



SMC Ranking
 ★★☆☆☆ (2/5)

Issue Highlights

Industry	Services
Fresh Issue (Shares)	23,030,000
Net Offer to the Public	23,030,000
Issue Size (Rs. Cr.)	297-311
Price Band (Rs.)	129-135
Offer Date	30-Jan-24
Close Date	1-Feb-24
Face Value	10
Lot Size	108

Issue Composition

	In shares
Total Issue for Sale	23,030,000
QIB	17,272,500
NIB	3,454,500
Retail	2,303,000

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	92.28%	68.89%
QIB	7.72%	24.77%
NIB	0.00%	3.80%
Retail	0.00%	2.53%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company proposes to utilise the Net Proceeds towards funding the following objects:

Strengthening the technology infrastructure to develop new capabilities and consolidating the existing platforms;

Funding initiatives for organic growth by setting up of BLS Stores;

Achieving inorganic growth through acquisitions; and
 General Corporate Purpose

Book Running Lead Manager

- Unistone Capital Private Limited

Name of the registrar

- Kfin Technologies Limited

About the company

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 being a subsidiary of BLS International Services Limited provides visa, passport, consular, and other citizen services to state and provincial governments across Asia, Africa, Europe, South America, North America, and the Middle East through its technology-enabled platform. It is the only listed company engaged in this domain in India. 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 revenue from operations in Fiscal years 2021, 2022 and 2023 were Rs. 644.87 crore, Rs. 96.69 crore and Rs. 243.06 crore, respectively. As of June 30, 2023, the company has a total of 3,071 employees, including 2,413 contract employees.

Strength

Asset light business model: BLS-E Services leverages a cost-effective network expansion strategy through its merchant-led model. The company's robust, proprietary technology platform allows it to cater to the diverse needs of a large customer base, including both citizens and merchants. Continuous investment in this platform ensures ongoing improvements and scalability. By prioritizing technology across its operations, BLS-E Services expands its reach throughout India efficiently, avoiding the high costs associated with traditional brick-and-mortar branches.

Enables social and financial inclusion in India: Empowering citizens through technology and finance is at the heart of BLS-E Services' mission. The company believes it unlocks individual potential and strengthens communities. This focus shines through in their dedication to women entrepreneurs, who often run home-based businesses and face barriers accessing traditional banking. BLS-E Services bridges the gap for financially excluded citizens through their Business Correspondent services. The company educates and encourages the shift from informal to formal financial systems, making them more secure and empowered. Deep regional understanding drives its product and service offerings. BLS-E Services tailors solutions to local demands and preferences, ensuring relevance and value for their customers. Its innovative B2B2C portal empowers merchants with income opportunities. By cross-selling assisted e-services alongside G2C services, merchants cater to citizens' needs while earning additional revenue.

Multiple cross-selling and up-selling opportunities, network effect and wide reach for customer acquisition: BLS-E Services thrives on a powerful convergence of G2C, B2B, and B2C models. This unified platform creates multiple touchpoints for consumers and stakeholders, boosting customer footfall by over 400,000 across BLS Touchpoints and Stores. The synergy between a diverse product portfolio and cross-selling opportunities fuels network effects and expands customer reach. Further amplifying this advantage, sophisticated data analytics anticipate customer behavior and generate insights for personalized cross-selling and upselling within the network. This approach is already proving successful, with the BLS Sewa app witnessing significant cross-sell traction from existing users exploring additional products.

Business model with diverse sources of revenue and negligible customer acquisition and retention costs: BLS-E Services' revenue in H1 2024 reached Rs. 156 crore, marking a year-on-year growth of 56% compared to FY 2023 (Rs. 243 crore). Profit before tax followed a similar trend, increasing by 30% to Rs. 20.77 crore in H1 2024 compared to Rs. 26.98 crore in FY 2023. This growth is primarily driven by the expansion of services offered through BLS Touchpoints and Business Correspondents.

Successful track record of its acquisitions: BLS-E Services has strategically expanded its reach and capabilities through a series of acquisitions.

- **June 2022:** Acquired Zero Mass Private to bolster its offerings.
- **August 2018:** Acquired Starfin India Private Limited to strengthen its revenue streams.
- **October 29, 2022:** Acquired 365 Sewa Kendras in Punjab through an equity swap with the corporate promoter, BLS Kendras Private Limited.

