with a number of contracts and awards, such as we commenced servicing the French Embassy in Jordan from August 2018. Under this project, BLS International will provide key deliverables, which will compose of approximately 25,000 France visa application in Jordan in strategic alliance of its partner.

The strategic association linked strengthened our presence in Europe and Middle East.

BLS International Services also signed an agreement with Vision Box in this quarter in -- to cooperate in connection with specific projects or opportunities in the territory of Portugal.

An agreement was signed with premium security printing company, [BLT], a company existing under the laws of Hungary as we engage them the providing of [continuous] support in further operations to collaborate and pursue the tender of Ministry of Foreign Affairs, Hungary globally.

The company also signed an agreement with Speed Identity AB to cooperate in connection with a specific project or opportunity for the Ministry of Foreign Affairs of Sweden, Denmark, Finland and Norway.

Speed Identity is a company existing under the laws of Sweden, which is expert service provider of biometric hardware and software products and services.

As previously announced, we have commenced the UKVI operation, its effect from November 12, '18, which was yesterday, and we have already witnessed a good response on day 1.

During this quarter, BLS were also conferred with 2 prestigious awards: First, of Excellence in the Travel Sector award at the CMO Asia Best CSR Practices award.

And Mr. Shikhar Aggarwal, our Joint Managing Director, won the young achiever award of the year at the Times Network's National Award for marketing excellence in travel and tourism industry.

In conclusion, I would like to comment that BLS insures robust highly efficient project management practices and has signed dedicated teams of skilled and experienced professionals with relevant project experience for each project.

The company today employs approximately 9,000 employees, and at the same time, heavily invests time and money in upgradation of technology platform and IT software, which includes providing high-tech security systems, ranging from visa processing to passport verification.

It also provides our company and our client government a better control and view on day-to-day operations of various centers around the world.

This has helped us to meet various service level agreements and is further helping us in getting an edge over the current norm in the industry.

With this, ladies and gentlemen, thank you for your patience, and we now invite questions relating to the results of this quarter. Thank you.

Vinay Pandit, [4]

Yes, Kish. Can we take the Q&A?

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Questions and Answers

Operator [1]

(Operator Instructions) We have our first question from the line of [Siddharth Mehta] from India Advisory.

Unidentified Participant, [2]

I'm [Siddharth Mehta]. I'm an individual investor. I think our company is always performing very well and better than expectations of shareholders. So I had a few points to make. One is that, does it make a lot of strategic sense to go after the government, local government business, like Punjab Government, when the margins there limited the number of people we have to employ, very large, the payments are in question and so on. There are a lot of problems. Compare with working with countries abroad, it's a huge wide world out there. There's a lot of expansion that can be done there.

So I'd like to have your comment on that.

And second is that despite a lot of good performance from the company, we find that the earnings per share figure is not been moving up to the satisfaction that one would expect. So if you could throw a little light on that, and how you see that number going forward.

Unidentified Company Representative, [3]

Okay. Thank you, [Siddharth], for initial comment. Regarding the Punjab Government and other contracts, which employ a lot of people, it's been a huge learning for us and mainly positive learning. It has helped us to be able to expand our business, both in India and overseas. So on the (inaudible), I still see (inaudible) product areas. The things that we have learned from there we are implementing very vigorously, including the fact that the money that we invest in projects, we need to be able to make sure that we get that on a timely basis. And return, if you may, and if you talk about, return has been good.

But yes, something they have realized fully (inaudible).

The overall experience, I think the EPS here because of the Punjab contract was -- we kind of issued in our different format, the EBITDA and EPS margins still signs of dropping this quarter. But deals in third quarter will go up because of the EPS here, which is upward.

EPS has gone up (inaudible).

Unidentified Participant, [4]

Seeing that the government's working -- looking at the Punjab government, given that singular margins to what we get when working abroad, is it more or less in line?

Unidentified Company Representative, [5]

That is correct.

