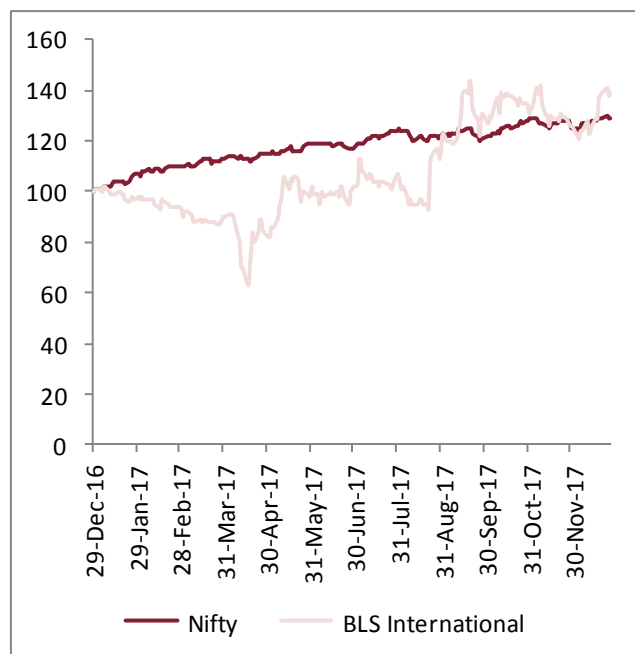




CMP	261	Rating	BUY
Target	328	UPSIDE	26%

STOCK DETAILS

BSE Code	540073
NSE Code	BLS
Market Cap (Rs mn)	26,944.4
Sector/Index	Travel Support Services /S&P BSE SmallCap
Year End	March
52 w.High/Low	283/119
Avg. Monthly Turnover (Rs mn)	135.7
Listed on	BSE/NSE
Shares in Issue (mn)	10.25
BSE Sensex	33812
NSE Nifty	10442

**SHAREHOLDING PATTERN**

%	Sept-17	June-17
Promoter	74.24%	74.24%
FII/DII	6.25%	0.01%
Others	19.51%	25.75%

CONSOLIDATED FINANCIALS

Rs in bn	FY16	FY17E	FY18E	FY19E
Total Revenue	5.0	6.3	8.1	8.6
EBIDTA	0.4	0.8	1.8	2.0
EBIDTA(%)	7.3%	13.0%	21.9%	23.4%
PAT	0.31	0.50	1.18	1.34
EPS (Rs.)	3.0	4.9	11.5	13.1
P/E (x)	86.6x	53.5x	22.7x	19.9x

Source: Company, Indsec Research

BLS has a track record of delivering quality service, fast turnaround time and highly secured solutions to Government clients across the world. They manage non-judgmental and administrative tasks related to visa, consular and citizen service application processing for the client governments thereby enabling them to focus entirely on the critical task of assessment. BLS entered the business in 2005 by being a service provider to the Embassy of Portugal.

Investment Rationale

High Entry Barriers in Niche Industry- The visa outsourcing industry is worth ~\$2.5bn with only 40mn visa applications being currently managed by specialized service providers globally. A mere 31% of the total visa market is currently outsourced since this industry is less than two decades old. VFS Global has 50% market share. The niche nature of this industry and high entry barriers with very few key players in the market, translates into a huge opportunity for BLS International which has market share of close ~ to 12% and is expected further increase on back of new contracts given its strong brand positioning and competitive advantage. BLS International entered the business in 2005 by providing services to the Embassy of Portugal and has since rapidly scaled up its operations across 58 nations for 29 client Governments with more than 20mn applications processed till date.

Spanish contract- game changer- We believe this win could be a game changer for the company, given the entry barriers involved in the industry. Winning this contract also shows confidence that the company could handle such large contract. The Spanish visa also marks the company's entry into Schengen region. Spain is one of top tourist destination country in world and has seen an increase in trend of number of tourist entering every year. Such a trend is expected to continue. BLS will process visas for tourist entering Spain from 48 countries. BLS is going to open offices in 129 countries for the execution of the same. Revenues from the Spanish visa service has started following in from Q1FY18 and is expected to close to ~13% of total revenue in FY18E, while margins for this segment is expected to be north of 20%. We also believe with company winning such a contract they could easily be in contention for other such contracts.

