

April 04, 2024

National Stock Exchange of India Ltd., Exchange Plaza, C-1 Block G, Bandra Kurla Complex Bandra [E], Mumbai – 400051	BSE Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400 001	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
NSE Scrip Symbol: BLS	BSE Scrip Code: 540073	MSE Scrip Symbol: BLS

Subject: **Intimation of Credit rating**

Dear Sir / Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, we are enclosing herewith the CRISIL credit rating rationale letter dated April 03, 2024 received by the Company from CRISIL. As per the letter received from CRISIL, the rating reaffirmation are as under:

Total bank loan facilities rated	Rs. 300 Crore
Long term rating	CRISIL A/Positive (Removed from 'Rating Watch with Developing Implications'; Rating Reaffirmed)
Short term rating	CRISIL A1 (Removed from 'Rating Watch with Developing Implications'; Rating Reaffirmed)

The aforementioned letters are also available on website of the Company and website of the CRISIL Ratings.

You are requested to take the same on your records.

For BLS International Services Limited

.....
Dharak A. Mehta
Company Secretary and Compliance Officer
ICSI membership no. FCS12878

Encl: as above

Rating Rationale

April 03, 2024 | Mumbai

BLS International Services Limited

Ratings removed from 'Watch Developing'; Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.300 Crore
Long Term Rating	CRISIL A/Positive (Removed from 'Rating Watch with Developing Implications'; Rating Reaffirmed)
Short Term Rating	CRISIL A1 (Removed from 'Rating Watch with Developing Implications'; Rating Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has removed its ratings on the bank facilities and debt instruments of BLS International Services Ltd (BLS; a part of the BLS International group) from '**Rating Watch with Developing Implications**' and has reaffirmed its ratings at 'CRISIL A/CRISIL A1' while assigning a '**Positive**' outlook to its long-term rating.

The ratings were placed on developing watch following the corporate announcement made by BLS on January 15, 2024, that its wholly owned subsidiary - BLS International FZE, UA has entered into a definitive share purchase agreement to acquire 100% stake in iData Danismanlik Ve Hizmet Dis Ticaret Anonim Sirketi ("iDATA") and its wholly owned subsidiaries for an enterprise value of Euro 50 million (~ Rs 450 crore) and additional milestone-based payments. The acquisition was to be funded mainly through internal accrual and available reserves. Furthermore, the transaction was anticipated to be completed in fiscal 2024, subject to government and regulatory approvals.

Having assessed the details of the acquisition and performance of the company (iData) with revenue of around Rs 212 crore during Jan-Oct'23, with earnings before interest, tax, depreciation, and amortization (Ebitda) margin of nearly 61% during the same period, the acquisition is expected to have strong operational and financial synergies for the group. Furthermore, CRISIL Ratings has revised the outlook to 'Positive' with expected improvement in the business risk profile of the group, backed by synergies from the recent acquisition of iData, apart from regular growth, following easing of travel restrictions. Improved contribution from value-added services and better volumes have helped the operating margin improve to 20.69% during the first nine months of fiscal 2024 (15.26% in fiscal 2023) while revenue is projected to record a compound annual growth rate of 33-35% for the four fiscals till 2024. Going forward, timely completion of iData acquisition leading to sustenance of operating margin amidst steady business growth will remain a key monitorable.

The ratings also factor in the company's robust financial risk profile, aided by efficient working capital management, better accretion to reserves and absence of sizeable debt-funded capital expenditure (capex). Liquidity remains comfortable, backed by healthy net cash accrual, available cushion in bank limit and sizeable unencumbered cash reserves.

The ratings continue to reflect the established market position of the BLS International group in the visa outsourcing services sector, and its robust financial risk profile. These strengths are partially offset by the moderate scale of operations and susceptibility to change in regulations by concerned ministries of various countries.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of BLS, BLS International FZE (100% subsidiary of BLS), and their step-down subsidiaries. This is because all these entities, collectively referred to as the BLS International group, are under a common management with strong financial linkages via equity share capital, revenue sharing, and loans and advances.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position in the visa services business:** The three-decade-long experience of promoters has helped the group build a strong brand name and market position. Over the years, the group has expanded its reach to various countries, and is now present in more than 66 countries, catering to 45-50 clients in the government sector worldwide. It is one of the largest players globally in visa, passport, consular and citizen services.

