

**BLS International**

**Its not a new Movie, it's a repeat of already played movie**

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## What made me look at this company at first sight?

1. **Proxy to Travel & Hospitality**
  - When you want to play proxies, BLS is one of the unique & niche business models that is listed on exchange
2. **Bridges luxury and essential services i.e. wide array of services to cover the wider spectrum of population**
  - BLS is probably the only company that provides services to people at the top of the income pyramid and bottom of the income pyramid. This is one of the reasons that subsidiary i.e. BLS E-Services got listed separately on exchange
3. **One of its Kind Negative Working Capital B2G Business**
  - Given B2G businesses carry a risk of collections and stretched Working capital, this business has negative working capital.
  - Given Indian & Foreign government as its clients but given the nature of services & collection process, this risk is mitigated. There are hardly any receivables on balance sheet
  - BLS E-services carries B2G risk but that is getting mitigated as they are charging service fees from end customer now
4. **Operating Leverage in full swing**
  - The company has been consistently increasing its EBITDA margins from 15% in 2023 to 27% in Q1 FY25.
5. **Cash Generating machine**
  - >60% ROCE (excl. cash) business with negligible leverage on balance sheet
  - Company doesn't need cash to expand organically
6. **Oligopolistic Industry & High Barriers to entry**
  - VFS Global commands 50-55% of the market share, while BLS and TLSCcontact each hold approximately 10-15%. This concentration of power can lead to reduced competition and higher barriers for new entrants.
7. **Market Opportunity and Growth Prospects**
  - The global Visa Outsourcing Services market was valued at US\$ 3.7 billion in 2022 and is anticipated to reach US\$ 8.2 billion by 2028, witnessing a CAGR of 14% during the forecast period 2022-2028.
8. **Tech Driven & Capital Efficient Business Model**
  - Asset light model with low CAPEX requirement on tech and physical office infra
9. **Low-Cost Model**
  - Like IT Services company, BLS also has a similar advantage. All the support services are provided from India which make it a competitive for BLS international

### Video Links:

- [Corporate overview Oct 2023](#)

### Company Rating

Criteria	Description	Rating (Out of 10)	Comments
Business Model	Evaluation of the company's business model and market positioning	8-9	BLS is a uniquely positioned B2G and B2B business with negative working capital
Innovation	Assessment of the uniqueness and innovation of the product/service	7-8	BLS is following the best practices and working on enhancing the whole Visa Application process and e-governance services
Market Potential	Assessment of market size, growth potential, and competitive landscape	8-9	BLS has right to win in an oligopolistic and growing market. Digital services also have a decadal headroom ahead
Financial Health	Analysis of revenue growth, profitability, and financial stability	8-9	Double digit revenue CAGR and operating leverage in full swing, the company can grow bottom line at much faster pace in both verticals
Management Team	Experience and track record of the promoters and management team	8-9	Promoters have built the company from scratch. No corporate governance issues yet. No significant RPT Transparency in report is some that company is catching up on
Capital Efficiency	Efficient use of capital and funding history	8-9	The company raised xx in IPO in 20xx and hasn't raised any round yet. Company's propensity to generate cash is very high
Valuation	Comparison of current valuation with industry peers and potential growth	6-7	It is available at 19-21x FY26E EV/EBITDA at CMP of 580. Its expensive w.r.t peers but deserves a premium

