

VISIT NOTE

MID CAP

Share Data

Reuters code	BLSN BO
Bloomberg code	BLSIN IN
Market cap. (US\$ mn)	226
6M avg. daily turnover (US\$ mn)	0.6
Issued shares (mn)	102

Performance (%) 1M 3M 12M

Absolute	(10)	(14)	(30)
Relative	(12)	(21)	(40)

Valuation Ratios

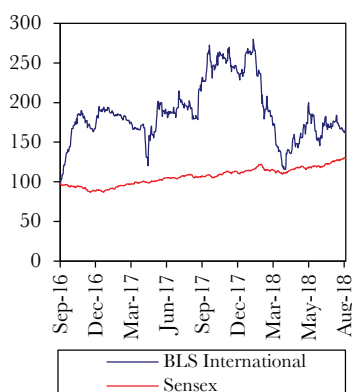
Yr to 31 Mar FY18 FY19E FY20E

EPS (Rs)	3.0	4.9	9.4
+/- (%)	32.5	61.6	93.1
PER (x)	–	35.1	12.3
PBV (x)	–	10.6	4.6
EV/Sales (x)	–	2.8	1.5
EV/EBITDA (x)	–	21.4	7.3

Major Shareholders (%)

Promoters	74
Public & Others	26

Relative Performance



BLS International

Not Rated

Price: Rs 158

BSE Index: 38,158

06 September 2018

Tapping niche business (G2C)








We recently met the management of BLS International, please find below key takeaways:

- Scaling up core business of visa processing on the back of key wins:** BLS International bagged visa processing contract from Spain and is exclusive partner to process visa for Spain across the globe. BLS is currently operating out of 124 centres spread across 47 countries (versus 100 centres in 38 countries earlier). The contract term is for the period of five years with revenue potential of Euro 175 mn (Rs 14,040 mn). We believe Spain contract will act as a reference point for BLS to penetrate into newer markets over longer term.
- e-Governance contract with Punjab Government back on track:** BLS won Punjab Government contract of Rs 15 bn value for providing more than 223 citizen services across 22 districts. However, Punjab Government terminated agreement mid-way citing weak financial position, lower footfalls (~20k versus expectation of ~65k) and their inability to pay BLS dues as per the commitment. Now BLS has re-entered into agreement with the Government by revising certain terms and conditions and changing business model altogether. Management noted that they are witnessing strong traction in executing this contract and expect operational efficiency to flow in the coming period.
- Contract with Afghanistan and Saudi Arabia as Launchpad:** BLS International has entered into a contract with the Embassy of Afghanistan in the United Arab Emirates (UAE) for providing citizen services (0.2 mn potential applications). Value of the contract is US\$ 5 mn for five gulf countries. BLS has also won a contract with Saudi Arabia to provide services to Afghan citizens who are living in these countries. Management noted that the contract with Afghans is progressing very well and the overall response from the citizen has been encouraging.
- Widening market presence led by acquisition and partnerships:** BLS has acquired Starfin, India (specialises in Banking Business Correspondence for State Bank of India) and formed strategic alliances with Speed Identity AB (expert service provider of Biometric Hardware and Software products), Sopra Steria (visa renewal for individuals in the UK), Any Security Printing, Hungary (consultancy support in Server Operation) and Solucoes de Visao, S.A. (specialises in providing automated border control systems and electronic identity solutions). Management noted that acquisitions and partnerships will provide major growth opportunities, diversification in service offerings and will strengthen BLS presence.
- B&K's view:** BLS delivered strong revenue growth of ~21% over the past three years despite lumpiness from execution of e-governance contract and foreign currency depreciation impact. Based on recent interaction with the management, we believe BLS will continue to deliver strong growth going ahead in line with sales growth reported earlier. Also, strong execution and asset-light model will help in broadly maintaining FY18 RoE/RoCE of 45%/40%. The stock trades at PE of ~17x on FY18 EPS.