Unidentified Participant, [6]

All right. Okay.

Unidentified Company Representative, [7]

Or let me correct myself. In the past contract, and the old contract, it's been in line. In the new contract, also we believe as we come close to other numbers.

Unidentified Participant, [8]

Got it. So in that case, EPS hit is only because of the delay in receiving the money from the government?

Unidentified Company Representative, [9]

That is correct. No, but EPS has increased. I don't know if there's some confusion on your end. Our EPS, it stood at INR 6.54 compared to INR 5.45 last H1.

So EPS has improved in quarter-on-quarter places as well as H1-to-H1 places.

It has increased 20% this quarter.

Unidentified Participant, [10]

Last quarter to this quarter?

Unidentified Company Representative, [11]

Okay. Yes. That obviously...

Unidentified Company Representative, [12]

It's a portion of the profits, for sure.

Unidentified Participant, [13]

Yes. I mean, for a company that's going at 30%, 40% every year, one would expect that quarter wise also, there would be significantly EPS growth.

Unidentified Company Representative, [14]

We've explained that [Siddharth]. So I would hope it's clear,

Operator [15]

(Operator Instructions) The next question comes from the line of [Samarth Singh], individual investor.

Unidentified Participant, [16]

My question is regarding the revenue, can you provide us a breakdown of the revenue for the quarter as well as for the half year-end?

Unidentified Company Representative, [17]

Break up between?

Unidentified Participant, [18]

Break up of the quarters, that is Q2 and for the half year, how much revenue that you have received from the Punjab Government in this. Total revenue for this '19.

Unidentified Company Representative, [19]

(inaudible)

Unidentified Company Representative, [20]

For the quarter, it would be about INR 29 crores (inaudible) Punjab Government. And for the half year, it's about INR 25 crores.

Unidentified Participant, [21]

And can you throw some light on the meaning of a certain contract that you -- like, with the Punjab Government? Can you throw some light on that contract?

Unidentified Company Representative, [22]

Basically, I think until July, we were running on a fixed price model, so we were assured a certain fixed price. So every month, we expected a number of applicants to come in to give the available total sales. Okay. Now the revised contract is on a cost plus basis.

So we earned certain amount of margins on top of our cost.

Unidentified Company Representative, [23]

But the majority of (inaudible) that there is no revenue that we have to (inaudible).

Unidentified Company Representative, [24]

And remember the risk in the government revised contract has come down dramatically. Because (inaudible) depends on the government for collecting the money. In the new contract, we get the money up front from the citizen like in the international business.

For the rest of the business, it's reduced dramatically.

Unidentified Company Representative, [25]

Also, the CapEx it so happens is reduced, because the government provides such abilities and because of collection from the customer, the requirement for working capital is also contract.

Unidentified Participant, [26]

Okay. (inaudible) CapEx that you have already done in that, in the contract? Like you have done to the Punjab Government or not?

Unidentified Company Representative, [27]

No, that is right. As for the contract, we are -- we're collecting the money, which are due to us. Again, [we provide] to them.

Unidentified Participant, [28]

Okay. And how much that money is, sir?

Unidentified Company Representative, [29]

Total money you're seeing or total for the assets?

Unidentified Participant, [30]

Total for the assets that you are going to receive from the Punjab Government for the CapEx that you have already done.

Unidentified Company Representative, [31]

So the total money that is due from the Punjab Government to the company is INR 127 crore as of 30th September.

Operator [32]

The next question comes from the line of Amit Chandra of HDFC Securities.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [33]

So my first question would be can you please provide the break up between the visa in the Punjab? So how much -- the conclusion has been from Punjab in this quarter?

Unidentified Company Representative, [34]

As we said earlier, INR 29 crore is the revenue this quarter from Punjab and the balance is on other OpEx.

Unidentified Company Representative, [35]

162. Yes. Revenue from scale of assets that we have.

Unidentified Company Representative, [36]

So INR 6.5 crore of total assets, which is reflected in the other income.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [37]

INR 29 crores including the sale of assets?

