

November 13, 2023

National Stock Exchange of India Ltd., Exchange Plaza, C-1 Block G, Bandra Kurla Complex Bandra [E], Mumbai – 400051 NSE Scrip Symbol: BLS	BSE Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001 BSE Scrip Code: 540073	Metropolitan Stock Exchange of India Ltd., Vibgyor Towers, 4 th Floor, Plot No. C62, G - Block, Opp. Trident Hotel, Bandra Kurla, Complex, Bandra (E), Mumbai – 400098 MSE Scrip Symbol: BLS
--	--	---

Subject: **Transcript of Earnings Call held on November 07, 2023**

In continuation to our intimation dated November 01, 2023, please find enclosed a transcript of the Earnings Call held on Tuesday, November 07, 2023 to discuss the operational and financial performance for the second quarter ended September 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

.....
Dharak A. Mehta
Company Secretary & Compliance Officer
Membership No.: FCS12878

Encl: as above



**“BLS International Services Limited
Q2 & H1 FY24 Conference Call”**

November 07, 2023



**MANAGEMENT: MR. SHIKHAR AGGARWAL – JOINT MANAGING DIRECTOR,
MR. NIKHIL GUPTA –MANAGING DIRECTOR,
MR. AMIT SUDHAKAR – CHIEF FINANCIAL OFFICER, AND
MR. GAURAV CHUGH – HEAD -INVESTOR RELATIONS**

Moderator: Ladies and Gentlemen, Good day and welcome to BLS International Services Limited Q2 and H1 FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based on the belief, opinions and expectations of the Company as on the date of this call. The statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shikhar Aggarwal – Joint MD of BLS International Services Limited. Thank you and over to you, Mr. Shikhar Aggarwal.

Shikhar Aggarwal: Thank you. Good evening, everyone. A very warm welcome to all of you and thank you for participating in our Earnings Call for the Quarter Ended 30th September 2023.

I have on call with me today, Mr. Nikhil Gupta – Managing Director, Mr. Amit Sudhakar – Chief Financial Officer of the Company and Mr. Gaurav Chugh, who has recently joined us as Head of Investor Relations and Adfactors – our IR team.

I am happy to share our recent developments and achievements during the last few months and our future plans for the Company. We have set the stage for an exciting journey in the current fiscal year commencing on a strong note with the more promising Financial Results for the 2nd Quarter of the Financial Year 2024.

Our business continues to witness growth momentum as well as strong profitability. We saw the highest ever EBITDA being reported by the Company and in addition, our EBITDA margins continue to be in excess of 20%. On the given base, we believe that this momentum will continue for the foreseeable future. Any new contracts or acquisition will further add to this momentum.

Regarding the industry we operate in, we believe the outsourcing market, particularly the Visa outsourcing market has been expanding rapidly with many new countries scouting for partners who can facilitate Visa as well as consular services for them.

Additionally, the travel industry continues on a trajectory of revival worldwide. This global recovery is expected to translate into a surge in Visa applications, fueling the growth of our Visa business. Month-on-month, we are witnessing a steady upward trend driven by both growth in applications as well as improving realizations.

The last quarter has been quite eventful for us. In our Visa business, we signed up with the Government of Slovakia to offer outsourced Visa services across 18 countries. This is an exclusive global Visa contract. Slovakia is fast becoming a sought-after tourism destination for travelers across the globe.

We also recently opened up new application centers in China for the Spanish Embassy. As China is opening up, we expect to see further growth in volume from the region. This growth could also be complemented with further opening up of CIS countries.

Furthermore, we recently expanded our operations in Saudi Arabia and Nigeria where we have opened new offices, these offices will further help enhance the Visa service business.

On the digital service front, I am thrilled to share a significant milestone achieved by our subsidiary BLS E-services. We have successfully integrated UMANG Services into our digital platform. This strategic collaboration with the National E-governance division aims to make over 500 E-governance services easily available. This integration underscores our commitment to provide seamless and convenient services to citizens both in India and overseas and in multiple languages.