Existing Visa Business to register steady growth- BLS manages all administrative and nonjudgmental work related to the visa application process. It also helps in scheduling interviews for some missions. The main competitors of BLS (second largest) is VFS Global (leading with ~50% market share). Other players are TLS Contact and Cox & Kings Global Services. These players are largely focused on the domestic market, and do not aggressively bid for global tenders. We expect BLS visa division (incl Spain) to clock a growth of 50% CAGR over FY17-19 in number of applicants processed, while revenues are expected to grow at CAGR of 9% during the same period.

Punjab Govt contract –first of a kind- In 2016, BLS International secured the Punjab e-Governance project through competitive bidding, the company outbid players like VFS Global, Wipro, etc. and paved its way into the huge potential of digital India. This is a first-of-its-kind project in India, and several other states such as Haryana, Delhi and Orissa are looking to replicate this mode. We believe the company could see revenue from Punjab grow at CAGR of 42% over FY17-19 and contribute close to ~26% to the overall revenue.

Upcoming Consular Business Opportunities- Post winning the contract from Spain the company is pre-qualified to bid for these contracts. With such achievements and high credibility, we believe the company could have a multi-fold increase in its clientele over next few years. We believe there are significant contracts up for renewal over the next two years. If the Company even wins one of these contracts it could significantly increase company's overall revenue as realization are almost double as against an Indian mission.

Valuation and Recommendation- Overall, we remain positive on the prospects of BLS given the Niche nature of the business and high entry barriers in the industry. We expect the company to post a topline CAGR growth of 16.4% YoY over FY17-19 to Rs 8.61bn driven by the Spanish contract and Punjab E-govt contract. During the same period, we expect EBITDA to post a robust growth of 56.3% YoY to Rs 2.01bn, while margins are likely to improve to 23.39% as against 13% in FY17. Both the Spanish contract and Punjab contract are margin lucrative. PAT is expected to grow at CAGR of 63.9% to Rs 1.34bn. At CMP of Rs 261 the stock is trading 22.7x and 19.9x on expected earnings of Rs 11.51 and Rs 13.10 for FY18E and FY19E respectively. Given the niche nature of the business and recent wins the company could see a tremendous growth in its earnings, further any new wins in the visa space is likely to provide a huge boost revenue. Given all the growth potential, we assign a PE multiple of 25x on FY19E earning of Rs 13.10 post which we arrive at a target of Rs 328 an upside of 26% from current levels.

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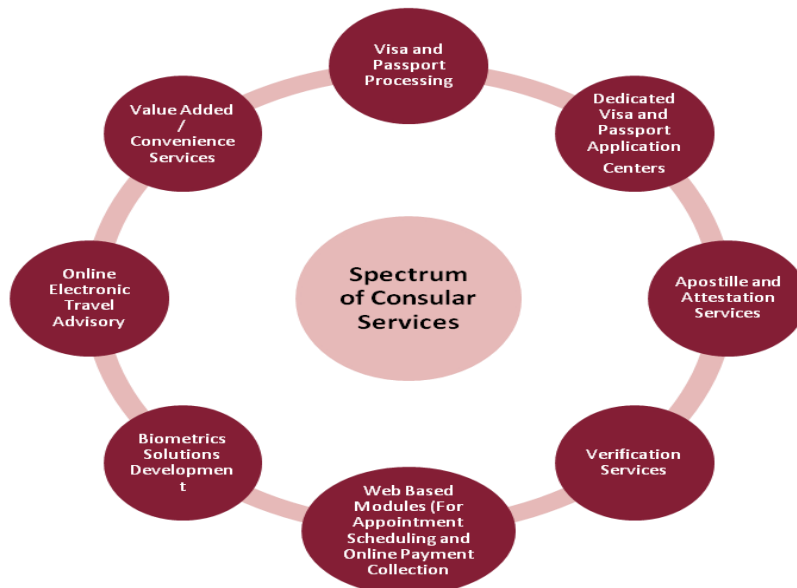
About the Company:

- ⇒ BLS is one of the world’s largest visa, passport and consular outsourcing services provider for governments and their diplomatic missions worldwide with a market share of ~12%. They have 12 years of global experience in managing visa and passport issuance related administrative and non-judgmental tasks for their client governments spread across 29 client Govts with operations in 58 countries as on Mar ’17.
- ⇒ BLS manages non-judgmental and administrative tasks related to visa, consular and citizen service application processing for the client governments. They have processed over 20 mn applications to date with an approximately 18 mn applications estimated to be processed during the year FY17-18E.
- ⇒ The company added 3 new business partnerships in FY17 – Spain Global Contract, Punjab Citizen Services Centers and UAE Consular Manpower Division thus becoming the First Indian Company to be awarded a visa outsourcing contract from a leading European nation i.e Spain.
- ⇒ BLS has also bagged the Citizen Services contract from the Embassy of Afghanistan, which was awarded on 20th June, 2017 worth USD 5mn. The services under this contract include i) Accepting documents on behalf of the Ministry and facilitate the Ministry. ii) Attestation/Apostille services iii) Extend services like translation, state attestation services, etc. iv) Collection of finger prints, facial photo, retina scan, etc. with/without passport processing.

Journey



Consular Services



Source: Company, Industry & Indsec Research

Visa Services

The company offers a broad suite of service offerings designed to securely manage visa applications. The company has expertise in establishing exclusive visa application centres on behalf of the mission which are strategically located at central locations in close proximity to the concerned missions, Govt Depts and city centres. BLS has established state-of-the-art customized visa application centres to make the applicant’s experience pleasant.

BLS International plays a key role in client acquisition facilitating and attracting visitors and migrants to its client governments, which includes providing general information about visas and citizenship enquiries and support, providing accessible information in response to specific enquiries by prospective and existing applicants. They also communicate effectively with existing applicants about their applications, calculate and handle payment of the Visa Application Charge and other fees. They accept visa applications directly from applicants or via travel agents, ensure all documentation is in order, complete basic administrative processing work and pass on the applications to the relevant diplomatic mission. They work predominantly with a user-pay revenue model where they receive service fee directly from visa applicants, in addition to the visa fees which are remitted to the diplomatic mission.

In addition, BLS also ensures Identity assertion, collects biometric and biographic information about an applicant and ensures it meets the Governments quality requirements. They enter the provided information into processing systems (involves manual data entry in the current state for paper-based applications) Information verification, ensure complete and correct information has been provided and request additional information when supplied material is insufficient or incorrect .

Managing administrative and non-judgemental tasks for the government clients

Visa Processing	Consular Services	E-Visas	Biometric & Identity management	Verification and Attestation
<ul style="list-style-type: none"> • Establishing and Managing dedicated Visa Application Centers (VACs) • VACs managed by trained staff • Receive visa applications and disseminate information • Capture data digitally & physically • Biometric scans • Schedule interviews • Conduct financial reconciliation 	<ul style="list-style-type: none"> • Offers Passport services incl. : <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) • Other Consular services offered: <ul style="list-style-type: none"> • Associated documents, national identification cards and renunciation of citizenships • Notarial services 	<ul style="list-style-type: none"> • Online system to provide e-visa services including: <ul style="list-style-type: none"> • Allows applying for visas online • Online payment gateway • Obtain confirmation letters • Notifications via email/text message • Supported with a corresponding government inspection solution 	<ul style="list-style-type: none"> • Exceptional capabilities to provide: <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, video conferencing facilities, authentication and reporting services 	<ul style="list-style-type: none"> • Skilled pool of trained experts who: <ul style="list-style-type: none"> • Accept documents on behalf of the of the Govt. and facilitate the Ministry Attestation / Apostille process • Extend value added services including translation, state attestation services, etc.

