

BLS E-Services Ltd

Empowering Digital Inclusion and Governance in India



Subscribe at upper price band of INR 135

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Incorporated in April 2016, BLS-E Services Limited is a digital service provider that offers Business Correspondence services to major banks in India, Assisted E-Services, and E-Governance Services at the grassroots level in India. The company's service offerings can be categorized into three parts (i) Business Correspondents Services; (ii) Assisted E-services; and (iii) E-Governance Services. The company provides e-services through partner retailers and stores called BLS Touchpoints, including ticketing services, PoS services, and assisted e-commerce. These partners allow BLS E-Services to provide citizen-centric services. There are over 200 government services it provides to departments like Housing & Urban Development, Health & Family Welfare, and more. By 31st March 2023, the merchant network had grown to 92,427 in order to serve the underserved and unserved populations in hard-to-reach areas.

The company being a subsidiary of BLS International Services Limited. It is the only listed company engaged in this domain in India.

BLS E-Services Ltd. (BEL) is a technology enabled digital service provider, providing (i) Business Correspondents services to major banks in India, (ii) Assisted E-services; and (iii) E-Governance Services at grass root levels in India. Through its robust network BEL provides 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.

At the IPO price of INR 135 (upper price band), CBL is valued at P/E of 16.4x. Considering the growth opportunities in the company and strong fundamentals, we recommend a SUBSCRIBE rating

Industry	IT-Software
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Issue Details

Listing	BSE & NSE
Open Date	30 th Jan 2024
Close Date	1 st Feb 2024
Price Band	INR 129-135
Face Value	INR 10
Market Lot	108 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	0%
Fresh Issue	100%
Issue Size (Amt)	INR 311 cr
Issue Size (Shares)	23,03,000
QIB Share (%)	≤ 75%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 10%
Pre issue sh (nos)	6,78,26,485
Post issue sh (nos)	9,08,56,485
Post issue M Cap	1226.5 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	44.08	44.08
Public-	20.00	0.0
Public	35.92	55.92
TOTAL	100	100

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	AdjBVPS (₹)	RoE (%)	RoiC (%)	EV/EBITDA (%)	P/E (X)
FY21	64.5	5.5	3.1	8%	5%	1.4	4.2	32.5	41.2	65.7	98.6
FY22	96.7	8.6	5.4	9%	6%	2.3	6.6	35.7	60.3	43.9	57.7
FY23	243.1	36.3	20.3	15%	8%	8.2	48.5	17.7	49.1	8.0	16.4

Growth Strategies

- BLS E-Services follows an asset-light business model. The company has its own technology platform and is continuously developing the same for further innovations and improvements. It allows the company to cater to a wide range of merchants and their diverse requirements.
- The company provides easy access to technology at the very grassroots level so that its services and opportunities drive financial inclusion and trust. The company's resources and understanding of regional needs make it the perfect choice for implementing different government schemes.
- The company is operational across various models such as B2B, B2C and G2C. As a result, it is exposed to plenty of cross-selling and up-selling opportunities along with a wide reach for customer acquisition.
- The company has designed its business model in a way that provides it with diverse sources of revenue along with negligible customer retention and acquisition costs.
- The company has a successful track record of acquiring complementary businesses that complement its existing capabilities, revenue streams and marketing presence. For instance, (i) the company acquired in June 2022 Zero Mass Private Limited, a business correspondent of banks for financial inclusion across the country extending basic banking services to underprivileged and unbanked populations by operating micro-banks in semi-urban, rural, and remote areas of India, which have traditionally struggled with financial inclusion. It is the largest business correspondent for the one of the largest public sector bank, it has more than 12,784 active BCs as on September 30, 2023; (ii) the company in August 2018 acquired Starfin India Private Limited, a business correspondent of banks for financial inclusion; and (iii) the company on October 29, 2022, acquired BLS Kendras Private Limited by entering into an equity swap agreement with its promoter. It had 365 Sewa Kendras in Punjab at the time of acquisition.

Key Risks & Concerns

- A significant portion of the company's revenue comes from fees and commissions. If BLS E-Services is unable to generate income from such sources, it can greatly hurt its financial performance.
- The company has entered into a master service agreement (MSA) with its promoter, i.e., BLS International Services, on November 19, 2020, to secure all e-governance contracts awarded and contracts that may be awarded in future to its promoter through competitive tendering process from the various State Governments. The company entered a non- compete agreement with its promoters. In view of the MSA and non-compete arrangements, the company cannot assure continuity of such contracts or ability to renew such contract upon expiry at the favorable terms or at all, which may adversely impact on the performance of the company.
- The company provides 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 the company 's business.
- The company significantly depends on its merchants for its product and service distribution network. Changes in its relationships, or adverse conditions (such as COVID-19 pandemic), could impair their respective operations and therefore their ability to meet their obligations under the company's agreements, which in turn could have an adverse effect on the company's growth.
- The company relies extensively on its information technology systems and any failure, disruption or weakness in such systems, or breach of data, could adversely affect the operations and reputation of the company.