The contributions of these subsidiaries to BLS-E Services' revenue from operations are as follows (for the six months period ended September 30, 2023 and fiscal years 2023, 2022, and 2021):

	As of six months period ended September 30, 2023	Fiscals		
		2023	2022	2021
Revenue from operations (Rs. in lakhs)	15,617.88	24,306.07	9,669.82	6,448.72
% contribution of ZMPL	60.67%	56.81%	-	-
% contribution of BLS Kendras	21.39%	30.74%	67.29%	68.13%
% contribution of Starfin	7.80%	6.27%	22.32%	27.84%

Strategy

Strengthening and integrating technology backbone: To streamline operations and accelerate digitalization, BLS-E Services is unifying its existing platforms into a single common technology platform. This integrated system, encompassing a service portal and mobile app, will seamlessly connect all channels – Business Correspondents, Assisted E-Services, and E-Governance Services. BLS remains committed to strategic technology investments that drive business growth.

Grow its merchants and BLS Stores network: BLS-E Services is unwavering in its commitment to expanding its merchant network across India, particularly in semi-urban, rural, and remote areas, to bring efficient services closer to citizens. As of September 30, 2023, BLS Touchpoints operate in a majority of Indian districts, with 96,162 new merchants onboarded over the past three years. The company aspires to become the preferred "Go to Market Platform" for diverse business verticals, especially fintech and digital platforms. These assisted digital convenience stores, also known as BLS Stores or BLS Touchpoints, act as one-stop solutions, offering citizens a wide range of products and services conveniently through local retailers.

Pursue strategic investments and acquisitions to enhance product and service capabilities: BLS-E Services has a proven track record of strategic acquisitions. The company has successfully entered new markets and complementary businesses, and this approach will continue. The company plans to make accretive acquisitions in both geographical and business domains while centralizing core functionalities. This centralization streamlines operations and unlocks cross-selling opportunities. Beyond India, BLS-E Services sees potential for selective international expansion. Its expertise in diverse IT/ITES projects and varied service offerings makes them well-positioned to enter specific jurisdictions. The company plans to leverage its experience with Indian government projects in similar initiatives abroad, focusing on countries where they're currently evaluating opportunities. Additionally, targeted acquisitions and investments that complement its existing infrastructure and services are possibilities.

Leverage existing market position to grow each business segments, with an aim to improve cross-selling results: BLS-E aims to grow across all its business segments, with a particular focus on cross-selling. This strategy strengthens its value proposition and fulfills its mission to serve

customers' entire digital journey seamlessly. The company plans to merge all its product and service functionalities into a single, unified ecosystem. This will provide a more comprehensive and integrated experience for its customers. While already holding strong positions in its segments, BLS-E sees further expansion potential driven by the growing demand for its offerings, especially in the digital space. BLS-E is committed to increasing customer engagement and retention by offering relevant, innovative, and integrated products across its platform. With its recent registration as a corporate agent with IRDAI, Starfin, a BLS-E subsidiary, unlocks new cross-selling opportunities in the insurance sector. BLS Touchpoints assisted digital convenience stores, acting as physical one-stop solutions for various products and services, will be crucial in achieving BLS-E's "Go-to Platform" vision. The company's digital platform, BLS Sewa App, will complement the physical stores, offering a seamless online experience for customers.

Risk factor

- The company's financial stability is heavily reliant on a single major client, a large PSU Bank, generating a significant portion of its revenue.
- The company's ability to deliver business correspondent and G2C services hinges on the successful integration with and ongoing access to bank and government agency APIs, technology, and servers.
- The company's product and service distribution heavily relies on its network of merchants, creating potential vulnerability if this network falters.
- The company's extensive reliance on IT systems exposes it to operational and reputational risks in case of system failures, disruptions, vulnerabilities, or data breaches.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
eMudhra	314.10	65.10	7.86	57.29	6.02	74.80	5.00	450.30	3729.01
BLS Eservices Limited	29.36	312.36	3.23	41.77	2.72	49.69	10.00	135.00	1226.56

*Peer companies financials are TTM based
 **BLS E services Limited are based on FY24

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.135, the stock is priced at pre issue P/E of 31.18x on FY24 annualised EPS of Rs.4.33. Post issue, the stock is priced at a P/E of 41.77x on its EPS of Rs.3.23. Looking at the P/B ratio at Rs. 135, pre issue, book value of Rs. 18.56 of P/Bvx 7.27x. Post issue, book value of Rs. 49.69 of P/Bvx 2.72x.