Unidentified Company Representative, [38]

Yes, that's true.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [39]

Okay. So excluding that, it's around INR 23 crores. Okay. And in that -- there had been a contribution of 1 month from the overall contract and the contribution of 2 month from the newer contract, right?

Unidentified Company Representative, [40]

That is correct.

Unidentified Company Representative, [41]

That is right.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [42]

So in the newer contract, how you're seeing the application flow? And what has been the run rate of the application that you're seeing? So has there been any change in the inflow in the earlier contract versus the newer contract, firstly?

And what is the cost breakeven level for the number of applications [as a percent of your sales]? So what is the kind of breakeven in terms of more application that you -- is received in each center for achieving the cost breakeven, sir?

Unidentified Company Representative, [43]

Yes. So to answer your first question, we have seen an increase in the -- sorry, there has been some reduction in the number of application in the first quarter. And that's probably because the number of centers that the government has put up or asked us to run, but more in the previous contract.

So here we have something like 2,000 centers. Now we have something like 350 centers. For government services, which people are [waiting of] type of repayments and for prepayments, et cetera, there is no -- there are (inaudible). But we're seeing a breakeven situation already in the first 3 months. And as get more experience and working also traffic and new services increased, we are still targeting the same kind of EBITDA received all in our rest of our business.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [44]

So as of now, the Punjab contract is not at a breakeven run rate?

Unidentified Company Representative, [45]

It has [gone sort of] breakeven level, I would say. (inaudible) breakeven.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [46]

Okay. And then in terms of the CapEx requirement, so in the new contract, what offering do you have to invest in [RH] only and on the OpEx model where you are [donating] the salary and everything comes from salaries will be funded by the government?

Unidentified Company Representative, [47]

If it tallies in the third quarter, there is no CapEx involved (inaudible).

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [48]

Okay. Okay, sir. And I know as you mentioned that the UKVI contract has started from 12th of November. So what kind of applications are you expecting from UKVI? And for the full year, if you could give that what the -- either vendor or how it happened earlier in terms of number of applications and the relations. If you would provide some color on that.

Unidentified Company Representative, [49]

(inaudible) so yes. Yes. Actually as we mentioned before in the press release also, these contracts, we have aligned with our strategic alliance partners with (inaudible). We're expecting around 200,000 to 500,000 applications annually in this contract. So those are the numbers that we have said.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [50]

So the number that you mentioned earlier has not changed, right?

Unidentified Company Representative, [51]

Yes. Yes. It's not changed.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [52]

And in terms of relations, the relation for application, it's GBP 80 average?

Unidentified Company Representative, [53]

Yes. As we mentioned before, I think that you -- depending on the term of the contract and the number of application, that is the actual average price that you can achieve. But in this contract, there's a big variation. So sometimes it's accelerated for GBP 1,000, sometimes it is for GBP 100.

So average what we calculate came out to that number, yes.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [54]

Okay. Okay. And sort of how has been the value-added services being handled in the Spain contract? So as you mentioned earlier, the various functions will be a major contributor to the revenues, so how has it been doing?

Unidentified Company Representative, [55]

I think the value adds on the Spain contract are being in line with our prediction than [grade's] performance. We had experienced a big sell in the amount of value adds that are being bought by the applicants now. That is also one of the reasons of increase in appropriate margins compared to last quarter, because the acceptability of value adds has increased. Our software is more trained. We have launched new value-added services like ForEx cards, like insurance. So which have been taken very well like SIM cards that we are selling in some countries.

So the value-added service component of the Spain contract, I would say, has lead to industrial level. And it will increase further.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [56]

So the value-added services also there in the UKVI contract, value-added services.

Unidentified Company Representative, [57]

That is a major contributor there.

