



BLS-E Service Limited is a digital service provider with a single point of contact that offers nearly all associated services under one roof. Taking into account the government's "Digital India" initiative, this company has extremely promising future prospects. From FY21, the revenue is increasing at a 94% CAGR. Even with 8.36% net profit margins in FY23, ROE and ROCE remain at 33.33% and 30.62%, respectively. The company's P/E is valued at 44.70x. We recommend to subscribe for listing gains and long term gains.



About Company

BLS E-Services, a subsidiary of BLS International, stands as a leading technology-enabled digital service provider in India, offering a diverse range of services that encompass Business Correspondent services, Assisted E-services, and E-Government Services. These offerings are all geared towards grass-roots empowerment, revolutionizing how essential services are accessed. Through its robust network, BLS E-Services plays a pivotal role in facilitating access to a wide spectrum of essential public utility services, social welfare programs, healthcare, finance, education, agriculture, and banking services. This array of services caters to governments (G2C) and businesses (B2B), while also catering to the diverse needs of citizens (B2C) across urban, semi-urban, rural, and remote areas. Operating within a unique integrated business model, BLS E-Services bridges the digital gap in areas with low internet penetration by offering both digital and physical solutions.

Issue details

Price Band (in ` per share)	129-135
Issue size (in ` Crore)	297.09-310.91
Fresh Issue (in ` Crore)	297.09-310.91
OFS (in ` Crore)	NIL
Issue open date	30-01-2024
Issue close date	01-02-2024
Tentative date of Allotment	02-02-2024
Tentative date of Listing	06-02-2024
Total number of shares (lakhs)	230.30
No. of shares for QIBs (75%) (lakhs)	155.45
No. of shares for NII (15%) (lakhs)	31.09
No. of shares for S-HNI (1/3rd)	10.26
No. of shares for B-HNI (2/3rd)	20.83
No. of shares for retail investors (10%) (lakhs)	20.73
Minimum order quantity	108 Lots
Face value (in `)	10.00
Amount for retail investors (1 lot)	13,932-14580
Maximum number of shares for Retail investors at lower Band	108 (1 Lots)
Maximum number of shares for Retail investors at upper band	1404 (13 Lots)
Maximum amount for retail investors at lower Band- upper band	13,932-14580
Minimum number of shares for sHNI (2 Lakhs) at upper band	1512 (14 Lots)
Maximum number of shares for sHNI (10 Lakhs) at upper band	7,344(68 Lots)
Minimum number of shares for bHNI at upper band	7,452 (69 Lots)
Shareholder Reservation(in lakhs)	28.10-29.48
Exchanges to be listed on	BSE, NSE

Sankita V
Sankita@canmoney.in | Tel 022-43603863



A route to making money online

Promoters

- BLS International Service Limited

Objective of the Offer

- Strengthening technology infrastructure to develop new capabilities and consolidating existing platforms
- Funding initiatives for organic growth by setting up of BLS Stores

**Brief Financials**

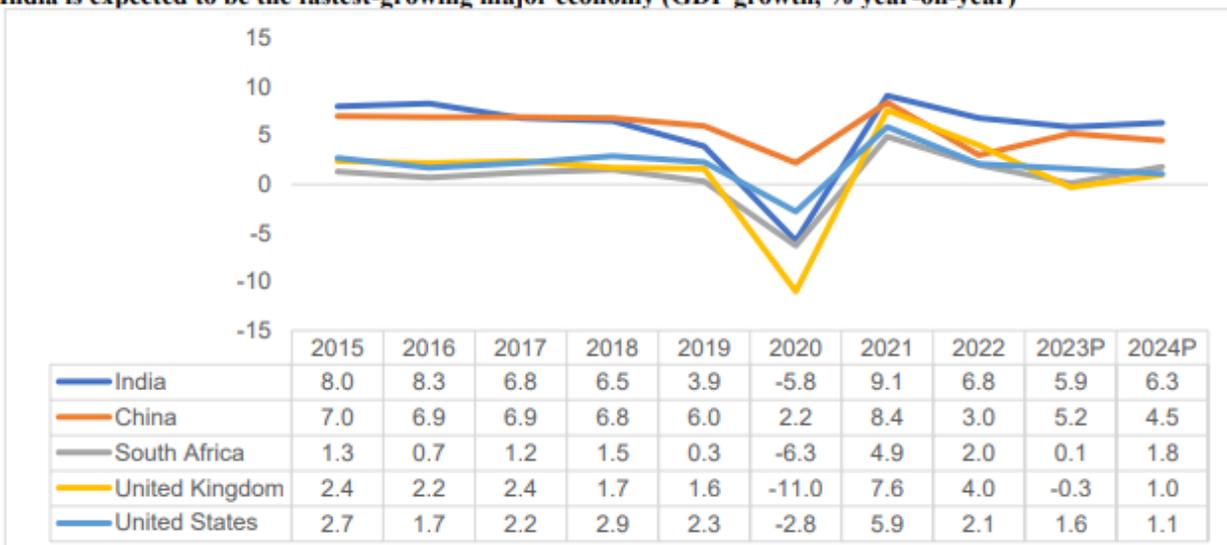
PARTICULARS (Rs. Cr)*	September 23	FY23	FY22	FY21
Share Capital	66.73	66.73	0.01	0.01
Net Worth	120.37	106.94	15.07	9.68
Revenue	158.05	246.29	98.39	65.23
Profit/(Loss) After Tax	14.68	20.33	5.38	3.15
EPS (in Rs)	4.08^	3.02	0.89	0.52
Net Asset Value (Rs)	19.20	18.76	2.42	1.53
P/E	33.08	44.70	NA	NA
P/B	7.03	7.19	NA	NA