Considering the P/E valuation, on the lower end of the price band of Rs.129, the stock is priced at pre issue P/E of 29.80x on FY24 annualised EPS of Rs.4.33. Post issue, the stock is priced at a P/E of 39.92x on its EPS of Rs.3.23. Looking at the P/B ratio at Rs.129, pre issue, book value of Rs. 18.56 of P/Bvx 6.95x. Post issue, book value of Rs. 49.69 of P/Bvx 2.60x.

Industry Outlook

In India, technology has significantly improved the accessibility and affordability of financial services that were previously inaccessible to the unbanked or underbanked masses. Business Correspondents is one of the initiatives to increase financial inclusion and provide banking services to financially excluded people in all parts of the country, especially in the rural areas. Total digital payments in India have witnessed significant growth over the past few years. Between Fiscal 2018 and 2023, the volume of digital payments transactions has increased from 14.6 billion to 113.9 billion,

causing its share in overall payment transactions to increase from 59% in Fiscal 2018 to 99% in Fiscal 2023.

Outlook

BEL is a technology enabled digital service providers in G2C, B2C and B2B segments. The company operates on an asset-light business model, leveraging merchant-led models and technology platforms. The company has lined up organic/inorganic growth to tap the opportunities lying ahead. However, the company faces risks like heavy dependency on fee-based activities, especially in E-Governance projects awarded to its corporate promoter. Dependence on a single customer and the necessity for continuous contract renewals pose significant business risks. A long term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	30-January-24
BID/ISSUE CLOSES ON	01-February-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	02-February-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	05-February-24
Credit of Equity Shares to demat accounts of Allottees	05-February-24
Commencement of trading of the Equity Shares on the Stock Exchanges	06-February-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-23 (6 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	156.18	243.06	96.70
Total expenditure	135.55	210.00	89.77
Operating Profit	20.63	33.06	6.92
OPM%	13.21	13.60	7.16
Operating Profit	33.84	46.66	14.08
Other Income	1.87	3.23	1.70
Total Net Income	22.50	36.29	8.62
Interest	0.34	3.93	1.02
PBDT	22.15	32.36	7.60
Depreciation	1.38	2.78	0.82
Profit before exceptional items & tax	20.78	29.58	6.78
Exceptional items	0.00	2.60	0.00
Profit Before Tax	20.78	26.98	6.78
Tax	6.09	6.65	1.40
PAT	14.68	20.33	5.38

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	1.03	1.07	0.20
Right of use assets	7.51	4.93	6.35
Goodwill	81.49	81.49	8.01
Other Intangible assets	0.02	0.02	0.02
other non-financial assets	10.29	11.66	10.30
Deferred tax assets (net)	1.73	2.68	2.80
Non current tax assets (net)	8.70	7.39	1.44
Total non-current assets	110.77	109.23	29.13
Current asset			
Inventories	2.63	0.56	0.00
Financial Assets			
Investment	3.57	0.00	0.00
Trade receivables	23.83	18.22	8.54
Cash and cash equivalents	21.36	15.71	6.05
Bank balance other than cash and cash equivalents	40.97	29.39	7.60
Other financial assets	4.85	1.30	2.08
Other current assets	5.80	5.05	2.53
Total current assets	103.00	70.23	26.80
Total Assets	213.77	179.47	55.93
Non-current liabilities			
Borrowings	0.00	0.00	7.26
Lease Liability	5.96	3.87	5.53
Provisions	0.38	0.26	0.24
Other non-current liabilities	2.50	0.00	0.00
Total non-current liabilities	8.85	4.13	13.03
Current liabilities			
Financial Liabilities			
Borrowings	0.00	0.00	1.50
Lease Liability	1.92	1.31	0.93
Trades Payable - MSME	0.00	0.00	0.00
Trades Payable - MESE	1.49	2.49	7.94
Other financial liabilities	64.72	53.36	15.23
Provisions	0.47	0.02	0.01
Other current liabilities	10.42	6.69	2.22
Total current liabilities	79.01	63.88	27.83
Total	87.86	68.01	40.86
Net worth represented by:			
Equity Share Capital	66.73	66.73	0.01
Other equity	53.64	40.21	6.78
Share capital pending allotment	0.00	0.00	8.27
Non controlling Interest	5.54	4.51	0.00
Net Worth	125.91	111.45	15.07

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: researchfeedback@smcindiaonline.com



Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401/402,
4th Floor, Graham Firth Steel Compound,
Off Western Express Highway, Jay Coach Signal,
Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-28805606

Kolkata Office:
18, Rabindra Sarani,
Poddar Court, Gate No.-4, 5th Floor, Kolkata-700001
Tel: 91-33-39847000, Fax: 91-33-39847004

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