In addition, BLS E-services also tied up with Kotak Mahindra Bank for offering banking correspondence services.

Looking ahead, our focus remains twofold, growing both our Visa & Consular Services and Digital Service Business organically and exploring opportunities for inorganic growth in India as well as abroad. We continue to be optimistic about the ongoing fiscal and are committed to fostering growth.

In conclusion, I want to emphasize our confidence in the next few quarters. So, the BLS team is resilient and committed to growth in both our segments. We firmly believe that the strategies we adopt would pave the way for a bright future for BLS International Service in the coming years.

Thank you for your continued trust and support. I would now like to hand over the call to Mr. Amit Sudhakar, our CFO, for an update on our financial performance. Thank you.

Amit Sudhakar:

Good evening, everyone. I am pleased to present the Financial Performance for the 2nd Quarter and Half Year Ending September 30th, 2023.

In Q2 FY24, we recorded a revenue of 407.7 crores, a 14.3% y-o-y increase, driven by both business segments, Visa and digital services. We continue to witness growth in both our business segments and are optimistic about sustained growth in the coming quarters. During this quarter, our EBITDA stood at 86.7 crore compared to 56.8 crores in the corresponding quarter last year, witnessing a growth of 52.7%. The EBITDA margin for the quarter stood at 21.3%, an increase of 535 basis points compared to the corresponding quarter last year.

Cost optimization, higher volumes and favorable business mix help expand the EBITDA margin for the quarter. Profit before tax stood at 87.2 crores, a growth of 55% over the corresponding previous quarter.

The profit after tax for the quarter stood at 82 crores as compared to 51 crores in the previous corresponding quarter, a strong growth of 60.8%. Earnings per share for the quarter stood at Rs. 3.59 per share as compared to Rs. 2.46 per share in Q2 FY23.

Coming to the half year performance:

The half year revenues stood at 791.2 crore, a growth of 25.6% versus the corresponding previous period.

EBITDA for the H1 FY24 stood at 166.8 crores compared to 88.3 crores in the corresponding half year last year, witnessing a growth of 88.9%. The EBITDA margin for H1 FY24 stood at 21.1% versus 14% in H1 FY23 an expansion of 706 basis points.

Profit after tax (PAT) stood at 153 crores as compared to 81.7 crore in the previous corresponding half year, a growth of 87.3%. That is all for my side.

We can now open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ravi Naredy from Naredy Investment. Please go ahead.

Ravi Naredy: Sir you are doing a really fantastic with our business. This enhanced margin will continue in H2? What is your expectation?

Amit Sudhakar: Margins, if you see from last year EBITDA margins were in the range of 15 to 16%. Now in the current year, we have maintained it around in our 20s and we see the potential that we should be able to continue these margins in the coming quarters.

Ravi Naredy: Okay and sir how many more Visa contracts we have applied and what is success rate we can expect from them?

Shikhar Aggarwal: So, as part of our ongoing business activities, we keep on applying for different tenders and as you have seen in the last 1-1.5 years, we have won a lot of tenders for different governments like recently we won a contract for Slovakia, different European governments, Germany, Italy, Poland, Portugal and we also renewed our contract for the Spanish Government. So, definitely we keep on applying for different tenders and as we have said before, there's a big pipeline and out of this pipeline only some of the tenders we are winning and some of the results are to be announced. So, as and when we win some tender, we will be announcing.

Ravi Naredy: So, this 80% Visa volume. Can we expect in the next few years also?