Revenue is expected to improve to Rs 1,650-1,700 crore during fiscal 2024, from Rs 1,525 crore during fiscal 2023, reflecting year-on-year growth of nearly 11%. CRISIL Ratings believes that the business risk profile shall further improve over the medium term, backed by steady growth in tourism and improved penetration in digital business through onboarding of new customers and incremental business from iData.

- **Robust financial risk profile:** Financial risk profile will continue to strengthen, backed by better accretion to reserves and prudent working capital management. Networth projected in the range of Rs 1,100-1,200 crore as on March 31, 2024 (up from Rs 702 crore as on March 31, 2023) provides strong financial flexibility to raise external debt for business requirement, as and when required. With a debt-free capital structure and improving operating margin, debt protection indicators shall also remain strong. In the absence of any debt-funded capex or acquisition plans, or any stretch in the working capital cycle, financial flexibility is slated to improve.

Weaknesses:

- **Moderate scale of operations and susceptibility to changes in regulations by the concerned ministries of various countries:** Contracts with diplomatic missions are generally tender based and have certain pre-requisites such as experience in visa outsourcing, a robust credit history, adequate information technology infrastructure, operational expertise, and a strong background check. Thus, non-renewal of contracts at the end of their term or inability to bag new contracts could weaken the revenue profile. Though the established market position of the group and subsequent growth in business reported over the years mitigate the aforesaid risk, sustenance of growth remains a key monitorable. Fall in demand and/or any unfavorable acquisition could also adversely impact the overall business risk profile.
- **Limited track record of sustained improvement in operating profitability:** Operating margin of the group was in the range of 13-15% over fiscals 2022 and 2023. With better contribution from value-added services, higher volume and change in revenue reporting policy adopted by the group, the margin has improved during the first nine months of fiscal 2024 to 20.69% (April-Dec). Nevertheless, track record of sustained improvement in margin, amidst steady business growth, is limited. Acquisition of iData, which is a high profitability centre for the group, should boost overall profitability. Sustainability of the same is a key monitorable.

Liquidity: Strong

Liquidity is marked by strong cash accrual, nil bank limit utilisation and prudent working capital management. Cash accrual of Rs 250-270 crore expected per fiscal should cover the incremental working capital expenses and capex/ acquisition plans, in the absence of any term debt obligation over the medium term. Further, sizeable cash reserves (Rs 950-1,000 crore as of February 2024) and strong networth enhance the overall financial flexibility of the group. Current ratio is estimated to be around 89 times as of March 31, 2023.

Outlook: Positive

The BLS International group will continue to benefit from its established market position in the visa services business and its presence across diverse segments including passport, consular and citizen services.

Rating Sensitivity factors

Upward factors

- Sustained growth in revenue, driven by onboarding of new customers and timely renewal of contracts, with steady operating margin of 20-22%, leading to higher-than-expected net cash accrual.
- Efficient working capital management ensuring low to nil reliance on external debt and hence, sustenance of robust financial risk profile and liquidity.
- Timely completion of iData/any other acquisition, with no cost overrun.

Downward factors

- Any large, debt-funded capex or acquisition, weakening the financial risk profile and liquidity.
- Drop in cash accrual to Rs 80-90 crore, owing to a decline in operating income and/or margin, or any unfavorable/unrelated business acquisition.

About the Company

Established in 1983, BLS is a specialist provider of visa, passport and attestation services to Indian missions across the world. It serves the diplomatic missions by managing all administrative and non-judgmental tasks related to the entire life cycle of a visa application process.

The company was listed on the Bombay Stock Exchange, National Stock Exchange and Metropolitan Stock Exchange in 2016. BLS is present in over 62 countries either through joint ventures with local players or via wholly owned subsidiaries

(BLS International FZE and others).