Unidentified Company Representative, [58]

Yes. So basically, like we're providing mobile biometric services, premium lounges, so it's a very unique endeavor. We are -- value-added services has seen even a bit of importance.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [59]

Okay. And for this quarter has there been any...

Unidentified Company Representative, [60]

Amit, can we request you to come back after others also ask questions, if you don't mind?

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [61]

Okay. Okay. So I'll just ask the last question and -- so in this quarter, has there been any contribution from the Starfin acquisition that we get? And if you could -- like, if you could disclose the amount that you paid for Starfin.

Unidentified Company Representative, [62]

So (inaudible). Yes. We've applied 74% of Starfin, for which we paid approximately INR 9 crores. Okay. As for the agreement, we've acquired the balance for 36% by March for another INR 3 crores.

Okay. And we are looking at a payback of about 3 years probably from investing.

Amit Chandra, HDFC Securities Limited, Research Division - IT Analyst [63]

Okay. And have they started to contribute on this performance?

Unidentified Company Representative, [64]

Yes. Yes. Revenue is already...

Unidentified Company Representative, [65]

It's already [working better].

Unidentified Company Representative, [66]

[It's a running company. We bought a profitable company.]

Operator [67]

The next question come from the line of Deepak Agrawal of Impetus Capital.

Deepak Agrawal, [68]

Yes. In the Punjab area, of the INR 23 crore, how much from [our own] contract?

Unidentified Company Representative, [69]

So in the -- INR 23 crores after the (inaudible) so it'll be about between INR 16 and INR 17 crores.

Deepak Agrawal, [70]

Okay. So that's INR 6 crores, INR 7 crores of -- in the new contracts?

Unidentified Company Representative, [71]

Right. (inaudible).

Unidentified Company Representative, [72]

(inaudible) is around 45, 50.

Unidentified Company Representative, [73]

Deepak?

Deepak Agrawal, [74]

Why have the EBITDA margins come down this quarter compared to the quarter 1? It was 25% in quarter 1, now it's around 20%.

Unidentified Company Representative, [75]

Quarter 1, generally, it's a better quarter for us. So this quarter, and we have the best sales and the best VACs. And VACs has a high component of operating margin. And therefore, you will see that while second quarter has come down slightly by about 1%, it will pick up in the third and fourth quarter.

Unidentified Company Representative, [76]

I think there's some impact on the Punjab also. So Punjab there is only revenues for only one quarter. And the Punjab (inaudible) higher margin business slightly. So (inaudible).

Deepak Agrawal, [77]

But your model is going to have a higher margin, right, because the entire (inaudible)? So competitive to other margin?

Unidentified Company Representative, [78]

You have to understand one more thing, that we are talking about EBITDA margins first of all. And the...

Deepak Agrawal, [79]

So entire -- so the entire team (inaudible) EBITDA, then that have -- you will come to EBITDA. There you have a...

Unidentified Company Representative, [80]

Deepak, I'll try and explain it to you. In Punjab, we had a higher capital deployed, right? There was -- the margin what was also high. It over -- in our other businesses, the margin is slightly lower what was in Punjab and in a couple of the margin.

So that is the reason why EBITDA margin has come down. I think the PAT margin has only increased if I'm not mistaken. PAT margin has increased.

Unidentified Company Representative, [81]

Yes. PAT margin has increased by a percentage, [1%, 2%, 3%], yes.

Deepak Agrawal, [82]

When did you start the UK operation?

Unidentified Company Representative, [83]

UK operation was started yesterday. And it started -- you'll start seeing the effect on the revenue and bottom line for Q2.

Deepak Agrawal, [84]

Right. What..

Unidentified Company Representative, [85]

Moving up a couple of bps this quarter and until quarter -- next quarter.

Deepak Agrawal, [86]

And have you selected anything out of this [127] in these 2 months?

Unidentified Company Representative, [87]

In this [127], [most trials previously] INR 212 crores, [INR 207 crores], so we have built another INR 89 crores and we have collected INR 113 crores in the second quarter.