- Amit Sudhakar:** Correct. Yes.
- Ravi Nareddy:** Sir, how do we utilize the 700 crores cash which we are having and because ROCE is 35%. So, how would you achieve 35% ROCE in future?
- Amit Sudhakar:** So, we have talked about in our last call also, we are seriously looking at new acquisitions in the similar field and as well as Shikhar said, we are bidding for big contracts, so we may need some funding for setting up new offices. So, we are going to use this fund for these requirements.
- Ravi Nareddy:** Right. This big contract in Visa service.
- Amit Sudhakar:** In both in Visa as well as digital services, so we are bidding in both.
- Moderator:** Thank you. The next question is from the line of Omkar Kamtekar from Bonanza. Please go ahead.
- Omkar Kamtekar:** So, firstly with respect to the rate of growth in the digital services, we can clearly see that the digital services business is growing more than twice the rate of the Visa and consular services and its share in revenue pie is also increasing. So, the first question is how long will this sustain and what will be the effect say two years or three years down the line, the share of the digital service business.
- Shikhar Aggarwal:** The Digital Service business as we stand today is around 21% of the entire revenue of the Company. Base was quite small compared to the last year. That is why we have grown quite well. We have big plans for the growth of the e-services business also. So, in the next few years we can see good growth coming in from different future contracts that we are eyeing as well as, acquisitions. So, I think growth momentum should continue in both of these.
- Omkar Kamtekar:** Okay. So, we can expect a similar kind of growth or maybe higher going forward for the next 2-3 years?
- Shikhar Aggarwal:** Percentage I do not know. I cannot comment on any percentages, but as you have seen from our track record, we have been focused on growth. So, definitely next few years also we are targeting growth.
- Omkar Kamtekar:** Okay and with respect to the, so we had also applied for the listing of the E-service business. What is the status of that? Is there any update from the SEBI with respect to that?
- Shikhar Aggarwal:** As per the norms, we have filed our DRHP with SEBI and as and when we get the approval, we will be listing the Company and as we have stated we need money to come into the Company which will be utilized for further growth of the Company.
- Omkar Kamtekar:** And just to comment on the Visa space specifically now because of the conflict that has happened in the Middle Eastern region. We also have certain amount of business in that region.

So, how much of an impact has that had on the business, and do you see this business impacting other regions such as Europe or adjacent areas, can you comment on that.

Shikhar Aggarwal: Well, see, we operate in a global environment. We operate in 64 countries. We work with 40plus governments. So, for us this event has not at all impacted our business. So, our revenue, as you have seen have grown, even in the last quarter that for us. But as we are a global Company, you know different events keep on happening in different parts of the world, but on an annual basis, it hardly matters.

Moderator: Thank you. The next question is from the line of Supan Parekh, who is an individual investor. Please go ahead.

Supan Parekh: Sir I would like to ask about the IPO. So, like you plan to propose an IPO of BLS E-Services, so like what is the aim for that like could you elaborate much on that?

Amit Sudhakar: See, DRHP has been filed with SEBI. So, we can say that the whole idea of the IPO is to raise the fund for the growth of the Company because we see a big potential of growing this digital business first in India and then globally, and for that we are looking at this growth capital for the digital business at the moment.

Supan Parekh: Okay so like what is the future road map for this BLS E-Services?

Amit Sudhakar: I think once the SEBI approval comes in, we will share the road map and the presentation of the whole business.

Supan Parekh: So, next question, I would like to ask the current growth rate and EBITDA margin. Is that sustainable for long term like what are the things like you are looking out for the next quarter or this fiscal year like?

Shikhar Aggarwal: As we have stated, I think you already answered that question that for long time we were doing the margin of 15-16% and from first quarter this we achieved a margin of 20% and we have sustained that in the 2nd Quarter also. So, every day we are working very hard to obviously sustain and improvise. So, definitely I think from where we stand, we feel that we can sustain the margin.

Supan Parekh: Okay and also on the purpose of the cash utilization, so this quarter has been like has been highly cash generative. So, what are the Company's plan regarding the utilization of cash in the coming quarters?

Shikhar Aggarwal: We are very conservative and looking for effective utilization of money and as you know this cash has been generated because of the hard work that the Company has done from the inception. So, definitely we are looking at particular opportunities and as and when you know, we think that it qualifies all our conditions, we will be going in for acquisitions. Other than we are

regularly paying dividends to the shareholders and the opportunity is that we foresee, money will be utilized in growth, opening new offices, in technology and everything else.