Source: #calculated at upper price band * Restated consolidated financials ^annualised EPS

Industry Review**Macroeconomic Scenario**

World economy fighting inflation surge with Indian economy facing volatile commodity prices and tightening of liquidity .

The global economy is witnessing tightening monetary conditions in most regions. According to IMF, they are facing a broad based and sharper than expected slowdown with high inflation across the globe. As per the IMF (World Economic Outlook Update – April 2023), global growth prospects are estimated to fall from 3.4% in CY2022 to 2.8% in CY2023 and then see an increase in CY2024 to 3.0%, impact of which is expected to be witnessed in Indian economy as well. Global trade had reached a record level of ~US\$32 trillion for CY2022, but its growth had turned negative during the second half of 2022. The trade outlook for CY2023 is expected to be negatively impacted as a result of geopolitical frictions, persisting inflation and lower global demand.

India expected to remain one of the fastest growing economies**India is expected to be the fastest-growing major economy (GDP growth, % year-on-year)**



Industry Review

India to remain a growth outperformer globally

Despite the markdown in near-term growth, India is expected to remain a growth outperformer over the medium run. Stronger domestic demand is expected to drive India's growth premium over peers in the medium run. Investment prospects are optimistic given the government's capex push, progress of Production-linked Incentive (PLI) scheme, healthier corporate balance sheets, and a well-capitalised banking sector with low non-performing assets (NPAs). India is also likely to benefit from China-plus-one policy as global supply chains get reconfigured with shifting focus from efficiency towards resilience and friend shoring. Private consumption (~58% of GDP) will play a supportive role in raising GDP growth over the medium run.

Digitisation: Catalyst for the next growth cycle

Technology is expected to play a pivotal role in taking the financial sector to the next level of growth, by helping to surmount challenges stemming from India's vast geography, which makes physical footprints in smaller locations commercially unviable. Technology is conducive for India, considering its demographic structure where the median age is less than 30 years. The young population is tech savvy and at ease with using it to conduct the entire gamut of financial transactions. With increasing smartphone penetration and faster data speeds, consumers are now encouraging digitisation as they find it more convenient. Digitisation will help improve efficiency and optimise cost. Players with better mobile and digital platforms will draw more customers and emerge as winners in the long term. In August 2020, RBI has announced a new licence for NUE (new umbrella entity) for retail payments. These NUEs will innovate and compete with NPCI in setting up and managing new payment systems in the retail space.

Mobile penetration:

Higher mobile penetration, improved connectivity, and faster and cheaper data speed, supported by Aadhaar and bank account penetration have led India to shift from being a cash-dominated economy to a digital one. Data-savvy and younger users to drive adoption of smartphones

Rise in 4G penetration and smartphone usage

India had 1,144 million wireless subscribers as of March 2023, and the number is growing at a steady pace every year. The reach of mobile network, internet and electricity is continuously expanding the subscriber footprint to remote areas leading to rising smartphone and internet penetration in the country. Internet subscribers have risen sharply in India from 422 million subscribers in fiscal 2017 to 866 million subscribers as of December 2022. In terms of number of internet subscribers per 100 population, number has almost doubled from 33 in fiscal 2017 to 63 in December 2022. Average wireless data usage per month per subscriber has seen an increasing trend over the last eight years. Per subscriber per month data usage was 0.1 GB in FY15 which has increased to 17 GB in December 2022. This is due to increasing internet data penetration in the country.