Scaling up core business of visa processing on the back of key wins

In December 2016, BLS bagged visa processing contract from Spain and is exclusive partner to process visa for Spain across the globe. BLS is currently operating out of 124 centres spread across 47 countries (versus 100 centres in 38 countries earlier). The contract term is for the period of five years with the revenue potential of Euro 175 mn, translating into ~Rs 14,040 mn. Spanish visa processing was earlier catered by market leader, VFS. The scope of work includes 1) Upgrading the service from static biometrics to mobile biometrics, 2) adapting latest technologies in response to evolving environment and 3) addressing the demanding compliance requirement.

Gamut of service offering in visa processing

Visa Processing	Consular Services	E-Visas	Passport Services	Biometric & Identity Management	Verification & Attestation	Business to Consumer Service
 <p>Establishing and Managing dedicated Visa Application Centers (VACs)</p> <ul style="list-style-type: none"> VACs managed by trained staff Receive visa applications and disseminate information Capture data digitally & physically Biometric scans Schedule interviews Conduct financial reconciliation 	 <p>Offers Passport services incl.:</p> <ul style="list-style-type: none"> Issuance, renewal and correction of passports Accepts applications for OCI/PIOs as well Government contracts for Machine Readable Passports (MRPs) <p>Other Consular services offered:</p> <ul style="list-style-type: none"> Associated documents, national identification cards and renunciation of citizenships Notarial services 	 <p>Online system to provide e-visa services including:</p> <ul style="list-style-type: none"> Allows applying for visas online Online payment gateway Obtain confirmation letters Notifications via e-mail/text message Supported with a corresponding government inspection solution 	 <p>Renders the following services pertaining to Passport:</p> <ul style="list-style-type: none"> Issuance of fresh Passport Renewal of Passport Alteration of name/address in Passport Damage lost Passport Application etc. 	 <p>Exceptional capabilities to provide:</p> <ul style="list-style-type: none"> Complete range of background verification services along with biometric solutions Collection of finger prints, facial photo, retina scan, etc. with/without passport processing Manage documentation, VC facilities, authentication & reporting services 	 <p>Skilled pool of trained experts who:</p> <ul style="list-style-type: none"> Accept documents on behalf of the Govt. and facilitate the Ministry Attestation / Apostille process Extend value added services including translation, state attestation services, etc. 	 <p>Offer the following unique services to consumer:</p> <ul style="list-style-type: none"> An alternative delivery mechanism for various non Government services for other States and geographies overseas Last mile delivery services for the end consumer

Source: Company, B&K Research

BLS International would receive fixed € 15.45/visa application including taxes. BLS could process 1.6-1.8 mn visa applications/year only for Spain. We believe this is a major win for BLS International given the high entry barriers in the industry as very few players have won global contracts given strict technical, financial qualifications needed for the same. BLS completed one year of visa processing for Spain and following are the key achievements.

Key achievements

1	The company grew its presence from 38 countries and 100 centres to 47 countries and 124 centres.
2	The company increased visa processing throughput by 10%.
3	The company helped generate positive response.
4	Launched mobile biometrics.
5	Improved turnaround time by ~20%.

Source: Company, B&K Research

To sustain the ongoing momentum of Spain visa processing services across the world, BLS International is now poised to bring different Value Added Services (VAS) at various application centres globally. Some of the convenience services like photocopying, Internet kiosks, photo booth, printing, etc. are already being provided for ease of applying Spanish visas globally. Besides, the organisation is also expectant to add several other enticing services like Premium Lounge, Mobile Biometric Services, Flexi Hours and Prime Time across the Application Centres.