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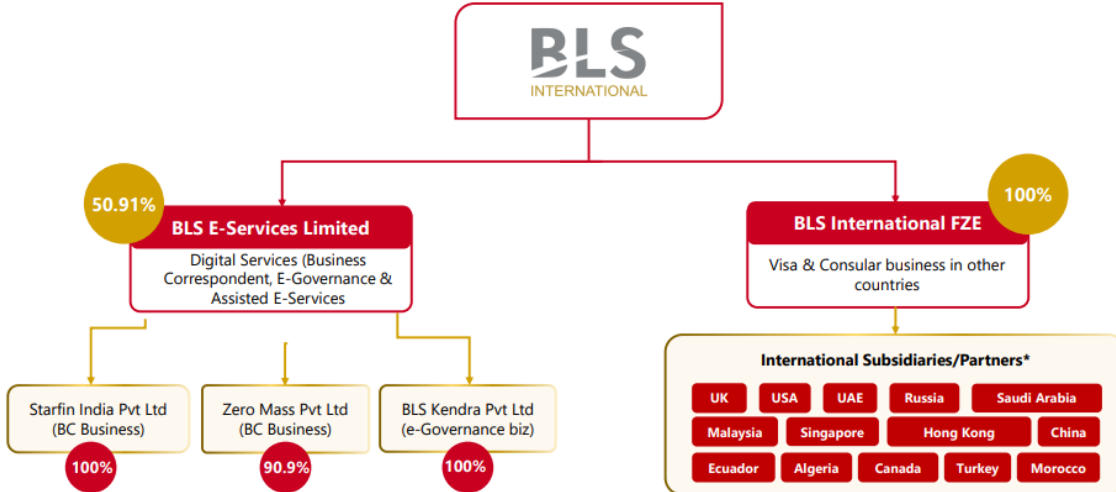
**The company can be a compounder from here with an upside of 25-35% in next 1 year**

## BLS International - 2 distinct companies under 1 Umbrella

Both the companies are very distinct from each other due to the following reasons -

1. Are at different stage of lifecycle
  - BLS International is much mature than BLS E-services. It is 80% of the consolidated revenue
  - Also, management doesn't want to fund e-services growth from visa business
2. Growth prospects and growth levers are different
  - BLS international is spread across the globe and has foreign governments as clients. Growth in cross border travel is key lever for growth
  - BLS e services is India centric as of now and central/state govt and banks are customers. More coverage of rural and semi urban areas is the key lever of growth for this segment of business
3. Key Inherent Risk are different
  - BLS international –
  -

Since Inherently, both the businesses are distinct and listed separately (*recently*), we will discuss the businesses separately



## The Story Behind BLS

Before we start discussing BLS international, we should look at the journey of VFS global. This will give us an idea of where is BLS placed in the growth cycle.

### VFS Global Journey

<b>Phase 1: Inception and Initial Growth (2001-2010)</b>	<b>2001: VFS Global Founded</b>	<ul style="list-style-type: none"> <li>Established by Kuoni Group, a Swiss travel company, to handle outsourced visa processing for governments.</li> <li>First Contract: Secured its first major contract with the Government of India for visa services.</li> </ul>
	<b>2002-2007: Early Expansion</b>	<ul style="list-style-type: none"> <li>Expanded operations to other Asian countries and began handling Schengen visa applications.</li> <li>Entered new markets in the Middle East, Africa, and Europe, setting the stage for global operations.</li> </ul>
	<b>2008: Global Expansion</b>	<ul style="list-style-type: none"> <li>Further expansion into the Americas and Asia, solidifying a presence in over 50 countries.</li> </ul>
<b>Phase 2: Market Leadership and Diversification (2011-2020)</b>	<b>2011: 100 million Visa Applications Processed</b>	<ul style="list-style-type: none"> <li>Began offering additional services, including biometric data collection and eVisa solutions.</li> </ul>
	<b>2012: Strategic Acquisition</b>	<ul style="list-style-type: none"> <li>Acquired by EQT Partners, a private equity firm, fueling further expansion and innovation.</li> <li>Increased focus on technology and improving customer experience.</li> </ul>
	<b>2015: 200 million Visa Applications Processed</b>	<ul style="list-style-type: none"> <li>Reached 200 million applications processed, doubling its volume in just four years.</li> </ul>
	<b>2016-2019: Service Diversification</b>	<ul style="list-style-type: none"> <li>Expanded into new service areas like citizen services, identity management, and digital document services.</li> <li>Partnered with the UK Government for online visa services.</li> </ul>
<b>Phase 3: Resilience and Innovation (2020-Present)</b>	<b>2020: Adapting to COVID-19</b>	<ul style="list-style-type: none"> <li>Implemented contactless biometric solutions and enhanced digital services to continue operations during the pandemic.</li> <li>Maintained and renewed significant contracts with governments.</li> </ul>
	<b>2021-2023: Global Dominance</b>	<ul style="list-style-type: none"> <li>2021: Renewed key contracts, including with the Swedish government, and expanded services to new regions.</li> <li>2023: Secured major contracts with multiple governments, including: <ul style="list-style-type: none"> <li>◆ <b>UK Government: Appointed to manage visa and citizenship services across 142 countries, with plans to process 3.8 million applications annually</b></li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>◆ Australian Government: Won the global biometric collection service contract</li> <li>◆ Swedish Government: Renewed global visa service contract.</li> </ul>
	<b>2024: Continued Growth</b>	<ul style="list-style-type: none"> <li>• Ongoing investment in technology, <b>expanding digital and in-person services</b>, and focusing ancillary services</li> </ul>
<b>Article link</b>		<ul style="list-style-type: none"> <li>• <a href="#">Article VFS journey</a></li> </ul>