Deepak Agrawal, [88]

And as of 30th September, how much are you reaching?

Unidentified Company Representative, [89]

We are talking about only 30th September until now. You've seen the results are for 30th September.

Operator [90]

The next question comes from the line of Mr. [Shah] of Emkay Global.

Unidentified Analyst, [91]

I'd like to know what kind of opportunity you see incoming from Vision Box in the ID? So what kind of [vibe] are we seeing and what kind of margins on the EBIT?

Unidentified Company Representative, [92]

Shikhar, can I request?

Shikhar Aggarwal, BLS International Services Limited - Joint MD & Additional Director [93]

Yes. EBITDA.

Unidentified Company Representative, [94]

The other contracts.

Shikhar Aggarwal, BLS International Services Limited - Joint MD & Additional Director [95]

Yes. So basically, all the suppliers (inaudible). Companies are the market leaders in their segments in certain geographies. So our strategy there in terms (inaudible) large companies of their respective governments. So we have been able (inaudible) doesn't have long yesterday that we'll be working on the loan tenders to these companies we've been working in respective geographies so we will see Punjab in the results maybe within 1 year or 2 years.

Unidentified Analyst, [96]

And what further opportunity do you see here?

Shikhar Aggarwal, BLS International Services Limited - Joint MD & Additional Director [97]

Basically, as you know in our industry, there is not one government that gives all same type of tenders. Some governments come out with global tenders. Some governments come out with (inaudible) tenders. So (inaudible) will be differentiated ranging from medium to large contracts.

Unidentified Analyst, [98]

Okay. And I -- in your commentary regarding the UKVI conversation that you did today, so you guys mentioned a new participant. Can you please repeat it?

Shikhar Aggarwal, BLS International Services Limited - Joint MD & Additional Director [99]

As I mentioned, in these few contracts, we're expecting to process around 400,000 to 500,000 applications, and we commenced the contract yesterday.

Unidentified Analyst, [100]

400,000 to 5,000 (sic) [500,000] applications (inaudible)?

Shikhar Aggarwal, BLS International Services Limited - Joint MD & Additional Director [101]

500,000.

Unidentified Analyst, [102]

400,000 to 500,000 applications [for a number].

Shikhar Aggarwal, BLS International Services Limited - Joint MD & Additional Director [103]

Yes.

Operator [104]

The next question comes from the line of Mr. [Ravi Narahari] of [Narahari] Investments.

Unidentified Analyst, [105]

What is the (inaudible) this year -- this quarter when you compare to last 2 year quarter, 30th September to 30th September '18?

Unidentified Company Representative, [106]

Mr. [Ravi], what was your question, again?

Unidentified Analyst, [107]

Why that line has not been wide really this quarter when compared to September '17 quarter.

Unidentified Company Representative, [108]

As we explained earlier, the Punjab contract is being changed slightly where instead of a fixed price model, it's going on a revenue sharing model. This substantially reduces the revenue in the past 2 months of the quarter.

Unidentified Analyst, [109]

Okay. And what is the lookout for this next one half year?

Unidentified Company Representative, [110]

As we -- the other business picked up UKVI, et cetera, we expect to do better -- much better in that sort of previous guideline, still working on the revenue.

Unidentified Analyst, [111]

And so you mentioned that (inaudible) what was the (inaudible) for Punjab Government, right?

Unidentified Company Representative, [112]

Right. That's correct.

Unidentified Analyst, [113]

And after 30th September, are you announcing a new deal?

Unidentified Company Representative, [114]

We are. We are expecting some substantial amount. That's correct.

Operator [115]

The next question comes from the line of (inaudible) from (inaudible) Finance.

Unidentified Analyst, [116]

Can you hear me?

Unidentified Company Representative, [117]

Yes, [Chirag]. Go ahead.