The "e" in e-Governance stands for 'electronic'. E-Governance provides a platform to integrate solutions and services between Government to Government (G2G), Government to Citizens (G2C), Business to Business (B2B) and Government to Employees (G2E). E-Governance refers to the use by government agencies of information technologies that possess ability to transform their relations with citizens, businesses, and various arms of government resulting in better delivery of government services to citizens, improved interactions with business and industry, citizen empowerment through access to information, or more efficient government management. The resultant benefits are increased transparency, less corruption, greater convenience, revenue growth, and cost reductions.

The reason why countries around the world are increasingly opting for e-Governance is that governance has become more complex and varied in the last few decades and more importantly, citizens' expectations from government have increased multiple times. Information and Communications Technology (ICT) facilitates efficient storing and retrieval of data, instantaneous transmission of information, processing information and data faster than the earlier manual systems, speeding up governmental processes, taking decisions expeditiously and judiciously, increasing transparency and enforcing accountability. It also helps in increasing the reach of government – both geographically and demographically. Use of ICT in governance has reached a critical point. It is no supporting tool, nor does it represent a cure for government deficiencies or inefficiencies; it should be seen as an integral aspect of the physical functioning of public institutions and services delivery. Mathematically, the E-Government Development Index (EGDI) is the weighted average of normalised scores on the three most important dimensions of e-Government, namely:



Industry Review

The Scope and quality of online services as online Service Index (OSI)

The Status of the development of telecommunication infrastructure or the Telecommunication Infrastructure Index (TII)

The inherent human capital or the Human Capital Index (HCI).

India's rank as per United Nations e-Government Survey

E-governance initiatives in India took a broader dimension in the mid-1990s for wider sectoral applications with emphasis on citizen-centric services. The major ICT initiatives of the Government included, inter alia, some major projects, such as railway computerization, land record computerisation etc., which focused mainly on the development of information systems. Later, many states started ambitious individual e-governance projects aimed at providing electronic services to citizens. Though these e-governance projects were citizen-centric, they could make less than the desired impact due to their limited features. The isolated and less interactive systems revealed major gaps that were thwarting the successful adoption of e-governance along the entire spectrum of governance. They clearly pointed towards the need for a more comprehensive planning and implementation for the infrastructure required to be put in place, interoperability issues to be addressed etc., to establish a more connected government. The national level e-governance programme called National e-Governance Plan (NeGP) was initiated in 2006. There were 31 Mission Mode Projects under National eGovernance Plan covering a wide range of domains viz. agriculture, land records, health, education, passports, police, courts, municipalities, commercial taxes, and treasuries etc. 24 Mission Mode Projects have been implemented and started delivering either full or partial range of envisaged services.

Major trends in global e-governance space

Governments all over the globe are making efforts towards the full digitalization of government services, giving users the ability to complete virtually all types of transactions entirely online. At global level, e-governance development has seen an uptick which is largely attributable to the progress made in strengthening telecommunications infrastructure and developing human capital. Countries in Africa have made significant improvements in their telecommunications infrastructure, building a robust foundation for accelerating the transition to digital government. Challenges remain, however, as the cost of mobile broadband subscriptions as a percentage of per capita gross national income remains significantly higher in Africa than in other parts of the world. While advancement in e-government development remains strongly correlated with national income, there are some notable exceptions which indicates that income level of the country matters but is not the sole factor determining the level of e-government development. High-income countries have already reached a relatively high level of services provision, whereas low-income and lower-middle-income countries lack sufficient resources for investment in the development of online services. Low-income countries struggle with investing in human capital development which restricts the overall penetration of e-governance. Most countries have taken effort to build "one-stop-shop" portals for the online provision of different government services. Business-related services such as registration, licensing and filing company taxes are among the five government services offered most frequently. The next most offered online services include applying for government vacancies and business licences, requesting birth, death, and marriage certificates, and paying utility bills. The number of countries providing information and services through smartphone applications, SMS and/or mobile browsers has been rapidly increasing.