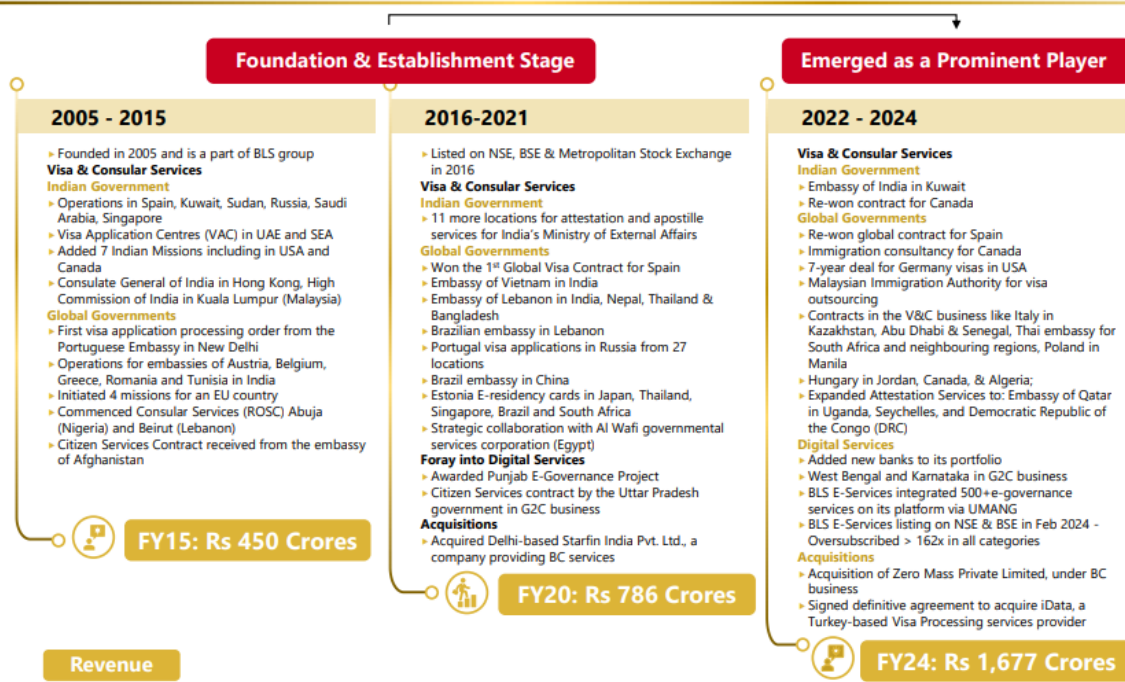
Key Points to Note –

- VFS was also a 15% EBITDA margin business in Nov 2015 but with economies of scale, its now a 27% EBITDA margin business
- VFS grew acquiring regional players
- Citizen services and other ancillary services is a huge opportunity. E.g., VFS helps with the door-to-door delivery of services in Delhi, sends home birth & death certificates and driving licenses in Mumbai. It also works on establishing the identities of illegal immigrants in South Africa.
- The more data you have for biometric enrollments and other related data, the more you can leverage that data to win more contracts. *Note- Data doesn't belong to VFS*