VAS for traveller's convenience



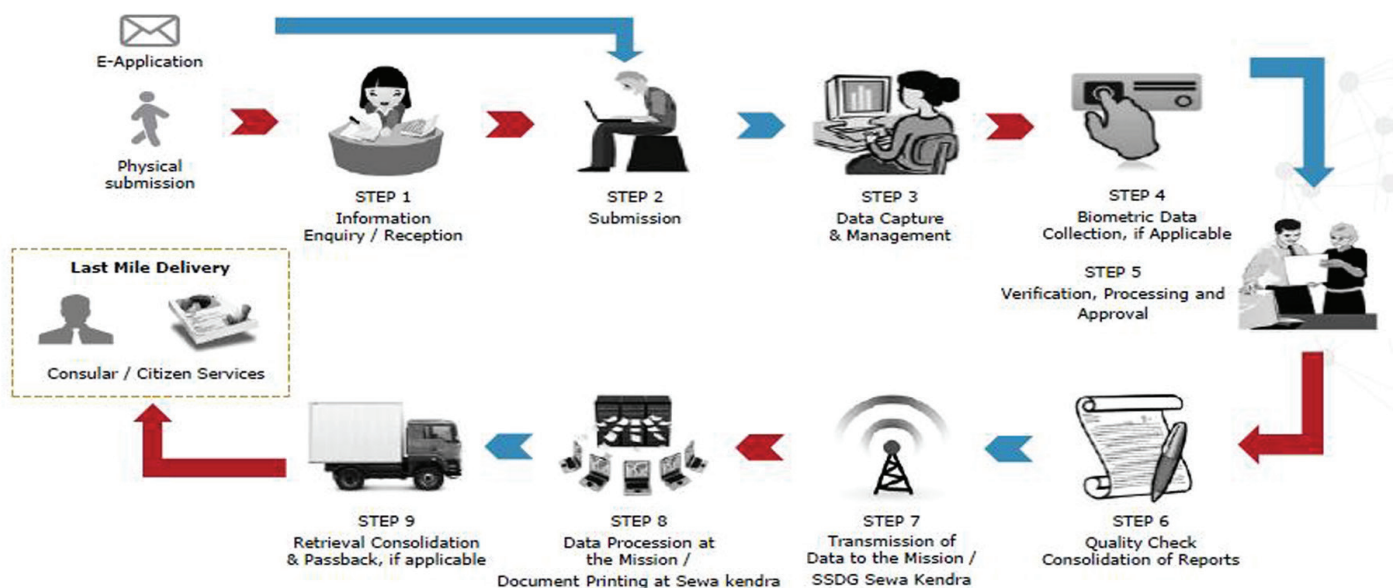
Source: Company, B&K Research

BLS has recently entered into strategic alliance with Sopra Steria, UK to renew visa for individuals already in the UK. With years of experience in various G2C services and long standing reputation of credibility, trust and efficiency, BLS is positioned to capitalise on newer opportunities to expand in current and new markets and reach potentially untapped markets over the short and long-term.

e-Governance contract with Punjab Government back on track

Erstwhile, BLS was awarded with the contract of providing more than 223 citizen services to the people of Punjab across 22 districts. BLS had set-up ~2,147 centres to operate, maintain and manage Seva Kendras where citizens can avail essential service/records. The basic services include: providing birth and death certificates, marriage certificates, banking services, voter cards, electricity bills, etc. besides all government departments. These centres minimises public interaction, cuts red tape, enhances efficiency and eliminates middlemen and corruption in the delivery of services in a time-bound manner.

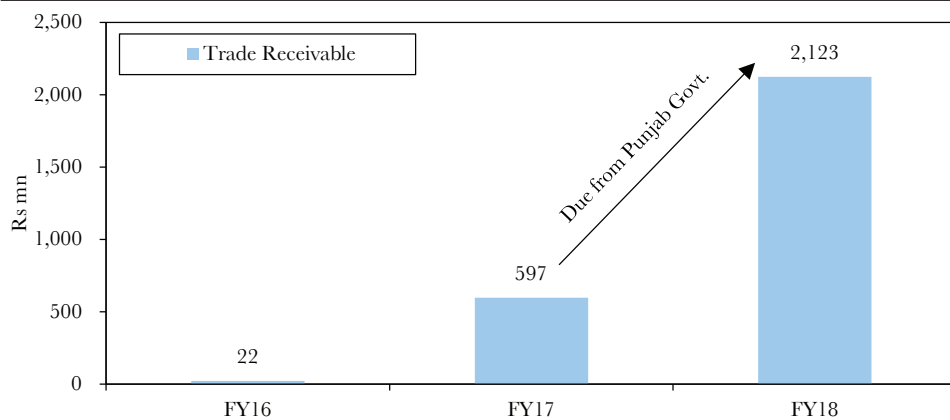
Various services provided in G2C business



Source: Company, B&K Research

The contract was capped at Rs 15,000 mn but there is a scope of lot of earnings through VAS. The success of this project would also open doors to similar e-governance initiatives in other states of India. However, Punjab Government terminated the agreement mid-way citing precarious financial position, lower footfalls (~20k versus expectation of ~65k) and their inability to pay BLS dues as per the commitment. This led to termination of Master Service Agreement (MSA) and effectively led to bloated receivables on BLS balance sheet.

