

BLS E-Services Limited

Technology | India

IPO | 29 January 2024

A scalable asset light tech enabled model



About the Company

BLS E-Services Ltd (BLS) incorporated in 2016 is a subsidiary of BLS International Services Ltd, which has a global presence and diversified range of services and is one of the biggest global players in visa application outsourcing. BLS provides digital and physical products and services in the G2C (Government to Citizens), B2C (Business to Customers), B2B (Business to Business) categories in semi-urban, rural, and remote areas, through its robust network and tech-enabled integrated business model. BLS operates in 3 states namely Punjab, Uttar Pradesh and West Bengal and had over 21,000 touch points to provide E-Governance services on behalf of the government as of 30th Sep'23.

Diversified segments

BLS is a technology enabled digital service provider, offering (i) Business Correspondents services to major banks in India, (ii) Assisted E-services; and (iii) E-Governance Services at grass root levels in India. BLS has a robust network to provide access points for delivery of essential public utility services, social welfare schemes, healthcare, financial, educational, agricultural and banking services for governments (G2C) and businesses (B2B) alike in addition to a host of B2C services to citizens in urban, semi-urban, rural and remote areas through their merchants areas organized in two categories i.e. BLS Touchpoints (98,304) and BLS Stores (1016) as of Sep'23.

Consistent revenues increase with lower retention costs

BLS charges its consumers a service fee and transactional commission for implementing the product and service offerings. Further, it charges its merchants a registration fee, renewal fee, new service activation fee, monthly portal usage fee, branding fee, training fee, wallet top up fee, certification fee, negative wallet usage fee etc other than the transaction fee for use of services available on the portal. Additionally, the company has started to earn merchant commissions and commission on assisted e-services sales. Further it earns a commission from certain state governments and PSU banks for each successful transaction, on services offered through its BC network.

Cross selling and penetration in newer states

BLS is strengthening and integrating technology infrastructure by creating a common services portal and mobile application to increase operational efficiency, facilitate scalability and increase profitability, through this common services portal, all business segments will be inter linked and retain consumers by offering various goods and services from the same location and improve their business operations. BLS operates in 3 states namely Punjab, Uttar Pradesh and West Bengal and had over 21,000 touch points to provide E-Governance services on behalf of the government where in it is expected to increase its presence in various other states as a total of 56 mandatory services were assessed for every State & UT and 27 services were assessed for Central Ministries.

Financials in Brief

BLS diversified revenues platforms generated from business segments are BC Business (66%), E-Governance (28%) and Assisted E services (6%) for H1FY24 providing deep synergies and providing cross-selling and up-selling opportunities to both consumers and businesses. BLS revenues from operations have grown 3.8 X to Rs.243 Crs from Rs.64.5 Crs over FY21-23 while EBITDA margins improved to 36.29% for FY23 as against 5.5% in FY21. PAT grew to Rs.22.9 Cr from Rs.3.2 Cr over the same period.

Our View

BLS experienced senior management, strong parentage as its parent BLS International Services Ltd has an established track record for providing visa, passport, consular and other citizen services to state and provincial governments across various continents through its tech enabled platform and its experience would help the company to achieve superior growth in the domestic market leveraging its each business segment for multiple growth in revenues with superior improvement in margins over the next few years. BLS has also a successful track record of acquisitions enhancing its product portfolio and service capabilities to enter into complementary businesses and enter new geographies. **We believe with strong tailwinds, asset light business model, and strong parentage offers strong growth, therefore we recommend a SUBSCRIBE to the issue.**

IPO Details

Price Band (Rs)	129-135
Face Value (Rs)	10
Issue Open/Closing Date	30-Jan-24/01-Feb-24
Fresh Issues (Crs)	311
OFS (Crs)	-
Total Issue (Crs)	311
Minimum Bid Qty. (Nos)	108
QIB / HNI / Retail	75%/15%/10%
Implied Market Cap (Rs Crs)*	1,227

*At higher band

Object of the Issue

- ▶ Strengthening our technology infrastructure to develop new capabilities.
- ▶ Organic and inorganic growth through acquisitions and new stores.
- ▶ General Corporate purposes.