Source: Company, Industry & Indsec Research

Consular Services

The company performs a host of associated consular services on behalf of client governments, these include, accepting passport applications, replacement passports and associated travel documents, national identification cards, Consular appointments, renunciation of citizenships, notarial services, including witnessing and authenticating documents. For the Indian Government, BLS International accepts applications for OCI / PIO / Renunciation of Indian Citizenship, which can be submitted at the respective BLS application centres in several countries around the world. It also offers fast response and consistent advice to Clients, offers updated information and assistance via telephone enquiries, face to face interaction and aims to provide rapid and high-quality service, with specially trained staff. BLS International offers state-of-the-art passport outsourcing services to the Diplomatic Missions. Pass port outsourcing services include acceptance and processing of applications for renewal of passports, issue of passports, observations made in passports to endorse change of particular details and any other passport related query.

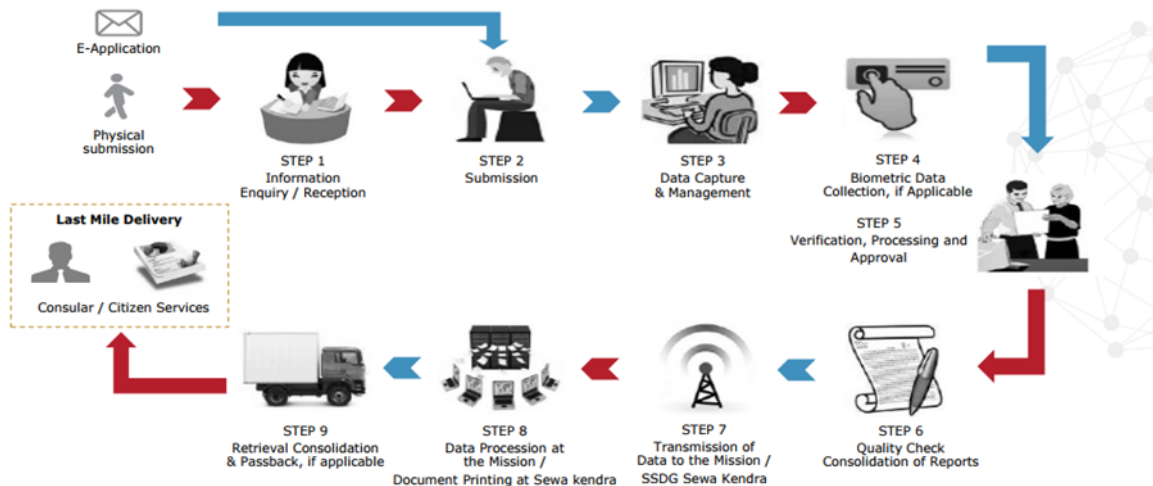
Citizen Services

The company has successfully diversified their services to enter the Citizen Services domain, which stands as one of the high growth but untapped businesses. They successfully managed to complete the Punjab e-governance project much ahead of the schedule and also win an international Citizen Services contract from the Embassy of Afghanistan in recent times.

The Company is a trusted partner for citizen services for the governments across the world. The Central, Regional and Local Governments collaborate with trusted external partners to provide secure, cost-effective and high-quality tailored services, enabling them to reduce identity fraud and improved national security and governance, while providing better quality and greater access to services within a strict financial framework. It enables governments to accurately assess crucial documents leaving the administrative part completely with the client.

BLS International has been the preferred service provider for secured and customized citizen services. They focus on stringent quality controls and efficient processes to handle these applications and documents. The company also provides biometric solutions, e-visas solutions, registrations, permits and other government related administrative solutions.