## Where is BLS in the journey

- **BLS seems to be currently in Phase 2 - Market Leadership and Diversification, were**
  - They are acquiring regional players
  - Diversifying into citizen services and other ancillary services
  - Changed the business model from partner led office space to own office space
  - Improving margins from 15% EBITDA in FY23 to 27% EBITDA in Q1 FY25
  - Bidding for new contracts aggressively

## Journey to being the 2<sup>nd</sup> largest Visa & Consular Player



## Visa & Consular Services

**Visa & Allied Services (including Value-Added Services)**

**Core Services include:**

- ▶ Outsourced visa processing
- ▶ Verification of documents
- ▶ Attestation of documents
- ▶ Biometrics
- ▶ E-Visa

**Value Added Services:**

- ▶ Photocopy, courier & internet facility
- ▶ Premium lounge
- ▶ Form Filling
- ▶ Insurance
- ▶ SMS alert
- ▶ Translation services
- ▶ Mobile biometrics

**Consular Services**

**Providing Citizen Services including:**

- ▶ Passport Renewal
- ▶ Authentication of Travel Documents
- ▶ Legalization of Documents
- ▶ Renunciation of Citizenship
- ▶ Notary Services

**As soon as you start studying this business, you will be able to easily be able to make out few things –**

1. Industry is Oligopolistic in nature and few companies control the majority of market share
2. BLS (being 2<sup>nd</sup> largest) is 1/3<sup>rd</sup> the size of VFS global
3. Global Visa Outsourcing services market size – Market growth of 14% CAGR gives a comfort
  - a. This industry, less than two decades old, currently sees only 40% of the total visa market being outsourced, up from 22% in 2010, indicating significant growth potential.
  - b. The global Visa Outsourcing Services market was valued at US\$ 3.7 billion in 2022 and is anticipated to reach US\$ 8.2 billion by 2028, witnessing a CAGR of 14% during the forecast period 2022-2028.
4. Larger players are grabbing market share. There are 2 case studies to prove the same.
  - a. **VFS global** – the company has done more than 4-5 acquisitions across the globe in last 5 years to capture the market share
    - i. In March 2017, it took over 100% ownership of its joint venture with TasHeel Group. The JV was the outsourced visa services partner for Saudi Arabia
    - ii. VFS acquired Al Etimad, a facility management company that operates 90 visa application centers in 4 countries
    - iii. In August 2017, it acquired UK-based visa service provider TT Services



- iv. In 2017, VFS acquired a facility company in the CIS region which operated 550 visa application centers in 8 countries
- b. **DU Digital Global Ltd** – The company has topline of ~INR 29 Cr. The company has just filed a writ petition before the Hon'ble High Court of Delhi. The petition is filed to safeguard against mischievous attempts to scuttle competition and deliberate undercutting and to avail the interim relief.
- c. The smaller players struggle with profitability at a lower scale. The company has an EBITDA margin of 11%