Strengths

- ▶ Asset light business model and strong parent promoter in digital service provider.
- ▶ Well diversified business model with diversified source of revenues and strong industry tailwinds.
- ▶ Evolution of new business in e-governance and assisting e-commerce by cross and up selling opportunities.
- ▶ Good track record of organic and inorganic growth (acquisitions).

Key Risk

- ▶ Stiff competition and delay in tapping new states and opportunities.
- ▶ Inability to cross sell new products and increase margins.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	92.3	68.9
Others	7.7	31.1

Key Financials

(Rs Crs)	FY22(12)	FY23(12)	H1FY24(6)
Revenue	97	243	156
Adjusted EBITDA	9	36	23
EBITDA Margin (%)	8.9	14.9	14.4
PAT	5	20	15
PAT Margin (%)	5.6	8.4	9.4%
Networth	15	106	120.37*
RoCE (%)	28.4	30.6	16.7*
RoE (%)	43.48	33.33	12.9*
D/E Ratio	1.0	0.1	0.07*

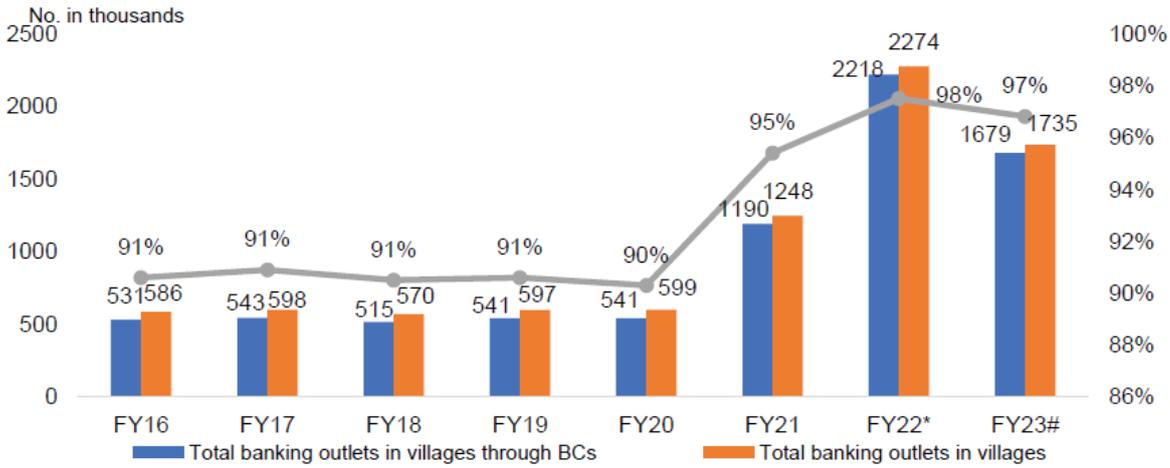
Source: RHP, Note: * Not Annualised

Senior Research Analyst:
Vikas Jain

Contact : (022) 41681371

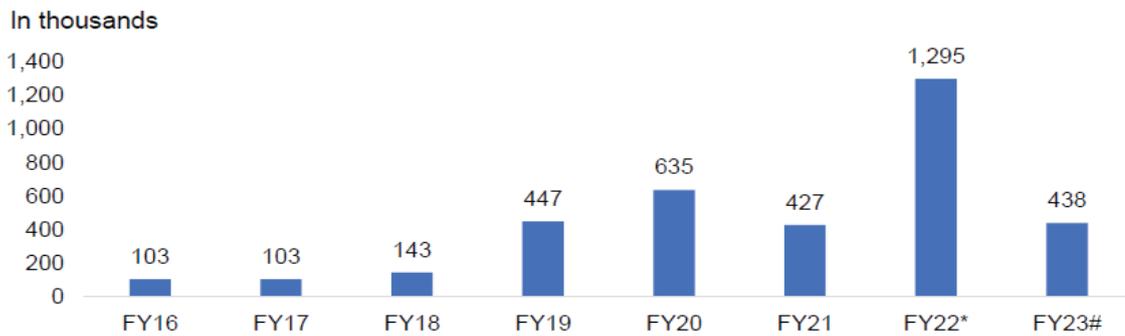
Email : vikas.i.jain@relianceada.com

Exhibit 1: Presence of banking outlets in villages



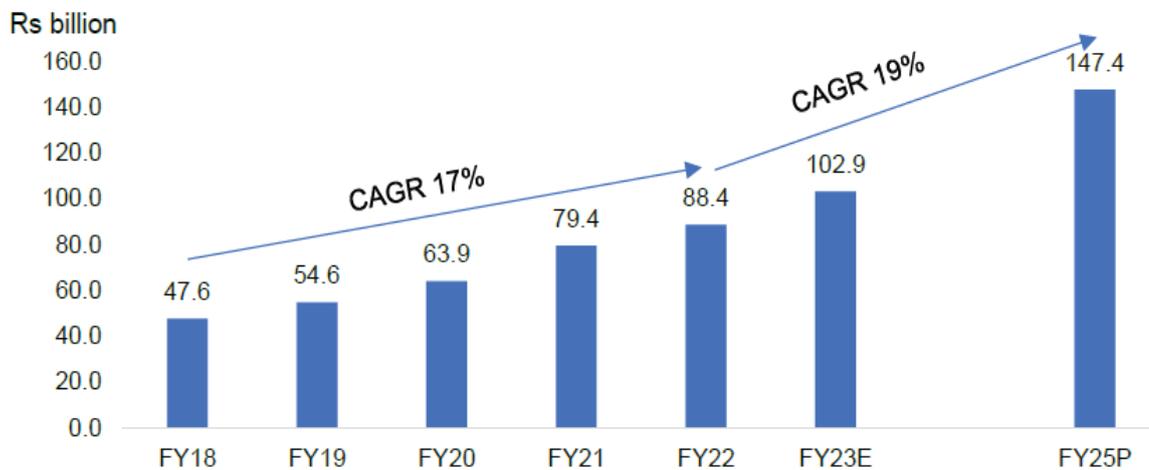
Source: RBI, CRISIL MI&A Research; Note: *FY22 – provisional data by the RBI, there is a significant increase in data reported by few private sector banks for FY22. #FY23 – Data till December 2022.

Exhibit 2: Urban location covered through BCs



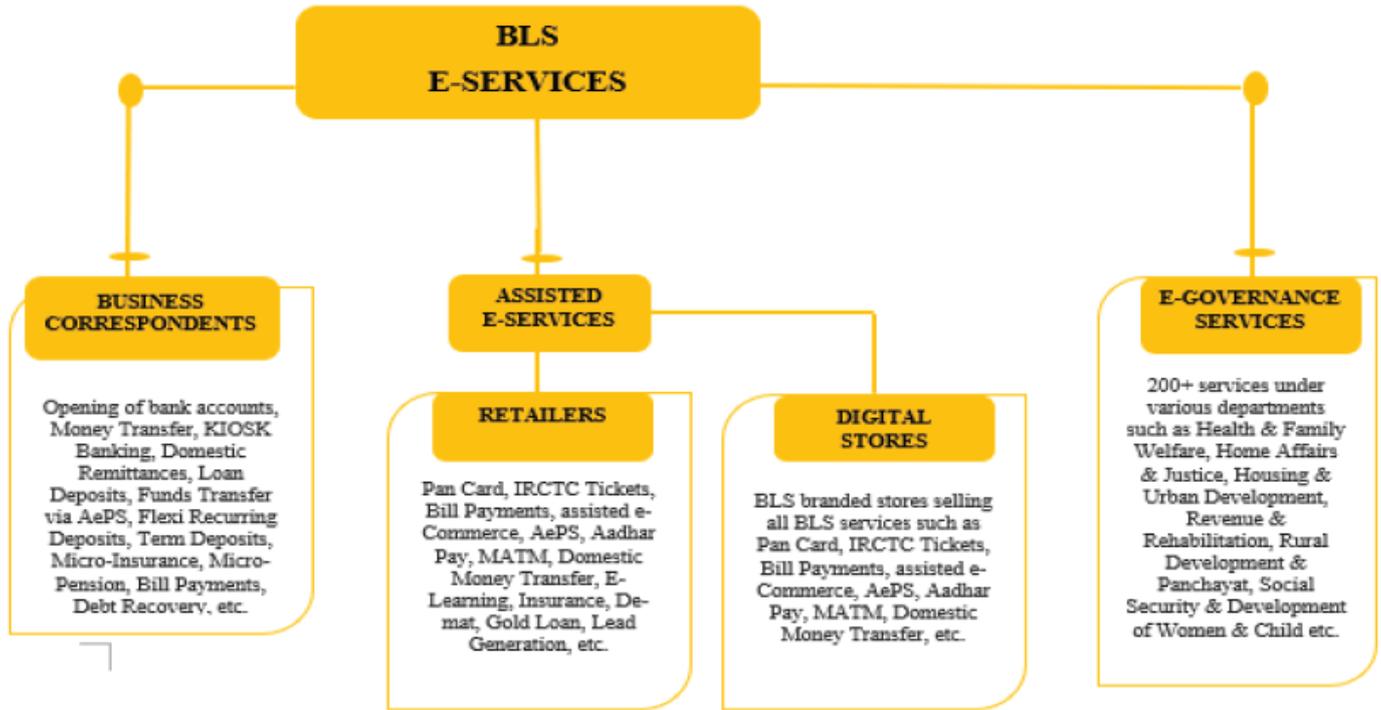
Source: RBI, CRISIL MI&A Research; Note: *FY22 – provisional data by the RBI, there is a significant increase in data reported by few private sector banks for FY22. #FY23 data is till December 2022.

