

BLS International Services (BLSINT)

₹ 202

Niche player in visa/passport outsourcing...

We recently met the management of BLS International Services (BLS) to understand its business model. BLS is a specialist provider for outsourcing visa, passport and attestation services to governments across the world. The company operates in more than 48 countries and has processed ~18 million applications since 2005, when it entered the business by being a service provider to the Embassy of Portugal. In 2016, BLS forayed into the e-governance space in India by bagging the Punjab Sewa Kendra project.

Wins Spain visa processing contract; opportunity to win more...

The company manages all administrative and non-judgmental tasks related to the entire life cycle of a visa application process. In December 2016, BLS won the visa processing contract from Spain, making it the first visa outsourcing contract for an Indian company. It is a five year contract where the company hopes to add 1.8 million applications in FY18 from this contract alone, with total contract value estimated as ₹175 million (₹ 1300 crore). As per management, Spain visa processing contract would not only expand its global footprint but also open the door for upcoming visa business opportunities from different countries with ~10 million annual applications to be awarded by various governments till 2018.

Forays into Punjab e-governance...

In 2016, BLS forayed into an e-governance model, where citizen services would be handled by a single window network of 2,147 'Sewa Kendras' easily accessible to citizens. BLS along with providing IT infrastructure & manpower will offer services like issuance of birth certificate, correction in birth certificate, change of address, senior citizen identity card, issuance of ration card, attestation of documents, etc. The project aiming to provide ~200 government services to people, spans across five years with total scope of project being ₹ 1,500 crore. The project paves the way for BLS to bid for similar e-governance projects with states as Haryana, Delhi and Odisha are ready to replicate Punjab e-governance model.

Spain, Punjab contract to improve financial performance...

The company has reported revenue CAGR of 40% in FY13-17 (average EBITDA margins of 8.5% in the same period). In FY18, the company could see additional revenues contribution from new projects: Spain project (~₹ 250 crore) and Punjab project (~₹ 250 crore in FY17 vs. ~₹ 100 crore in FY16). Going ahead, the management aims to achieve historical revenue growth over the next few years. At the CMP, the stock is available at 41x FY17 EPS of ₹ 4.9.

Exhibit 1: Financial Performance

(₹ Crore)	FY14	FY15	FY16	FY17
Net Sales (₹ crore)	385.6	450.0	505.0	635.0
EBITDA (₹ crore)	24.6	28.7	36.7	82.4
Net Profit (₹ crore)	20.5	23.6	30.9	50.0
EPS (₹)	2.0	2.3	3.0	4.9
P/E (x)	101.7	88.2	67.3	41.6
Price / Book (x)	3.5	2.4	1.7	1.2
EV/EBITDA (x)	84.2	72.0	55.4	25.4
RoCE (%)	35.2	24.6	25.1	20.5
RoE (%)	35.4	28.3	26.0	30.4

Source: Company, ICICIdirect.com Research

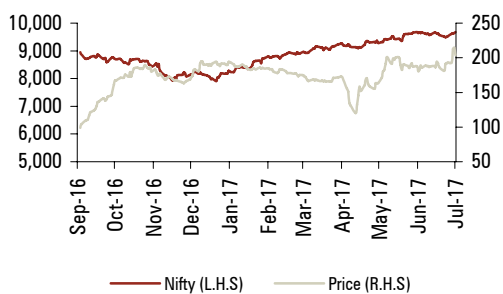
Rating Matrix		
Rating	:	Unrated
Target	:	NA
Target Period	:	NA
Potential Upside	:	NA

Key Financials				
₹ Crore	FY14	FY15	FY16	FY17
Net Sales	385.6	450.0	505.0	635.0
EBITDA	24.6	28.7	36.7	82.4
Net Profit	20.5	23.6	30.9	50.0
EPS	2.0	2.3	3.0	4.9

Valuation Summary				
(x)	FY14	FY15	FY16	FY17
P/E	101.7	88.2	67.3	41.6
EV / EBITDA	84.2	72.0	55.4	25.4
P/BV	3.5	2.4	1.7	1.2
RoNW (%)	35.4	28.3	26.0	30.4
RoCE (%)	35.2	24.6	25.1	20.5

Stock Data	
Particular	Amount
Market Capitalization (₹ crore)	2,078.7
Total Debt (₹ crore)	83.8
Cash (₹ crore)	66.5
EV (₹ crore)	2,096.1
52 week H/L (₹)	229 / 97
Equity capital (₹ crore)	10.2
Face value (₹)	1.0

Price Movement



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Exhibit 2: Company History



Source: Company, ICICIdirect.com Research

Exhibit 3: Upcoming e-governance business opportunities

Sr.	Project Opportunity	Client	Annual volume of Applications (million)	Time Frame
1	Madhya Pradesh	Dept. of IT & E-Govt. of MP	120	2016-17
2	ICT for Smart City Bhopal	Bhopal Smart City Development Corp Ltd	2	2017-18
3	CSC-Haryana e-Seva	Haryana State Electronics Development Corp Ltd	20	2018-19
4	Odisha e-Governance Project	Odisha e-Governance Services Ltd	25	2018-19
5	Delhi e-GOVERNANCE	Delhi e-Governance Society	12	2017
6	Maharashtra	Dept. of IT & E-Govt. of Maharashtra	120	2018
7	Jharkhand	Dept. of Government Reform, Jharkhand	60	2018-19