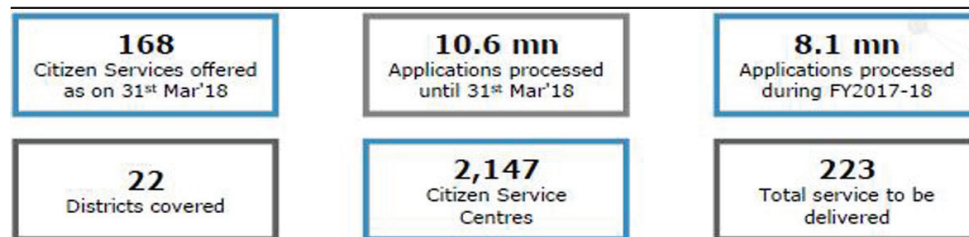
Significant growth in trade receivable



Source: Company, B&K Research

BLS has re-entered into agreement with Government of Punjab for providing 168 citizen services and changing business model altogether. BLS will receive upfront payment from customer for the service rendered. BLS will keep its share of revenue and will pay a certain agreed percentage to the government. This will effectively result in negative working capital for BLS and will solve the earlier problem of ambiguity in collection from government. Management highlighted that they have received first tranche of payment from the earlier MSA and is confident of receiving entire sum in the next couple of quarters. Management expects to leverage the experience gained to tap the emerging opportunity offered from Digital India campaign.

Key snapshots



Source: Company, B&K Research

Contract with Embassy of Afghanistan and Saudi Arabia will provide break-through to tap other Asian countries

BLS International has entered into a contract with the Embassy of Afghanistan in the United Arab Emirates (UAE) for providing citizen services through registration of Afghan citizens. Under the agreement, the company will open application centers in UAE, Kuwait, Oman, Bahrain and Qatar for the Embassy of Afghanistan. Registered citizens can exercise a wide range of rights such as to property, privacy, freedom of movement and obtaining passport, a person’s eligibility to vote and free choice of place of residence, as well as access to social services like education, healthcare and retirement pension.

Services offered under the contract

Spectrum of Citizen Services under this contract include:



Source: Company, B&K Research

This is the first Indian company which has been engaged for providing these e-governance related services outside the country. The Afghanistan government is creating a database of its nationals in the Gulf Cooperation Council (GCC) nations and the spectrum of services under this contract include accepting documents on behalf of the Foreign Affairs Ministry in Afghanistan, attestation services, biometric data collection and value-added services like translation.

Countries have started to outsource citizen services



Source: Company, B&K Research

Value of the contract is worth US\$ 5 mn for five gulf countries. BLS will be processing over 0.2 mn applications through eight CSC's for the Afghans dwelling all over UAE, Kuwait, Oman, Bahrain and Qatar. Management noted that the contract with Afghans is progressing very well and the overall response from the citizen has been encouraging.

Visa outsourcing

The visa outsourcing industry has shown significant growth with over 40 mn visa applications being currently managed by specialised service providers globally. However, this translates to just 31% of the total visa market currently being outsourced with the remaining 69% yet to be tapped by outsourcing service providers.

With 69% of the industry still not outsourced and governments seeking to implement quality and cost-effective solutions to manage increasing travel demand, this dynamic translates into a significant opportunity for BLS. Backed by the years of industry experience, strong brand positioning, competitive advantage and the niche nature of the industry, BLS is well equipped to capitalise on the potential of this magnitude.