### Investment Thesis

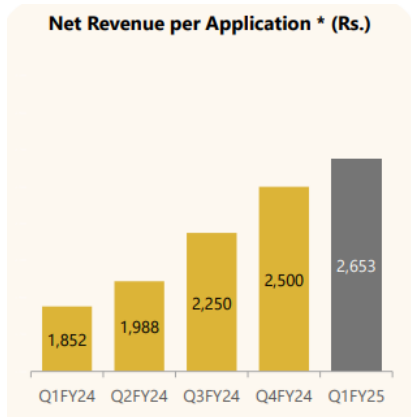
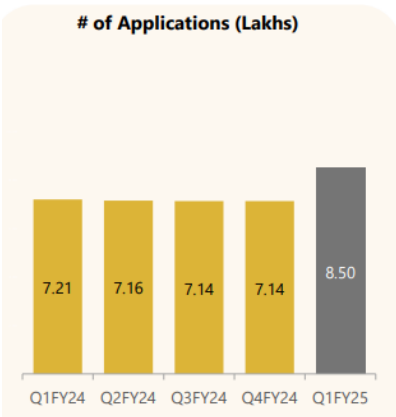
1. There are 4 levers of growth for BLS in this business -
  - a. Consolidation in industry through inorganic route
  - b. Increase in new outsourcing contracts by new/existing governments
  - c. Increase the service charge for Visa processing
  - d. Increase in visa applications processed by BLS

And for now, all the levers are working for BLS international.

- o BLS acquired a regional players called iData with the following credentials –
  - Turkey based company, founded in 2005
  - Provides comprehensive visa processing and consular services to various governments
  - Currently servicing Germany, Italy, and Czech Republic consulates in 11 countries
  - Operating 37 Visa Application Centres (VACs)

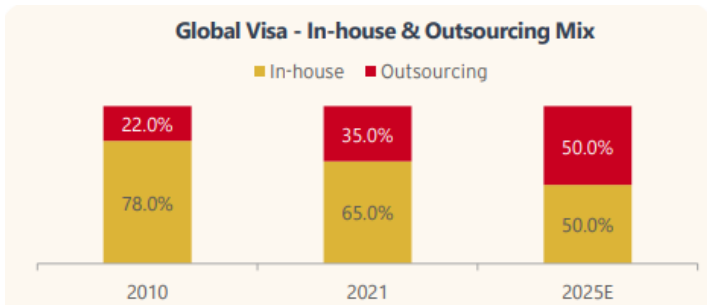
Particulars	CY2022	CY2023
No. of Applications (in Lakhs)	5.12	7.22
Total Revenue (Rs Crores)	168	246
EBITDA (Rs Crores)	94	144

- o Due to new contracts won and higher service charges, Number of applications processed and Service charge for processing each application, both the levers are working for BLS International



\* Net Revenue per Application = (Revenue less Cost of Services) for Visa Business / No. of Applications

- Last lever for growth, Growth in Outsourcing of Visa Applicable Worldwide to further fuel up the need for global VISA processors like BLS



## Competitive Analysis

Looking at the competition is a major factor in making investment decision in BLS (*after iData acquisition*)

Parameter	VFS Global	BLS International (Incl. iData)	TLS Contact	VisaMetric	CSC
Incorporation	2001	2005	2007	2005	
Headquarter	Zürich & Dubai	Delhi	Luxembourg	London	
Parent	Blackstone	NA	Teleperformance SE	NA	
Market Share (outsourced Visa)	~50%	~15%	~20%		
Annual Revenue	\$ 700-800 Mn	\$ 250 Mn	\$ 330 Mn	~\$ 50 Mn	\$ 50 Mn
EBITDA	\$ 180-200 million	\$ 60 Mn	\$ 85 Mn	~\$ 10 Mn	\$ 12 Mn
EBITDA % of Revenue	27%	21%	21%	18%	24%
Annual Visa Applications	~25 Mn	~3 Mn			
Visa Applications Processed (Cumulative)	-	360+ Mn	6.5 Mn	7 Mn	2 Mn
Client Govt	68	46			
Global Presence (countries)	153	66	62+	16	20
Number of Application Centers	3,500+	2,500+	1,500+	100+	150+
Employees	11,000+	60,000+ incl. Associates	6,000+	500+	500+
Top Countries	UK, Australia, Sweden, UAE	Germany Italy Spain US India	France, Switzerland, Italy		US
Valuation	\$2.5 Bn in 2021	\$2 Bn in 2024			