Unidentified Analyst, [118]

(inaudible) if I strip off the Punjab business from quarter 2 and quarter 1, roughly the visa application business comes at around INR 150-odd crore. I wanted to get a feeling from you, is this INR 150 crore run rate stable? Or you should see some improvement there?

Unidentified Company Representative, [119]

I think it's going to be much higher than that. I think that if you take out the Punjab Government, the revenue should be around INR 320 crores, INR 350 crores also -- INR 320 crores, INR 350 crores for half year, and yes, that is sustainable. And going forward, it will only increase with the U.K. Government project commencing. So you'll see an increase -- a jump in that number in H2.

Unidentified Analyst, [120]

My question is more from the application process perspective, so we see around 5% to 10%, kind of, a volume growth in application process.

Unidentified Company Representative, [121]

Generally, our application process in existing businesses, beginning 7%, 8%; 5% to 7%; and then whatever new businesses we get, the revenue -- the application growth comes from there.

Unidentified Analyst, [122]

Okay. Sure. And second thing on the Punjab business, our run rate now would be around INR 84 crores per annum. Even on this -- per month end, sorry. This is the amount that we collect net from the government, or we have to share something with the government?

Unidentified Company Representative, [123]

No. Right now, we are (inaudible) money which is collected not from the government but from the citizens themselves.

Unidentified Analyst, [124]

This is something we collect or we have to share this, again, with the government?

Unidentified Company Representative, [125]

Sorry?

Unidentified Analyst, [126]

For example, say we collect INR 3-odd crores from the citizens. From this INR 3 crores, do we have to do give some part of it to the Punjab Government? Or this remains with us?

Unidentified Company Representative, [127]

No. This is entirely for us right now. There is a certain minimum cost and the government has to pay us, beyond which there is a revenue sharing.

Unidentified Analyst, [128]

Okay. So broadly this should be a very high EBITDA business because here you just have to incur OpEx, right?

Unidentified Company Representative, [129]

That is correct.

Operator [130]

The next question comes from the line of Mr. (inaudible) of (inaudible)

Unidentified Analyst, [131]

(inaudible) grow 20% to 30% in revenue and 30% to 40% in profit. This is for the Punjab contract. Do you still believe that we are on track? Or we need some adjustment there?

Unidentified Company Representative, [132]

I think we are most definitely on track on the bottom line. And the top line will also be able to match in this range of between 20% to 25%.

(inaudible) with the new UK government coming into play. There'll be a surge in the top line.

Unidentified Analyst, [133]

Okay. And in terms of -- my second question and last question, in terms of cash generation, are you looking for help or any kind of a dividend policy set out by (inaudible)...

Unidentified Company Representative, [134]

Yes. We have a dividend policy where we said that up to 15% of our profits -- consolidated profits shall be distributed. And we've been consistently paying dividends for the past 2 years. And you can expect the same to happen in the future.

Operator [135]

The next question comes from the line of Mr. [Ricard Chen]. He's an individual investor.

Unidentified Participant, [136]

I have 2 questions. One is that how the Starfin business acquisition that we've done impact the contribution to the EBITDA? And second is how are you digital and once we get more information about the recent tie-ups that have been done with Any Security, Vision Box and Speed Identity?

Unidentified Company Representative, [137]

Okay. Starting that we attempt to answer the call. We -- basically, we're looking at, as I said, EBITDA margin of around 20% even from tuck-in business. On the contracts, Shikhar, would you like to comment on this?

Shikhar Aggarwal, BLS International Services Limited - Joint MD & Additional Director [138]

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What is the question on the other contract?

Unidentified Company Representative, [139]

I think the...

Unidentified Participant, [140]

About the Starfin acquisition that has been made recently, how the management give the guidance on the EBITDA margin contribution from this business you expected?

Unidentified Company Representative, [141]

When I responded to [Ricard], what was your second question?

Unidentified Participant, [142]

The second question is about how did you get more information about the tie up -- the recent tie-ups that have been done with Any Security, Speed Identity and Vision Box?