Visa application processing by Schengen countries

Schengen state	2015		2016		2017	
	Uniform visas applied for	Share (%)	Uniform visas applied for	Share (%)	Uniform visas applied for	Share (%)
France	3,356,165	22	3,265,919	22	3,684,404	23
Germany	2,022,870	13	2,004,235	13	2,049,055	13
Italy	2,023,343	13	1,806,938	12	1,850,260	11
Spain	1,629,753	11	1,583,848	10	1,624,276	10
Greece	876,786	6	986,032	6	1,029,564	6
Finland	784,286	5	550,406	4	827,520	5
Poland	970,907	6	1,096,465	7	823,101	5
Czech Republic	421,355	3	489,920	3	623,255	4
Netherlands	520,809	3	558,101	4	621,431	4
Switzerland	481,886	3	460,653	3	517,010	3
Lithuania	423,189	3	421,143	3	413,966	3
Austria	259,167	2	268,388	2	304,556	2
Hungary	290,798	2	295,226	2	263,940	2
Portugal	192,220	1	204,596	1	263,502	2
Sweden	192,852	1	227,005	1	248,347	2
Belgium	239,500	2	219,687	1	231,437	1
Norway	185,557	1	188,737	1	196,082	1
Latvia	164,000	1	165,814	1	166,800	1
Denmark	123,951	1	145,143	1	152,467	1
Estonia	130,197	1	122,872	1	138,249	1
Slovakia	76,491	0	62,472	0	41,639	0
Malta	39,445	0	27,767	0	37,881	0
Slovenia	26,895	0	21,153	0	29,257	0
Luxembourg	10,267	0	9,902	0	10,004	0
Iceland	3,987	0	5,771	0	7,610	0
Total	15,446,676	100	15,188,193	100	16,155,613	100

Source: Schengen Visa Info, B&K Research

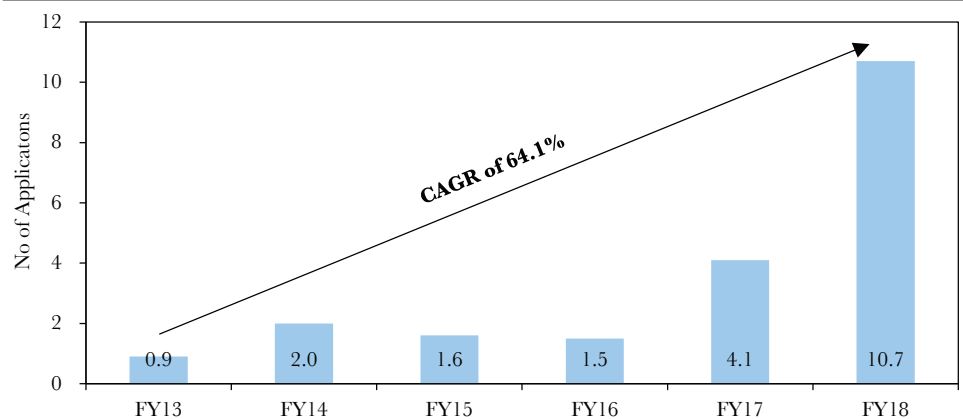
G2C industry: For decades, the G2C engagement was in-sourced by the governments. A new alternative has emerged in the last couple of decades. There is a greater willingness of governments to outsource some of their citizen centric engagements. This willingness has been derived from a growing recognition that superior across-the-counter service is not as simple as it appears: it requires a deep understanding of process flows, the capability to manage people across diverse geographies, the ability to measure, control and enhance service standards and the ability to infuse relevant technologies that automate processes to the extent possible.

An increasing number of governments recognise that they just do not possess the resources to provide a world-class standard and that if they outsourced some of their functions to specialised external companies, they would be able to reduce costs. The addressable G2C opportunity is placed at US\$ 100 bn a year.

About the company

BLS International is amongst world's largest specialist service provider for outsourcing of visa, passport, consular, attestation and citizen services to the Governments and diplomatic missions globally since 2005. From pre-travel information processes, data processing and biometrics capture of applicants to acceptance of crucial travel documents, BLS plays the catalyst in making visa process easy and effortless. BLS has operations in more than 61 countries and is providing services through 2325 offices worldwide. BLS is also an authorised service provider for attestation of documents by the Ministry of External Affairs, India. BLS entered the business in 2005 by being a service provider to the Embassy of Portugal. Over the past 12 years, through profound domain experience and expertise, BLS has successfully expanded its spectrum of services to emerge as an end-to-end consular services specialist.