## Management Commentary

### Shikhar Aggarwal; Joint Managing Director

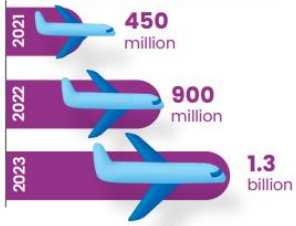
- “We have transitioned from a partner-backed model to managing our own operations, a move BLS International Services Limited that underscores our dedication to optimizing performance”

### Acquisition

- “A significant milestone in our global strategy was a definitive agreement to acquire a pertinent stake in iDATA, a leading provider of visa & consular services based in Turkey. This strategic move aligns seamlessly with our objective and is expected to enhance our market presence substantially”
- “We'll continue to focus on our inorganic growth initiatives, wherein we would be targeting synergistic tech-enabled businesses.”

## Annexure

### Tourists Travelled Internationally



### Top 10 Countries Travelled

Total Travellers (2022)	917 million
France	5.3%
Mexico	3.5%
Spain	3.4%
Turkey	3.3%
Italy	2.9%
United States	2.4%
Greece	1.6%
Austria	1.4%
Germany	1.3%
United Arab Emirates	1.3%

Source: UNWTO World Tourism Barometer

Exhibit 28: Global Visa Market Size in US \$bn

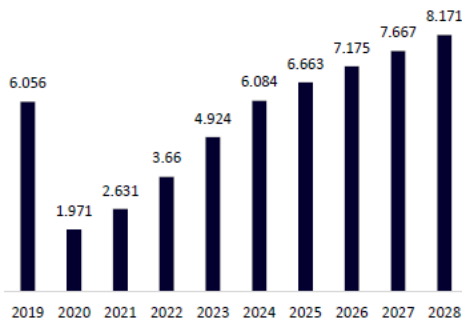
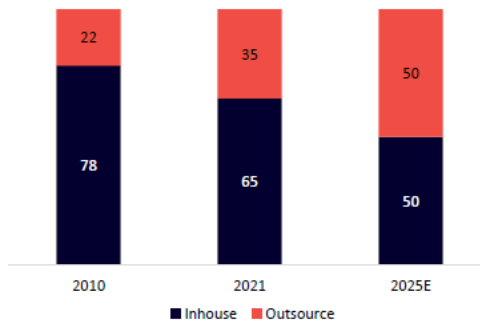


Exhibit 29: Global Visa - In-house & Outsourcing Mix



Source: Industry, Company, Nuvama Wealth Research

## BLS E-Services



### Business Correspondent

- ▶ Delivers last mile banking services through a robust network of centers in rural and remote areas
- ▶ Part of Financial Inclusion Program of Govt. Of India
- ▶ Services Provided:
  - Enrolment of customers
  - Opening bank accounts
  - Balance enquiry
  - Money transfer
  - Passbook updation and other basic banking services



### E-Governance Services

- ▶ Enables the provision of citizen-centric and front-end services through BLS Touchpoints
- ▶ Services Provided:
  - Birth and Death certificates
  - PAN and Aadhar registrations
  - Property registrations and Land record management
  - Ayushman Bharat Quality Checks
  - 700+ Citizen centric services



### Assisted E-Services

- ▶ Provides a variety of services & products through retailers and digital stores also known as BLS E-stores
- ▶ Services Provided:
  - PoS services
  - Ticketing services
  - Assisted e-commerce services,
  - Other services & products
- ▶ Revenue is generated through registration fees; transaction-based commission on goods & services supplied; and support service charge



**21,000+**  
Business  
Correspondent  
Centres spread across  
India

**# of Districts Covered:**  
**12** in Uttar Pradesh  
**5** in Rajasthan  
**15** in Karnataka (under Gramha  
One Project)  
**5** in West Bengal  
**15** in Gujarat