Supan Parekh: Okay, so now I am just shifting my questions right now like I am seeing like the volumes have recovered from China. So, what are the expectations with the Russia right now.

Shikhar Aggarwal: See in terms of volumes we are better than what we are doing in COVID. In China, now things are opening up, we have also opened our offices. In Russia, volumes are still low, so if you talk about the numbers, still from 2019 level, we have not achieved the volumes, but still revenue and profitability is higher.

Supan Parekh: Okay. So, like we can expect it to go like moving forward, it can go up.

Shikhar Aggarwal: Correct. This is not the base volume. So, base volume 2019 level, we still have not reached.

Supan Parekh: Okay and that the impact of Canada issue been so far like how has that impacted us?

Shikhar Aggarwal: I do not think there was any impact as we have stated. The Visa business from Canada was 2% of our annual revenue and that has also come back. So, we do not see any impact from the Canada business.

Supan Parekh: Okay and also like the last question I want to ask is that the status of UK tender, is there any progress in terms of these things like winning any geographies?

Shikhar Aggarwal: No, there is no status. We are filing for many tenders and as and when the results are announced we are notified. We will inform.

Moderator: Thank you. The next question is from the line of Vicky Patel from Artika Wealth. Please go ahead.

Vicky Patel: My first question is I would like to know on the recent news we heard regarding the Egyptian Embassy. So, what is the current status? Are we like, have they denied working with BLS or?

Shikhar Aggarwal: No, we work for them, and we are one of the authorized partners. There is an exclusive contract with them. So, numbers are quite negligible from the start and still. So, no one has denied, but we are not the exclusive partner. They does not follow exclusive outsourcing policy anywhere in the world. So, that is the status.

Vicky Patel: And Sir, the ongoing Israel situation, so will it affect the current line of business?

Shikhar Aggarwal: No, actually we have not seen any impact on it and we see strong growth in our numbers.

Vicky Patel: Okay and sir the revenue, the total income has grown, I think roughly 14% to 15%. So, do we see a similar range of growth in the coming second half of the year?

- Shikhar Aggarwal:** Whatever we have achieved, I think we, I think our wish is definitely to maintain it and we are working hard towards that.
- Vicky Patel:** There has been a rise in the increase interest cost. The short term borrowings or the long term borrowings have not increased. So, if you could please throw some light where why has there been an increase in the interest cost?
- Amit Sudhakar:** So, see the interest cost is mainly because of the new accounting standard AS-116 where the lease rights of lease has been booked in the assets and the expense has been routed to depreciation and the interest. But there is no debt on the books and there is no interest payment in the financial charges.
- Vicky Patel:** Okay and also employee cost as a percentage of sales has increased. If you see y-o-y so is this because of the increments or we are expanding the manpower?
- Amit Sudhakar:** Right, it is because of the increments that have been there for to the existing employees and currently the Company is investing in people at the senior and the middle level to ensure the growth which we are planning to do in the next couple of quarters.
- Moderator:** Thank you. The next question is from the line of Omkar Kamtekar from Bonanza. Go ahead.
- Omkar Kamtekar:** One thing what I wanted to ask was on the fixed asset. We have seen an approximate 24-25 crore of addition. So, how much of more CAPEX for fixed asset and other equipment are we looking ahead for the H2 and FY24 also if you can.
- Amit Sudhakar:** So, Omkar, this is the CAPEX which is showing in the balance sheet. The increment is mainly during this half year and is as per the accounting standard of Use of Assets which we have leased.
- Omkar Kamtekar:** Okay. So, the lease assets the lease liability.
- Amit Sudhakar:** Otherwise, we normally have a normal operational CAPEX in the range of 15 to 20 crores in a year.
- Omkar Kamtekar:** So that will be the steady state 15 to 20 crores CAPEX that we do annually. That would also continue FY25, okay?
- Amit Sudhakar:** Correct. That is right.
- Omkar Kamtekar:** And with respect to I was not able to catch the number or what was the volume growth in the number of Visa applications that we did for the period?
- Shikhar Aggarwal:** Volume we do not normally declare the exact volume.