Significant growth in applications



Source: Company, B&K Research

Key milestones

Year	Achievements
2005	Received first visa application processing order from Portuguese Embassy in New Delhi (India).
2006-07	Commenced operations for the embassies of Austria, Belgium, Greece, Romania and Tunisia in India.
2008-10	Started operations for Indian Embassy in Spain, Kuwait, Sudan and Russia.
2011	Started VACs for Indian embassy in UAE along with other Indian Missions, VACs in South Asian countries.
2012	Commenced operations for Indian Embassy in Saudi Arabia and Singapore.
2013-14	Initiated foreign missions abroad (4 missions for an EU country); added 7 Indian missions abroad, including high volume locations of US and Canada.
2015	Initiated missions for Consulate General of India in Hong Kong, High Commission of India in Kuala Lumpur (Malaysia), Embassy of Hungary Baku (Azerbaijan), UAE Manpower Contract Embassy of Bangladesh; turnover of US\$ 75.90 mn for 2015-16.
2016	Listed on National Stock Exchange and Bombay Stock Exchange; awarded Punjab e-Governance project; won first global visa contract for Spain.
2017	Commencement of Consular Services (ROSC) in Abuja (Nigeria) and Beirut (Lebanon) Citizen Services Contract from the Embassy of Afghanistan. Added a new contract for UAE Consular Section Services for Dakar, Senegal.

Source: Company, B&K Research

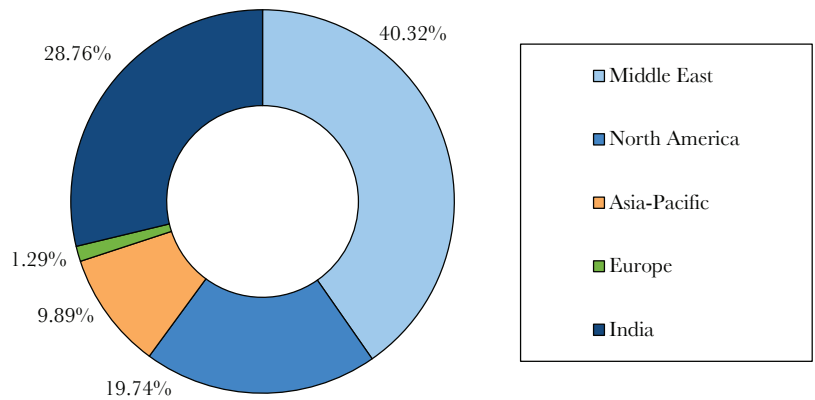
Geographic revenue distribution

Over 13 years of delivering diversified services to the global government client base



Source: Company, B&K Research

Revenue distribution



Source: Company, B&K Research

Income Statement

Period end (Rs mn)	Mar 16	Mar 17	Mar 18
Net sales	5,050	6,350	7,891
Growth (%)	12.2	25.7	24.3
Operating expenses	(4,682)	(5,526)	(6,303)
Operating profit	367	824	1,587
EBITDA	367	824	1,587
Growth (%)	20.9	124.3	92.7
Depreciation	(55)	(260)	(396)
Other income	5	23	41
EBIT	317	587	1,232
Finance cost	(3)	(55)	(124)
Profit before tax	314	532	1,108
Tax (current + deferred)	(5)	(32)	(142)
Profit/(Loss) for the period	309	500	966
Reported Profit/(Loss)	309	500	966
Adjusted net profit	309	500	966
Growth (%)	32.5	61.6	93.1

Balance Sheet

Period end (Rs mn)	Mar 16	Mar 17	Mar 18
Share capital	102	102	102
Reserves & surplus	1,094	1,554	2,503
Shareholders' funds	1,197	1,657	2,605
Minority interest and others	1	1	1
Non-current liabilities	52	500	405
Long-term borrowings	41	487	390
Other non-current liabilities	11	13	15
Current liabilities	131	808	1,686
ST borrowings, Curr maturity	0	351	543
Other current liabilities	130	457	1,143
Total (equity and liabilities)	1,381	2,966	4,698
Non-current assets	567	1,105	832
Fixed assets (net block)	242	784	495
Non-current investments	28	320	278
Long-term loans and advances	1	4	6
Other non-current assets	297	(4)	54
Current assets	813	1,861	3,866
Cash & current investment	479	697	1,189
Other current assets	334	1,163	2,677
Total (assets)	1,381	2,966	4,698
Total debt	41	838	933
Capital employed	1,250	2,509	3,555