Exhibit 3: BC industry size expected to grow at CAGR of ~19% from FY22 to FY25



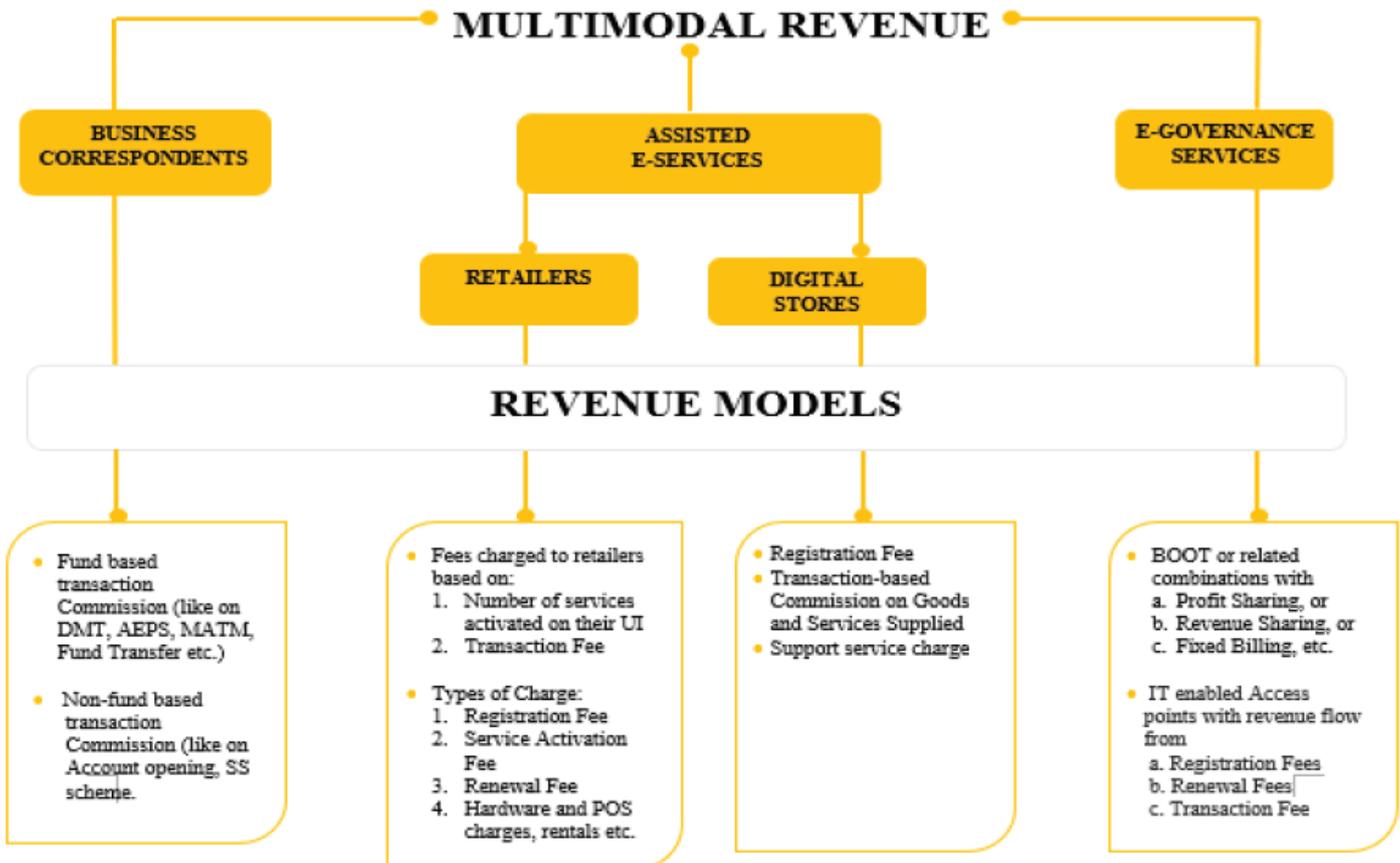
Source: CRISIL MI&A Research; Note: E = Estimated, P = Projected