NeSDA

Department of Administrative Reforms & Public Grievances (DARPG) had formulated the National e-Governance Service Delivery Assessment (NeSDA) in 2019 as part of its mandate to boost the e-governance endeavours and drive digital government excellence. The biennial study assesses States, Union Territories (UTs), and focus Central Ministries on the effectiveness of e-governance service delivery. NeSDA helps the respective governments improve their delivery of citizen centric services and shares best practices across the country for all States, UTs and Central Ministries to emulate. In 2021, the NeSDA framework covered G2C and G2B services across seven sectors, viz., Finance, Labour & Employment, Education, Local Governance & Utility Services, Social Welfare (including Health, Agriculture & Home Security), Environment (including Fire) and Tourism sectors. A total of 56 mandatory services were assessed for every State & UT and 27 services were assessed for Central Ministries. NeSDA 2021 assessed 1400 services across all States and UTs as compared to 872 in 2019 and reported an increase of over 60% e-services. 69% of all possible mandatory e-Services were delivered by States and UTs, up from 48% in NeSDA 2019. 74% respondents of the nation-wide citizen survey conducted during the study had stated that they are satisfied with the e-services provided by the States and UTs

Status of e-services in states and UTs

DARPG monitors the implementation of recommendations given in the NeSDA 2021 report through monthly review meetings and e-governance conferences in which all States/UTs/Central Governments participate. Monthly report institutionalizes the nation's endeavors for improved delivery of e-services. Total services present the total number of services which are being offered by departments across states and E-services presents the total number of services which are being offered online. The states are moving towards providing a greater number of e-services.



Competitive Strengths

Asset light business model

Their merchant led models are a capital light business strategy in respect of network expansion. They have developed their own technology platform and continue to invest in it for further improvements, which allows us to service a wide pool of citizens and merchants and cater to their diversified requirements. The premises from which BLS Touchpoints and the BLS Stores operate are owned / leased by their merchants and they provide them with necessary technology and other infrastructure (as applicable) enabling them to extend their services to the end consumers. The success of their reliance on these merchants emanates from a robust mechanism of background checks and minimum qualification criteria, they undertake and their respective position in the local societies which acts as a deterrent for such merchants from delinquencies in their arrangement with them. In addition, their focus on and use of technology throughout their business assists us in expanding their reach throughout India without incurring the relatively higher costs associated with traditional brick and mortar branch presence. They incur minimal capital expenditure in connection with on-boarding their merchants, because the on-boarding and setting up capital expenditure costs are borne by the merchant themselves, such as any existing physical premises, laptop, mobile phone, internet connectivity, micro ATM and AePS devices and fingerprint and/or IRIS scanners, and their technology significantly simplifies their merchant on-boarding and training process, making it cost effective for the 226 merchant and efficient for both parties

Multiple cross-selling and up-selling opportunities, network effect and wide reach for customer acquisition

Their ability to bring together the advantages of G2C, B2B and B2C models within a single platform, provide many touch points for the consumer and back-end entities, thereby enhancing the customer footfall by 4,04,153 consumers at their BLS Touchpoints and BLS Stores and to increase scalability. This, coupled with their wide range of products 227 and services that complement each other, results in multiple cross-selling and upselling opportunities, network effects and wide reach for customer acquisition. Due to their ability to cross-sell various complementary products and services, in addition to their presence in multiple industries, they typically have low marketing and business promotion expenses and thus, improved opportunities for profitability and unit economics metrics. Accordingly, they have a high operating leverage business model, allowing us to reduce customer onboarding costs over time. Their newly launched, BLS Sewa app is a one-stop solution for all their products and services such as edutech services, domestic money transfer, pan card application, bus and air ticketing services, railway ticketing services, banking services, AePS enabled cash services, recharges, demat account opening, bill payments etc

Business model with diverse sources of revenue and negligible customer acquisition and retention costs

Their revenue from operations in the six months period ended September 30, 2023 and Fiscals 2023, 2022 and 2021 was ₹15,617.88 lakhs, ₹24,306.07 lakhs, ₹9,669.82 lakhs and ₹6,448.72 lakhs, respectively. This was primarily attributable to an increase in their array of services provided through BLS Touchpoints and BCs. Their profit before tax ("PBT") in the six months period ended September 30, 2023 and in Fiscals 2023, 2022 and 2021 was ₹2,077.54 lakhs, ₹2,697.94 lakhs, ₹677.74 lakhs and ₹392.22 lakhs, respectively. They charge their consumers a service fee and transactional commission for implementing their product and services offerings. Further, they charge their 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. In addition to the revenue stream from fees, they have also begun to earn merchant commissions and commission on assisted e-services sales.