Shikhar Aggarwal, BLS International Services Limited - Joint MD & Additional Director [143]

Yes, (inaudible). Yes. So basically, the reason is we that we have tied up with this company for strategic purposes. As you know in U.K., we tied up with the Sopra Steria, and are one of them that are in line with them.

So we have strict requirements from (inaudible) what kind of services they provide in the contract and what kind of services they provide together how we should we close the market to win the contract. So our chance of success will be -- will improve by tying up with these companies.

Unidentified Participant, [144]

I understand. But you know, as an individual investor, I would seem to understand that whether that's strategic partnerships that underline in terms of the competencies that (inaudible)?

Shikhar Aggarwal, BLS International Services Limited - Joint MD & Additional Director [145]

Yes, there is. They're already in the -- we have not mentioned in the website the names of all the company, but we have done the press release for all the tie-ups that we have done. So if you check out the press release on the exchange, you can find out the tariffs that we have done.

Operator [146]

(Operator Instructions) We have next question from the line of Mr. [Siddharth Mehta]. He's also an individual investor.

Unidentified Participant, [147]

I wanted to ask you a question relating to comment that was made, I think, by Mr. Nikhil Gupta or Shikhar Aggarwal, and that relates to a number of applications that has gone up in Spain by approximately 50% since you started doing the processing. So since you started doing the processing...

Unidentified Company Representative, [148]

Pardon?

Unidentified Company Representative, [149]

I don't think 50% of...

Unidentified Participant, [150]

I've seen one of your documents on the website, as forwarded by (inaudible) union, so that was a [minor mistake]? Okay. So what would be the correct number?

Unidentified Company Representative, [151]

So the application count in Spain, that has gone up by 10% to 15%.

Unidentified Participant, [152]

Oh, 10% to 15%. Okay. It says 15% here. Okay. So this question is irrelevant. And, again, I just looked up the numbers, again, it seems that in the September 30, 2017 quarter, you had a run rate of about INR 186 crores. And in this similar quarter this year, we got INR 182 crores, which I take it is a little lower because of the Punjab Government issues?

Unidentified Company Representative, [153]

That is correct.

Unidentified Company Representative, [154]

That's right.

Unidentified Participant, [155]

Okay. So that is what is -- okay. So that is also the difference between the previous quarter ending June 30, and now from INR 200 crores or INR 201 crores, [INR 282 crores].

Unidentified Company Representative, [156]

That is correct.

Unidentified Participant, [157]

So if just theoretically or in an abstract way if we assume that we had been running on the previous contract with the Punjab government, instead of INR 182 crore, (inaudible) as to what the revenue would have looked like?

Unidentified Company Representative, [158]

At about INR 18 crores to INR 20 crores. It would look like close to INR 200 crores, INR 202 crores.

Unidentified Participant, [159]

All right. So between June -- I guess then that means June 30 has been seasonally a better quarter for us than maybe the September quarter in terms of visa applications and so on.

Unidentified Company Representative, [160]

That is correct.

Unidentified Participant, [161]

All right. Okay. So that explains to me the EPS figures between the previous quarter and this quarter. But going forward, now you also mentioned that Punjab Government contracts give you a good margin, and I forgot you were talking of the EBITDA

margin, the EBITDA margin, it includes the operations cost of manning that particular center that you have there to include salary and everything, right?

Unidentified Company Representative, [162]

Yes. That is correct.

Unidentified Participant, [163]

All right. So what would you say is not included -- is everything pretty much included and only the corporate overhead, depreciation and (inaudible) cost...

Unidentified Company Representative, [164]

EBITDA sales that we discussed in the call, okay, but those are just kind of targeted margin is you start getting (inaudible)

Unidentified Participant, [165]

All right. Okay. And in the meantime, we only have the salary obligation and your expenses obligation sitting on our head, right?

Unidentified Company Representative, [166]

That is correct.