- Omkar Kamtekar:** As a suggestion if it is possible if you could add that bit on the investor presentation that would be very helpful. I mean if because what would happen is because we can see in EBITDA, the EBITDA margins have increased and because the high margin business of the digital services is increasing so we could break it down as to how much of the revenue.
- Shikhar Aggarwal:** High margin is in the Visa business.
- Omkar Kamtekar:** So, that is why so if the volumes there are also going to pick up the margins would also meaningfully pick up.
- Shikhar Aggarwal:** Definitely volumes there will increase further.
- Omkar Kamtekar:** So, the analysis becomes much easier for us. So, that's it. That's it. Thank you.
- Moderator:** Thank you. The next question is from the line of Rajiv Venkatesh, who is an individual investor. Please go ahead.
- Rajiv Venkatesh:** Couple of questions from my side. I want to know from the tender pipeline for the Visa business, would you be able to provide the split on the retenders and the new tenders that we are in and secondly would you be able to provide the split in the EBITDA for the Visa and the E-business and would you be able to provide more details on the ZMPL business like I think before we had like Punjab, UP and all, we used to provide some details, some color on that. So, will you be able to, sorry.
- Shikhar Aggarwal:** By whatever tenders that we are currently doing, we have retained, and we have even re-won our tender. So, if you see Spain tender also, we again re-won in April for the next five years at an increased service charge and we recently have won tenders like for the Slovakia Government. There is a global tender that we have won in Visa and we have won tenders for Portugal, Poland, Germany, Italy, couple of governments that we started working for within this year. So, definitely there has been a growth in number of governments that we are working for and going forward, as I have been telling, there are multiple opportunities in Visa outsourcing. Different governments are coming out with tenders and different geographies which we are eyeing for. Now the results have come for Slovakia which we have announced. So, as and when other governments come out with results, we will be announcing. But the opportunity size is quite huge. There are many governments which are outsourcing for the first time and there are many government which are coming out for the re-tenders that is on the Visa business. And on the ZMPL, you know ZMPL which is part of BLS E-services as we have declared that we have already grown, I think more than 100% in that business, compared to last year. We have already won a lot of contracts with new banks like Kotak Mahindra and different banks. We have tied up different government, things like Umang. So, we see further growth happening in that we have now started. We were already in public sector business, now we have also started the private sector business. We have tied-up with HDFC, Kotak, and couple of other banks. So, we see huge growth coming in that business and for that reason only we wanted to list that Company

separately and as and when growth capital comes, it will be utilized for growing the Company further.

Rajiv Venkatesh: Great. And I have one request from my side. Like would you be able to provide some sort of say during the IPO some sort of employee asked for pre investors who are already invested with BLS as a priority for getting the IPO?

Shikhar Aggarwal: See, we have to follow the SEBI rules so whatever SEBI rules allow we can only work on that.

Rajiv Venkatesh: Okay, great and what is the group guidance for the next year for the year FY25 I think last call you iterated that it will be like somewhere north of 50 or 60%?

Shikhar Aggarwal: We have not given any guidance I think till now, but of any percentage terms. But as you know, whatever growth that we have achieved in the first two quarters, we wish to maintain that.

Moderator: Thank you. The next question is from the line of Dhvani Shah from Investec Capital Services India. Please go ahead.

Dhvani Shah: One question was on digital services. You all saw the highest margin this quarter to 14%. So, can you explain the drivers for the same and the sustainability of it?

Amit Sudhakar: In digital business this quarter, there was a new contract which we have won and under that they have given us an advance/Incentive which was part of the new revenue in the business. So, that has increased the revenue in the current quarter by about 3 crores and that has impacted the bottom line.

