

Management Update

- ❑ We have had a discussion with the management of BLS International (BLS) recently to get latest insights into recent Punjab's Seva Kendra in particular and broader business in general.
- ❑ **Punjab E-Governance Project:** The Punjab government has terminated the contract in Jan-18 prime reason being stated is financial stress and lower than expected foot falls. The termination of contract has no relation with any deficiency in services provided by BLS. The government has given six-month time to wind-up. As per management the project will be in full operation till Q1 FY19 where in company will continue to receive revenue. BLS has processed 10mn application till now. Total receivables from government stood at Rs.1450mn as on 9MFY18. Post Q1 FY19, only 500 centers will continue to remain operational however, for this company is negotiating with the Govt. for partial closure (Type-3centers), which remains an uncertainty. Management has stated that they will recover the dues with interest (12%annual) if government terminates project by July-18.
- ❑ **Visa Processing Business:** In Visa Services segment, in total 8.1mn application has been processed till date. Under Spain contract, The Company has opened 124 offices in 49 countries under Spain contract, including rolling out 5 new centers. The new contract from Islamic republic government of Afghanistan to provide counselor and visa services to afghan citizen in Saudi Arabia is progressing well. Company has opened 6 offices along with 2 mobile service center for providing counselor services and has processed ~0.4mn application till date.
- ❑ **Business Update:** Management has commented positive outlook and confident of achieving double digit growth for Q4 FY18 and full year as the existing contract is in mature stage which will increase yield per application and Q4 being the strongest quarter. As per management the share of VAD service is also increasing which will further drive the growth going forward BLS shown growth of ~40% CAGR in last 3 years and expected to show similar trend going ahead. The company has stated its plan to foray into B2C space which has market size of ~\$3-4bn. Also they are eyeing inorganic and have growth to increase the reach of offerings.
- ❑ **Industry Update:** On industry outlook, management commented International tourist is projected to cross the 1.8 billion mark by 2030. Estimated number of travelers globally have grown at over 4% y-o-y for 2016. Over next ten years Travel sector to contribute 11.4% of global GDP; up from c.9.1% in 2016. Global visitor exports to account for 7.1% of total global exports. Significant growth with over 40 million visa applications being currently outsourced to specialized service providers globally. 40 million translates to just 31% of the 128 million total visa market currently being outsourced. Remaining 69% yet to be tapped by outsourcing service providers. Significant upcoming business opportunities with millions of applications to be in the offing. 18mn estimated Annual Applications to be awarded by various Governments. 12 VAC tenders in 2017-18 and 6 Global Tender in 2017.
- ❑ With just 31% of the consular services contracts currently being outsourced globally, visa processing market has significant potential for expansion. BLS has bid for contract in both international and domestic market, of which for few tenders BLS has been shortlisted in Europe as well as in Asia. We continue to believe that long term growth prospects of the company remains intact. We continue to remain positive on the stock from long term perspective and maintain **BUY** rating with target price of **Rs.263**

(In ₹ mn)	FY-16	FY-17	FY-18E	FY-19E
Net Sales	5,050	6,350	8,319	9,244
Operating Expense	4,673	5,507	7,162	7,932
EBITDA	377	842	1,157	1,313
Other Income	5	23	50	65
Depreciation	55	260	238	247
EBIT	326	605	969	1,131
Interest	13	73	83	84
Misc. items	-	-	-	-
PBT	314	532	886	1,046
Tax	5	32	53	63
Minority Interest	(0)	(0)	-	-
PAT	309	500	833	984

Margins	FY-16	FY-17	FY-18E	FY-19E
Sales Growth %	12.2%	25.7%	31.0%	11.1%
Operating Margin %	7.5%	13.3%	13.9%	14.2%
Net Margin %	6.1%	7.9%	10.0%	10.6%

(In ₹ mn)	FY-16	FY-17	FY-18E	FY-19E
EPS (₹)	3.0	4.9	8.1	9.6
P/E (x)	41.9	25.9	15.5	13.2
P/B (x)	10.9	7.9	5.2	3.7
ROE	26.0%	30.4%	33.6%	28.4%

(In ₹ mn)	FY-16	FY-17	FY-18E	FY-19E
<u>Liabilities</u>				
Equity Share Capital	102	102	102	102
Reserve & Surplus	1,085	1,543	2,376	3,359
Total Shareholder's Funds	1,187	1,645	2,478	3,462
Minority Interest	1	1	1	1
Long-Term Liabilities	40	487	457	457
Other Long-term Liabilitie	11	12	12	12
Deferred Tax Liability	(4)	14	14	14
Short-term Liabilities	135	824	1,225	1,336
Total	1,371	2,984	4,188	5,282
<u>Assets</u>				
Net Fixed Assets	242	784	516	314
Long-Term L&A	1	6	6	6
Non Current Investments	17	305	305	305
Other Non-Current Assets	-	-	-	-
Current Asset	1,111	1,888	3,361	4,658
Total	1,371	2,984	4,188	5,282

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