Cash Flow Statement

Period end (Rs mn)	Mar 16	Mar 17	Mar 18
Profit before tax	314	532	1,108
Depreciation	55	260	396
Change in working capital	300	(509)	(971)
Total tax paid	(2)	(21)	(35)
Others	(2)	32	83
Cash flow from oper. (a)	665	293	581
Capital expenditure	(55)	(802)	(106)
Change in investments	(11)	(292)	42
Others	(290)	317	21
Cash flow from inv. (b)	(356)	(777)	(44)
Free cash flow (a+b)	310	(484)	538
Equity raised/(repaid)	(0)	0	0
Debt raised/(repaid)	(29)	797	95
Others	39	(95)	(141)
Cash flow from fin. (c)	10	702	(46)
Net chg in cash (a+b+c)	320	219	491

Key ratios

Period end (%)	Mar 16	Mar 17	Mar 18
Adjusted EPS (Rs)	3.0	4.9	9.4
Growth	32.5	61.6	93.1
CEPS (Rs)	3.6	7.4	13.3
Book NAV/share (Rs)	11.7	16.2	25.4
EBITDA margin	7.3	13.0	20.1
EBIT margin	6.3	9.2	15.6
Tax rate	1.5	6.0	12.9
RoCE	29.3	31.2	40.6
Total debt/Equity (x)	0.0	0.5	0.4
Net debt/Equity (x)	(0.4)	0.1	(0.1)
Du Pont Analysis - ROE			
Net margin	6.1	7.9	12.2
Asset turnover (x)	4.2	2.9	2.1
Leverage factor (x)	1.2	1.5	1.8
Return on equity	30.5	35.0	45.3

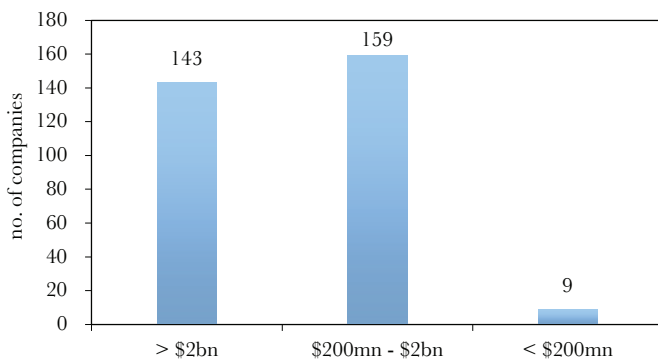
Valuations

Period end (x)	Mar 16	Mar 17	Mar 18
PER	–	35.1	12.3
PCE	–	23.1	8.7
Price/Book	–	10.6	4.6
EV/EBITDA	–	21.4	7.3

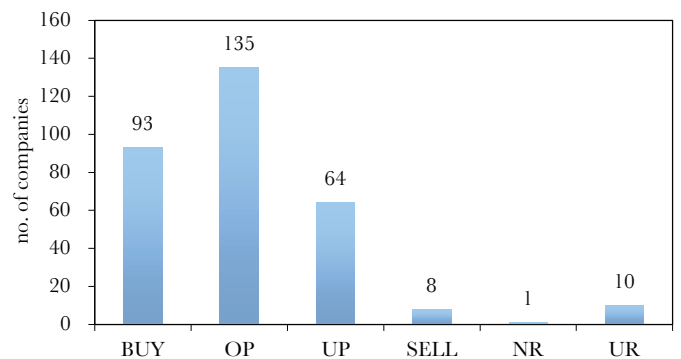
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B&K Universe Profile

By Market Cap (US\$ mn)



By Recommendation



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B&K Investment Ratings.

	LARGE CAP (Market Cap > USD 2 bn)	MID CAP (Market Cap of USD 200 mn to USD 2 bn)	SMALL CAP (Market Cap < USD 200 mn)
BUY	>+20% (absolute returns)	>+25% (absolute returns)	>+30% (absolute returns)
OUTPERFORMER	+10% to +20%	+15% to +25%	+20% to +30%
UNDERPERFORMER	+10% to -10%	+15% to -15%	+20% to -20%
SELL	<-10% (absolute returns)	<-15% (absolute returns)	<-20% (absolute returns)

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