Source: Company, ICICIdirect.com Research

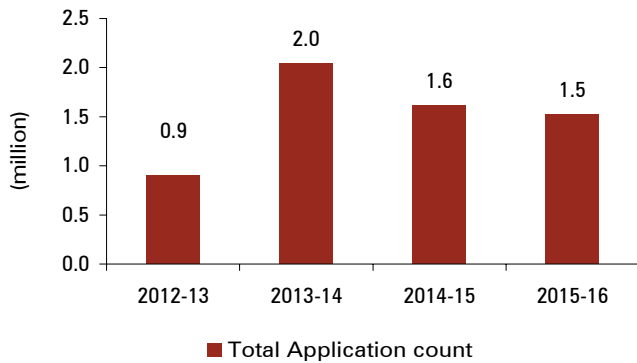
Exhibit 4: Upcoming passport and visa business opportunities

Sr.	Client Government	No. of Applications (million)	Year
1	Swiss Global	3.5	2017
2	France Global	0.5	2017
3	Greece Global	1.1	2017
4	Australia Global	0.5	2017
		5.6	
1	UK Global	3	
2	Embassy of India, Bahrain	0.1	2018
3	Embassy of India, France	0.2	2018
4	Embassy of India, Japan	0.1	2018
5	Embassy of India, Saudi Arabia	0.5	2018
6	Embassy of India, UK	0.5	2018
7	Embassy of India, Washington D.C	0.5	2018
		4.8	

Source: Company, ICICIdirect.com Research

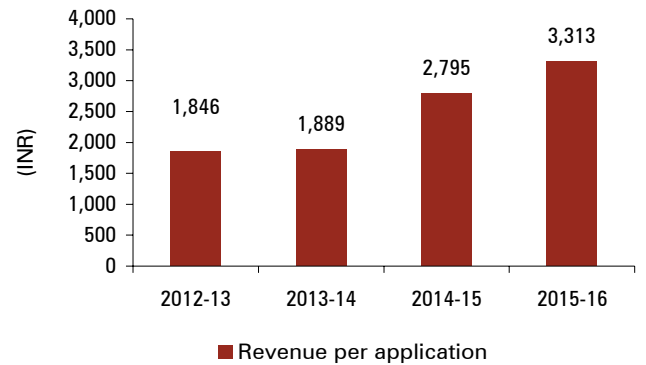
Key Metrics

Exhibit 5: Application processed trend...



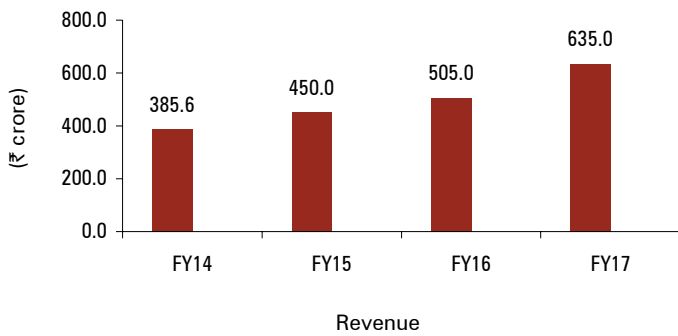
Source: Company, ICICIdirect.com, Research

Exhibit 6: Revenue per application...



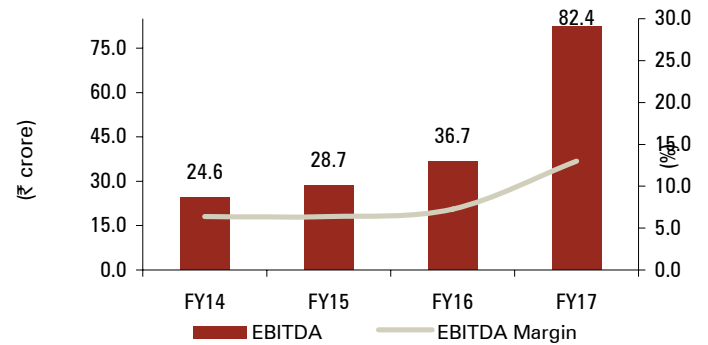
Source: Company, ICICIdirect.com, Research

Exhibit 7: Revenue trend...



Source: Company, ICICIdirect.com, Research

Exhibit 9: EBITDA and EBITDA margin trend...



Source: Company, ICICIdirect.com, Research

Exhibit 8: PAT trend...

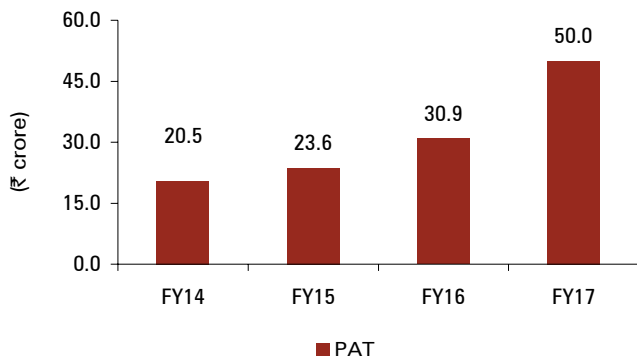
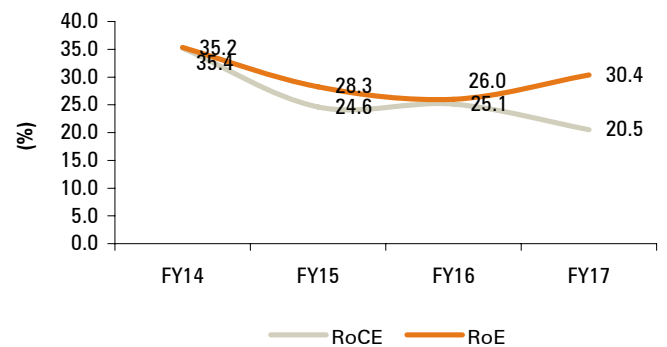


Exhibit 10: RoE and RoCE trend...



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