Dhvani Shah: Okay. So, the cost for that will be booked in the future?

Amit Sudhakar: The CAPEX costs, which we have done in this case.

Dhvani Shah: Okay, got that and also just to confirm, the previous participant asked about ZMPL. So, you said the growth has been 100% y-o-y, if I am not wrong the y-o-y the previous quarter that was reported to 40 crores from the ZMPL. So, the 100% growth on that was around 800 million, is that correct or can I just?

Nikhil Gupta: Now if you see in this quarter the revenue that we have done for digital business is around 82 crores if I am not mistaken.

Dhvani Shah: 90 crores.

Shikhar Aggarwal: How much is it.

Dhvani Shah: 90 crores.

- Shikhar Aggarwal:** For digital business we have done 85 crores, which is compared to 68 crores. No, this is quarter 2.
- Dhvani Shah:** Quarter 2 is 90.1 as reported.
- Shikhar Aggarwal:** I think we had some intersegment. I don't know which numbers are talking?
- Dhvani Shah:** As reported in your NDL segmented revenue 900.72.
- Amit Sudhakar:** So that may have inter-company revenue, which may have been netted off.
- Dhvani Shah:** Okay.
- Amit Sudhakar:** Because the intercompany transactions are under the segments.
- Dhvani Shah:** Fair enough. So, how much would be this ZMPL of that?
- Amit Sudhakar:** ZMPL is for the quarter 2 is about 49 crores.
- Dhvani Shah:** So, that is over last quarter, which was last year, which was 40.
- Amit Sudhakar:** Q1 was 45 and last year 40
- Dhvani Shah:** Okay, understood and in terms of Visa volume recovery for the FY24, do you expect to close around at least 75 to 80% of the higher levels of FY19 considering China has opened up and Russia is in initial stages.
- Shikhar Aggarwal:** Correct. I think we definitely expect the numbers to be higher than last year and last year I think we achieved around 65% to 70% of the numbers. So, this year it should be closing at 75% to 80% definitely.
- Dhvani Shah:** Okay and just one more question on the realization per Visa application are you seeing a significant growth there after the Spanish contract which was at increased level.
- Shikhar Aggarwal:** Well, actually, you know what this is not because of any particular contract. Definitely our service charges from contracts have gone up in the last few years, but also the consumer pattern has changed. So, demand for different kind of services will also increase. So, in the last few years, after COVID, constantly we tried to offer more services, we have seen increase in revenue per applications in the last two to three years.
- Dhvani Shah:** And just one more question this quarter has witnessed some kind of seasonality in the Visa and consular services with higher international like higher European country Visa applications and that could be a reason for the higher gross margin. Is that a correct assumption?

Shikhar Aggarwal: See definitely in this business seasonality is there, but since we are operating in a global environment, now the seasonality does not impact. But if you talk about the EBITDA margins, they are particularly not because of seasonality because EBITDA margins are counted per application basis. So, we have seen rationalization of cost and increase in revenue. That is why there have been higher EBITDA margins.

Dhvani Shah: Okay, now as I was referring more to the gross margins and EBITDA margins, I understand just wanted a little bit more color on the gross margin improvement. I wanted more color on the gross margin improvement.

Amit Sudhakar: Gross margin has been on a similar line. If you see Q1 versus Q2, they have been around 40 percent or so.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question. Request participants to get in touch with Investor Relation Team for further queries. I now hand the conference over to Mr. Shikhar Aggarwal for his closing comments. Please go ahead, Sir.

Shikhar Aggarwal: Thank you everyone for taking your time out to participate in BLS International Earning Call today. Wish you all very happy and prosperous Deepavali. In case of any further queries you may get in touch with Gaurav Chugh, our Head of Investor Relations or Adfactor PR. We look forward to interacting with you again next quarter. Thank you so much.

Moderator: Thank you. On behalf of BLS International Services that concludes this conference. Thank you for joining us and you may now disconnect your lines.