Leverage existing market position to grow each business segments, with an aim to improve cross-selling results.

They aim to continue growing each of their business segments and with a particular focus on their cross-selling strategies, which they believe will further entrench their value proposition with their consumers and is consistent with mission to serve their consumers' entire digital journey in a comprehensive manner by merging all their product and service functionalities into a single ecosystem. While they believe that they already have strong market positions in each of their business segments and others, they believe that there is continued scope for expansion given the growing demand for the various products and services they offer and in particular, the growing demand for digital products and services in India alone. They endeavour to continue to increase the engagement and retention of their consumers on their platform by offering them relevant, innovative and integrated products

Experienced senior management, skilled employees and strong parentage of their Promoters, Diwakar Aggarwal and Shikhar Aggarwal and Corporate Promoter "BLS International Services Limited"

Their Corporate Promoter, BLS International Services Limited has an established track record for providing visa, passport, consular and other citizen services to state and provincial governments across Asia, Africa, Europe, South America, North America & Middle East through its tech enabled platform and is the only listed company engaged in this domain in India. It is a preferred partner for embassies and governments across the world, having a reputation for setting benchmarks in the domain of visa, passport, consular, e-governance, attestation, biometric, e-visa and retail services. It is recognized as "Best under a Billion Company" by Forbes Asia and is amongst "Fortune India's Next 500 companies". The strong parentage of their Promoters also helps us in attracting talent, exploring potential business opportunities and accessing capital. As on December 31, 2023, the market capitalisation of their Promoter was ₹13,15,100.46 lakh.



Risk Factors

None of the e-governance projects are awarded to their Company directly. All of their contracts with respect to E-Governance projects are awarded to their Corporate Promoter, BLS International Services Limited by governmental agencies for providing G2C services to the citizens and to BLS Kendras, their subsidiary for providing E- Governance.

A substantial portion of the revenue is generated by BC business operated by their subsidiaries, ZMPL and Starfin for their banking partners. The businesses of their banking partners are regulated by the RBI and any change in the RBI's policies, decisions and regulatory framework could adversely affect their business, cash flows, results of operations and financial condition.

They are dependent on, and derive a substantial portion of their revenue from, a single customer, one of the largest PSU Bank. Cancellation of the agreement with their top customer could have a material adverse effect on their business, results of operations and financial condition

They provide E-Governance Services only in the states of Punjab, Uttar Pradesh and West Bengal, and accordingly any adverse changes in the conditions affecting these regions can adversely affect their business, financial condition and results of operations.

There have been instances of delay in filing of GST returns of the Company. They may be subject to regulatory actions and penalties for any such delays and their business, financial condition and reputation may be adversely affected



Peer Comparison

Name of the company	Total Revenue (in Rs Cr)	EPS (in Rs)	Return on Net Worth (%)	NAV(Per share Rs)	P/E	P/B
BLS EServices Limited	246.29	3.02	16.46	18.76	44.70	8.20
EMudhra Limited	248.75	46.66	15.75	53.02	53.89	8.48

*P/E Ratio and P/B has been computed based on the closing market price of equity shares on the website of NSE as of January 25, 2024



Our View

BLS-E Service Limited is a digital service provider with a single point of contact that offers nearly all associated services under one roof. Taking into account the government's "Digital India" initiative, this company has extremely promising future prospects. From FY21, the revenue is increasing at a 94% CAGR. Even with 8.36% net profit margins in FY23, ROE and ROCE remain at 33.33% and 30.62%, respectively. The company's P/E is valued at 44.70x. We recommend to subscribe for listing gains and long term gains.



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Research Desk

Canara Bank Securities Ltd

SEBI: RESEARCH ANALYST REGISTRATION: INH000001253

BSE: INB 011280238, BSE F&O: INF 011280238

NSE: INB 23180232, F&O: INF 231280232, CDS: 231280232

Maker Chambers III, 7th floor,

Nariman Point, Mumbai 400021

**Contact No. : 1800220369/18001031369, 022 - 22802441/42,
43603841/42**

Email id: researchdesk@canmoney.in Website: www.canmoney.in