**# of Centres:**  
**21,500+** in Uttar Pradesh  
**250** in Rajasthan  
**4,300** in Karnataka  
**81** in West Bengal  
**140+** in Gujarat

**100,000+**  
Touchpoints  
**1,000+**  
E-Stores

## Future BLS Center – one stop Solution

Finance Related Services

E-Commerce Services

NPS Services

Mobile & DTH Services

AEPS

E-Sign

Train Ticket Services

DMT

Health Consultancy Services

Skill Courses

DMAT

Banking Services

Agro Products

Micro AIM

PAN

Bill Payment Services

Insurance Services

Path LAB Services

**BLS**  
E-SERVICES

## Management Commentary

### Shikhar Aggarwal; Joint Managing Director

- “The funds raised (INR 300 Cr through IPO) will fuel the expansion of our digital service arm enabling investments in new technology, service offerings and outright efforts”
- “Partnerships with public and private sector banks exemplified by initiatives like Har Ghar Suraksha and DBS Dastak underscore our commitment to extending banking services to the underserved population of the country. Our innovative solutions such as the Business Facilitator model and Iris scanner have been instrumental in driving success and delivering value to our partners”
- “We have recently launched doorstep banking services tailored for the elderly in 25 states and
- union territories, making banks more accessible and convenient for them. This service aims to
- address the challenge faced by elderly in accessing traditional banking facilities. Looking ahead,
- BLS International Services Limited we are focused on organic growth initiatives and strategic acquisitions to expand our market share and strengthen our competitive position.”

### Acquisition

- “We signed a definitive share purchase agreement to acquire 55% controlling stake in Aadifidelis Loan Solution and its affiliates, which is one of the largest loan distribution processing companies in India with Pan-India presence. A network of 8,600 plus channel partners enabled Aadifidelis to facilitate average monthly loan disbursement of more than INR1,500 crores”
- “On the digital service front, we secured a significant contract from state health agency Ayushman Bharat, Pradhan Mantri Yojana, Uttar Pradesh. This partnership involves handling of Ayushman cards on behalf of the National Authority IT platform.”
- “Being chosen as being chosen as a Empaneled Service Provider reflects based international reliability in delivering crucially, governance Services.”
- “The company was awarded another significant contract from UIDAI to conduct a comprehensive data quality check for Aadhaar information. The project, spanning over three years, is extendable by another two years”

### Key learnings from the Punjab contract

Post the Punjab contract, BLS has decided that it would not pursue any Govt. business where receivables are due from the Govt. The company will participate in contracts only if the revenues are to be collected from Citizens, with a share of revenue going to the Govt.

Post re-contracting of the Punjab contract, the company has entered into two additional contracts with the states of Rajasthan and Uttar Pradesh. In both these contracts, BLS has provided the software necessary to provide services to local entrepreneurs and charges a fee per transaction, making the model even more capital light

### Investment Thesis

1. There are 4 levers of growth for BLS E-services in this business -
  - a. Consolidation in industry through inorganic route
  - b. Increase in new outsourcing contracts by state/central governments
  - c. Increase the service charge for the services
  - d. Increase in volume of services provided
  - e. Addition of new services to create a complete ecosystem
2. Idea to create one stop shop for all services & Eco-system that's been created, will make this business on the same path to visa services business.
3. This business also has potential to generate higher EBITDA margins
4. Management has guided for >25% growth in this business for next 4-5 years which is possible by creating one stop shop
5. Given the past learnings, Management know how to grow this business vertical



### Estimated Financials

Year to March (INR Cr)		FY23	FY24	FY25E	FY26E
Income from operations		1,516	1,677	2,250	2,700
Cost of services		1,029	965	1125	1350
Employee costs		140	208	270	324
Other expenses		125	158	202.5	243
Total Operating expenses		1,294	1,331	1,598	1,917
EBITDA		222	346	653	783