Key Financial Indicators

As on/for the period ended March 31	Unit	2023	2022
Operating income	Rs.Crore	1516	849
Reported profit after tax	Rs.Crore	204	111.20
PAT margin	%	13.39	13.1
Adjusted debt/Adjusted networkth	Times	0.01	0.01
Interest coverage	Times	90.44	64.92

Any other information: Not Applicable**Note on complexity levels of the rated instrument:**

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Secured overdraft facility	NA	NA	NA	11	NA	CRISIL A/Positive
NA	Bank guarantee	NA	NA	NA	192	NA	CRISIL A1
NA	Proposed long-term bank loan facility	NA	NA	NA	97	NA	CRISIL A/Positive

Annexure - List of Entities Consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
BLS International FZE, (UAE)	Full	Foreign subsidiary of holding company
BLS International Services, (UAE),	Full	Foreign subsidiary of BLS International FZE
BLS International Services Norway AS	Full	Foreign subsidiary of BLS International FZE
BLS International Services Singapore PTE. LTD.	Full	Foreign subsidiary of BLS International FZE
BLS International Services Canada Inc.	Full	Foreign subsidiary of BLS International FZE
BLS International Services Malaysia SDN BHD	Full	Foreign subsidiary of BLS International FZE
BLS International Services (UK) Ltd	Full	Foreign subsidiary of BLS International FZE
Consular Outsourcing BLS Services Inc., USA	Full	Foreign subsidiary of BLS International FZE
BLS International Vize Hizmetleri Ltd. Sti., Turkey	Full	Foreign subsidiary of BLS International FZE
BLS International Services Ltd., Hong Kong	Full	Foreign subsidiary of BLS International FZE
BLS Worldwide (Pty) Ltd, South Africa	Full	Foreign subsidiary of BLS International FZE
BLS International Services SRL, Italy	Full	Foreign subsidiary of BLS International FZE
BLS Liaison Services Ltd, Kenya	Full	Foreign subsidiary of BLS International FZE
Zero Mass Pvt Ltd	Full	Indian subsidiary of BLS E- Services Pvt Ltd
BLS E-Services Pvt Ltd	Full	Indian subsidiary of holding company
BLS E-Solutions Pvt Ltd	Full	Indian subsidiary of holding company
BLS IT Services Pvt Ltd	Full	Indian subsidiary of holding company
Starfin India Pvt Ltd	Full	Indian subsidiary of BLS E- Services Pvt Ltd
BLS Kendras Pvt Ltd	Full	Indian subsidiary of BLS E- Services Pvt Ltd
Reired BLS International Services Ltd	Full	Indian subsidiary of holding company

Annexure - Rating History for last 3 Years

		Current		2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

Fund Based Facilities	LT	108.0	CRISIL A/Positive	23-01-24	CRISIL A/Watch Developing	24-04-23	CRISIL A/Stable	16-06-22	CRISIL A-/Stable	03-11-21	CRISIL A-/Stable	CRISIL BBB+/Stable
			--		--		--	05-04-22	CRISIL A-/Stable		--	CRISIL A2+
Non-Fund Based Facilities	ST	192.0	CRISIL A1	23-01-24	CRISIL A1/Watch Developing	24-04-23	CRISIL A1	16-06-22	CRISIL A2+	03-11-21	CRISIL A2+	CRISIL A2+
			--		--		--	05-04-22	CRISIL A2+		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	12	HDFC Bank Limited	CRISIL A1
Bank Guarantee	20	SBM Bank (India) Limited	CRISIL A1
Bank Guarantee	75	IndusInd Bank Limited	CRISIL A1
Bank Guarantee	85	Standard Chartered Bank Limited	CRISIL A1
Proposed Long Term Bank Loan Facility	97	Not Applicable	CRISIL A/Positive
Secured Overdraft Facility	11	Standard Chartered Bank Limited	CRISIL A/Positive

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Criteria for rating short term debt](#)

[CRISILs Criteria for Consolidation](#)

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