Unidentified Participant, [167]

All right. Okay. So I think from what you're saying, you are making a correct projection, the coming 3 months and 6 months, it should result in a very big move up in terms of our profitability.

Unidentified Company Representative, [168]

Yes. That should certainly improve with the KPI, et cetera, (inaudible).

Unidentified Company Representative, [169]

I'll give you a profitability update. On the last H1, what has been the H1 our profitability is already up 20%, and we're targeting 30%, 35%. So it's not that greater number that we look at achieving. For [H2]...

Unidentified Participant, [170]

I mean, you're expecting it anyway to happen in new cost, right?

Unidentified Company Representative, [171]

Yes. The new project coming online, our growth comes from new projects. This new project already starting yesterday.

Unidentified Company Representative, [172]

There are other new U.K. projects, yes. Yes.

Unidentified Company Representative, [173]

Yes. Also on the Punjab Government, as the numbers also come in, they should also, I guess, make an impact.

Shikhar Aggarwal, BLS International Services Limited - Joint MD & Additional Director [174]

Yes. Exactly. We're getting an -- what I'm saying is they probably have a positive impact from both the U.K. project as well as the Punjab contract, so both the projects will kick in so profitability should change dramatically. That's what I'm saying.

Unidentified Company Representative, [175]

Yes. Yes.

Operator [176]

The next question comes from the line of Mr. (inaudible). He's an individual investor.

Unidentified Participant, [177]

Sir, I wanted to understand for your visa services business, is it like a fixed price contract? Or is it based on the number of applications of revenue?

Unidentified Company Representative, [178]

Based on the number of applications.

Unidentified Participant, [179]

Okay. All right. And now I wanted to understand like how do we compete with now, let's say, some country (inaudible) like Spain or any other country. So how do we compete with a player like VFS? On what basis do we do that? What's our edge?

Unidentified Company Representative, [180]

I think if you understand how the vendors are (inaudible) technical and financial independence so we've been on this for technical (inaudible).

Operator [181]

So we have the next question from the line of Mr. Nirmal Bari of Sameeksha Capital.

Nirmal Bari, [182]

Actually, I joined a bit late so this question might be a repetition (inaudible) the EBITDA margins should be better in the new Punjab project. You're talking about on margin in the new Punjab projects versus margin in the older Punjab projects?

Unidentified Company Representative, [183]

The margins in the newer contract has been lower than the margin in the previous contract, but we're targeting approximately the same kind of margins that we have earned in the business as a whole.

Nirmal Bari, [184]

Okay. So similar margins are resurfacing?

Unidentified Company Representative, [185]

Yes.

Nirmal Bari, [186]

The second question is on the U.K. contract. We -- the average revenue per customer there would be around GBP 80. So if revenue -- our net revenue, that is after deducting the part that we will be giving out to our partner and to the government or is it the growth revenue figure and then from this we'll have to part with certain revenues?

Unidentified Company Representative, [187]

No. I think (inaudible)

Nirmal Bari, [188]

Sorry.

Unidentified Company Representative, [189]

This is our (inaudible)

Nirmal Bari, [190]

GBP 80 is part of the revenue?

Unidentified Company Representative, [191]

Yes.

Nirmal Bari, [192]

And on this, would the margin similar or in line with other visa projects like (inaudible) visa project of that type? Or would it be lower?

Unidentified Company Representative, [193]

No. It would be similar.

Operator [194]

And there are no further questions. This concludes this conference. Over to the management for the closing remarks.

Nikhil Gupta, BLS International Services Limited - Chairman & MD [195]

Yes. I'd like to thank all the participants in this conference. We appreciate your time that you spent and effort to make to organize the results. And also (inaudible) in the next quarter. Thank you.

Vinay Pandit, [196]

Yes. And on behalf of AMSEC, I would like to thank the management of BLS International and all the participants for joining on this call. Thank you, everyone.

Operator [197]

Thank you. On behalf of Asian Markets Securities Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.