

BLS International 2QFY19

(CMP Rs 128, Mcap Rs 13bn, Fair Value Rs 277)

BLS reported revenue of Rs 1.82bn down 9.5% QoQ led by drop in Punjab revenue (Rs 0.23bn down 50.7% QoQ). Visa revenue was up 2.7% QoQ to Rs 1.59bn led by Spain visa contract.

The UKVI contracted started operations on 12th Nov. The company expects ~0.4mn annual applications at a average realisation of GBP 80/application. We have assumed revenue of Rs 1.36bn for FY19 (~16% of revenue) and Rs 2.92bn for FY20 (~29% of rev). Margin will be in-line with company average (~18-20%).

EBITDA margin stood at 19.9% down 466bps QoQ due to absence of the old Punjab contract, which was higher margin business.

Total Receivables stood at Rs 1.48bn in 1HFY19 vs Rs 2.12bn in FY18 led by decline in Punjab receivables (down from Rs 2.03bn in FY18 to Rs 1.26bn). The company expect more funds to come from the Punjab government by the end of FY19. The receivables will not increase in the new Punjab contract as money is collected up-front from citizens.

We like the visa segment which is a lucrative business with huge addressable opportunity, scope for market share gain, asset-light and higher return ratios. The new Punjab model is better, asset-light in nature and similar to the visa model. UKVI contract will start contributing from 3Q onwards and drop in Punjab receivables is a positive sign. We expect revenue/EBITDA/PAT to grow at a CAGR of 10.4/10.6/13.2% over FY19-21E. We assign a Fair value of Rs 277 based on 20x Sep-20 earnings.

Financial Summary (Rs mn)

YE March Rs mn	2QFY19	2QFY18	YoY (%)	1QFY19	QoQ (%)	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	1,821	1,865	(2.4)	2,013	(9.5)	6,350	7,891	8,703	10,056	10,600
EBITDA	363	433	(16.3)	495	(26.7)	824	1,587	1,585	1,833	1,938
APAT	279	268	4.2	340	(18.0)	499	965	1,134	1,383	1,454
Diluted EPS (Rs)	2.8	2.7	4.2	3.4	(18.0)	4.9	9.4	11.1	13.5	14.2
P/E (x)						26.2	13.5	11.5	9.5	9.0
EV / EBITDA (x)						16.0	8.1	7.1	5.5	4.5
RoE (%)						35.1	45.3	36.3	32.4	26.4

Source: Company, HDFC Sec Inst Research

Revenue Mix

Revenue Rs mn	FY16	FY17	FY18	FY19E	FY20E	FY21E
Old Visa	5,050	5,279	4,705	5,089	5,191	5,401
Spain			1,265	1,342	1,424	1,526
UKVI				1,369	2,920	3,127
Old Punjab		1,071	1,920	610	0	0
New Punjab				293	521	547
Total	5050	6350	7891	8703	10056	10600

Rev Contribution %						
Old Visa	100%	83%	60%	58%	52%	51%
Spain			16%	15%	14%	14%
UKVI				16%	29%	30%
Old Punjab		17%	24%	7%	0%	0%
New Punjab				3%	5%	5%
Total	100%	100%	100%	100%	100%	100%

Regards,
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