Exhibit 4: Our diversified platform allows us to harness deep synergies and provides cross-selling and upselling opportunities to both consumers and businesses. The below figure depicts the various service offerings of our Company:



Source: RHP

Exhibit 5: We have diversified streams of revenue. Set forth below is a depiction of our multimodal revenue streams:



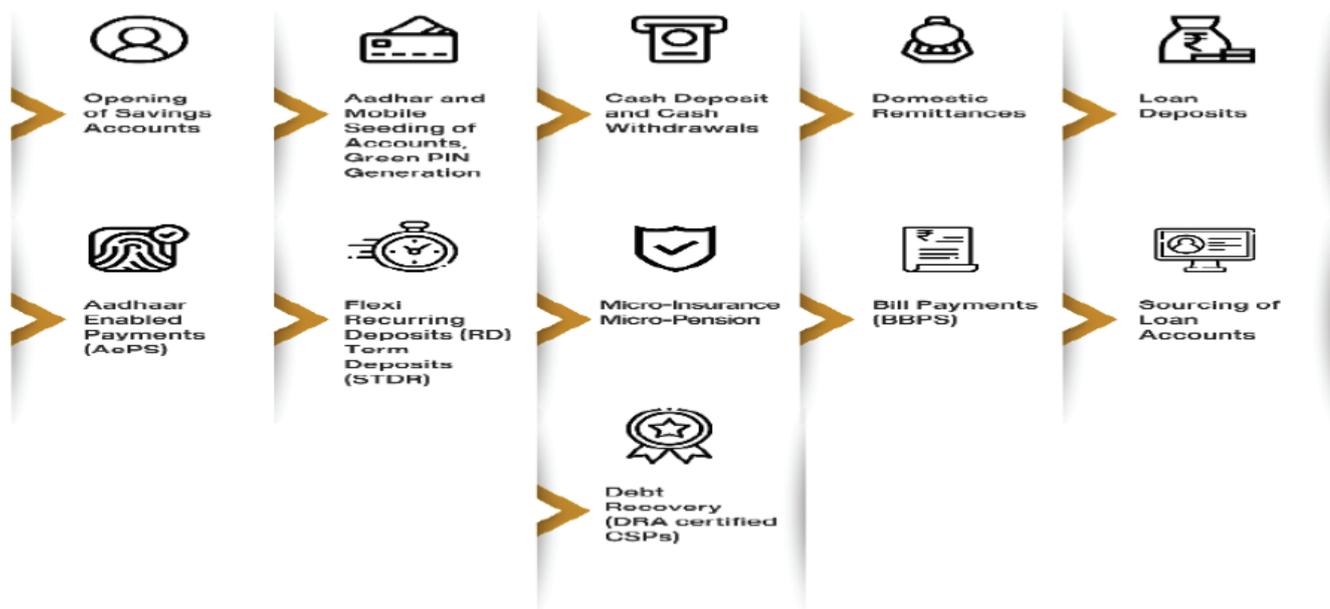
Source: RHP

Exhibit 6: Future BLS Center – One-stop solution



Source: RHP

Exhibit 7: Banking Correspondent Services Offered



Source: RHP

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