Issue Structure and Offer Details

The proposed fresh issue size of is INR 311 cr(Pure Fresh Issue) and the price band for the issue is in the range of INR 129-135 and the bid lot is 108 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares offered
QIB	Not more than 75% of the Offer	17,27,250
NIB	Not less than 15% of the Offer	3,45,450
Retail	Not less than 10% of the Offer	2,30,300

Number of shares based on a higher price band of INR 135

Source: Company Reports

BLS financial summary and analysis

Fig in INR Cr (unless specified	FY21	FY22	FY23	Fig in INR Cr (unless specified	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	64.5	96.7	243.1	Adjusted EPS (INR)	1.4	2.3	8.2
YoY Growth (%)		49.9	151.4	Adjusted Cash EPS (INR)	1.4	2.7	9.4
Raw Material Cost	41.9	63.5	161.6	Adjusted BVPS (INR)	4.2	6.6	48.5
RM Cost to Sales (%)	65.0	65.7	66.5	Adjusted CFO per share (INR)	3.8	8.6	12.6
Employee Cost	3.8	6.4	23.2	CFO Yield (%)	2.8	6.4	9.3
Employee Cost to Sales (%)	5.9	6.6	9.6	Adjusted FCF per share (INR)	4.2	5.8	13.5
Other Expenses	14.0	19.8	25.1	FCF Yield (%)	3.1	4.3	10.0
Other Exp to Sales (%)	21.7	20.5	10.3				
EBITDA	4.7	7.0	33.1	Solvency Ratio (X)			
Margin (%)	7.4	7.2	13.6	Total Debt to Equity	1.1	0.6	0.0
YoY Growth (%)		46.5	376.0	Net Debt to Equity	0.2	(0.3)	(0.4)
Depreciation & Amortization	0.1	0.8	2.8	Net Debt to EBITDA	0.4	(0.7)	(1.4)
EBIT	4.7	6.1	30.3				
Margin (%)	7.2	6.3	12.5	Return Ratios (%)			
YoY Growth (%)		31.3	394.3	Return on Equity	32.5	35.7	17.7
Other Income	0.7	1.7	3.2	Return on Capital Employed	18.1	20.4	21.4
Bill discounting & other charg	1.5	1.1	4.0	Return on Invested Capital	41.2	60.3	49.1
Fin Charges Coverage (X)	3.1	5.8	7.6				
Exceptional Item	0.0	0.0	(2.6)	Working Capital Ratios			
PBT	3.9	6.8	27.0	Payable Days (Nos)	9	30	4
Margin (%)	6.1	7.0	11.1	Inventory Days (Nos)	0	0	1
YoY Growth (%)		72.8	298.1	Receivable Days (Nos)	50	32	27
Tax Expense	0.8	1.4	6.6	Net Working Capital Days (No	41	2	24
Tax Rate (%)	19.7	20.6	24.6	Net Working Capital to Sales (11.2	0.6	6.7
PAT	3.1	5.4	20.3				
Margin (%)	4.9	5.6	8.4	Valuation (X)			
YoY Growth (%)		70.9	277.9	P/E	98.6	57.7	16.4
Min Int/Sh of Assoc	0.0	0.0	(1.5)	P/BV	32.1	20.6	2.8
Net Profit	3.1	5.4	18.9	EV/EBITDA	65.7	43.9	8.0
Margin (%)	4.9	5.6	7.8	EV/Sales	4.8	3.2	1.1
YoY Growth (%)		70.9	251.0				
Balance Sheet				Cash Flow Statement			
Share Capital	0.0	0.0	66.7	PBT	3.9	6.8	27.0
Total Reserves	9.7	15.1	44.7	Adjustments	0.9	7.7	24.2
Shareholders Fund	9.7	15.1	111.5	Change in Working Capital	3.0	6.6	(15.7)
Long Term Borrowings	0.0	7.3	0.0	Less: Tax Paid	(0.8)	(1.4)	(6.6)
Deferred Tax Assets / Liabiliti	(2.5)	(2.8)	(2.7)	Cash Flow from Operations	8.6	19.7	28.9
Other Long Term Liabilities	0.0	5.5	3.9	Net Capital Expenditure	(0.1)	(7.3)	(0.9)
Long Term Trade Payables	0.0	0.0	0.0	Change in Investments	(0.5)	(6.4)	(64.8)
Long Term Provisions	0.2	0.2	0.3	Cash Flow from Investing	(0.6)	(13.6)	(65.6)
Total Liabilities	7.3	25.3	112.9	Change in Borrowings	(3.3)	(6.5)	(22.3)
Net Block	8.1	14.6	87.5	Less: Finance Cost	(1.5)	(1.1)	(4.0)
Capital Work in Progress	0.0	0.0	0.0	Proceeds from Equity	0.0	0.0	72.8
Intangible assets under devel	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Non Current Investments	0.0	0.0	0.0	Dividend Paid	0.0	0.0	0.0
Long Term Loans & Advances	1.1	2.1	8.5	Cash flow from Financing	(4.8)	(7.6)	46.4
Other Non Current Assets	8.2	9.6	10.5	Net Cash Flow	3.3	(1.5)	9.7
Net Current Assets	(10.1)	(1.0)	6.4	Forex Effect	0.0	0.0	0.0
Total Assets	7.3	25.3	112.9	Opening Balance of Cash	4.2	7.5	6.0
				Closing Balance of Cash	7.5	6.0	15.7

Source: Ventura Research

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