Typical Process Flow for G2C Services

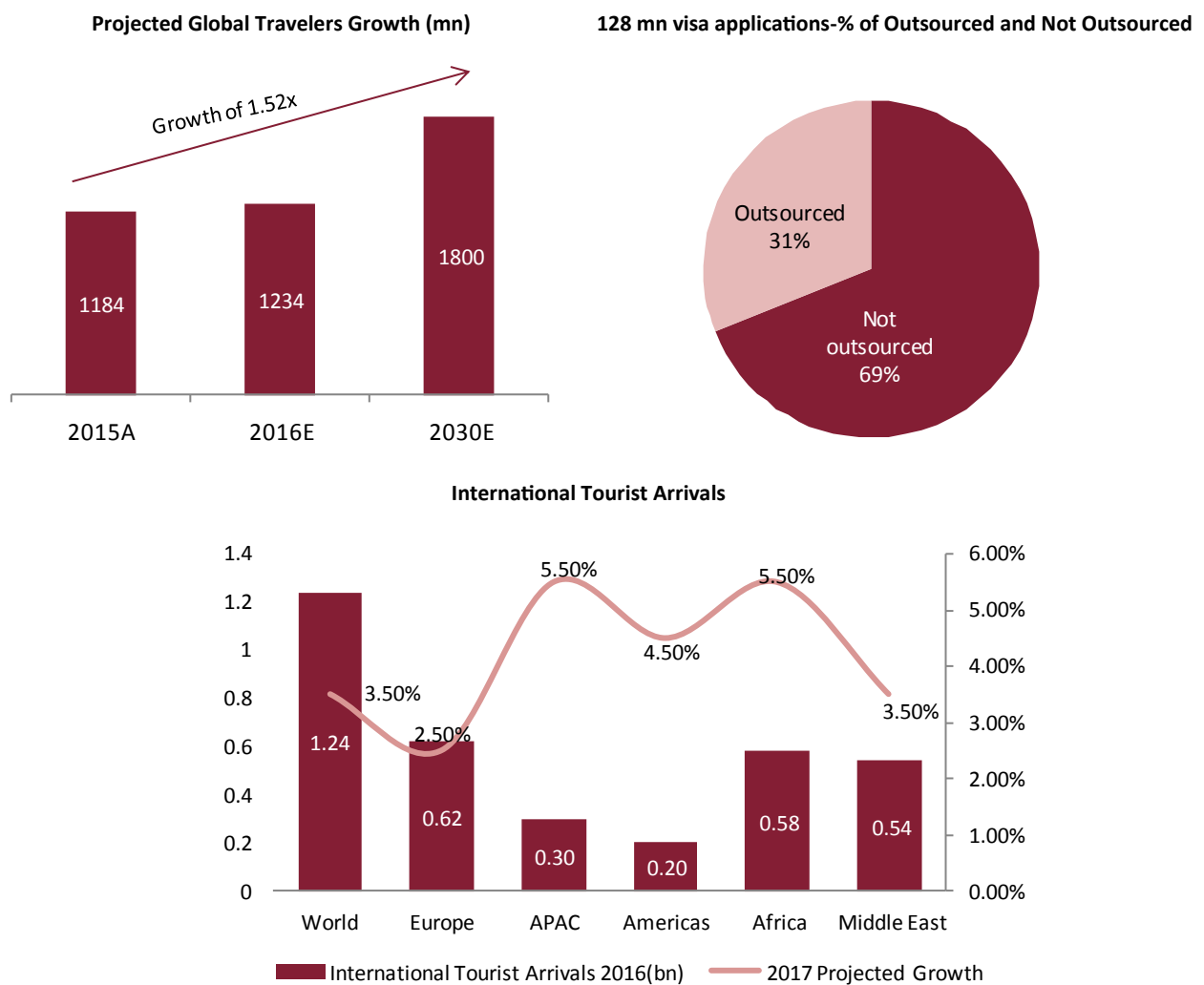


Source: Company, Industry & Indsec Research

Visa /Consular Outsourcing Industry

The visa outsourcing industry has shown significant growth with over 40mn visa applications (~31% of total visa market) being currently managed by specialized service providers globally. This growth in visa applications has been driven by International travel witnessing a consistent increase each year. International tourist arrivals reached a record 1.2bn in 2015 and is projected to cross 1.8bn by 2030. Travel industry continues to be a key driver of economic growth and job creation, with estimated number of travelers globally growing at over 4% YoY for 2016 thereby providing 266mn jobs, directly and indirectly. World tourism is expected to grow at a CAGR of 3.5% for 2017 and at a CAGR of 2.7% over 2016 to 2030.

Development of the tourism industry often requires strong international and public private partnerships to overcome financial, institutional and organizational bottlenecks. However, currently 31% of the total visa market is outsourced with the remaining 69% yet to be tapped by outsourcing service providers thereby translating into a great potential for specialized service providers, with governments seeking to implement quality and cost-effective solutions to manage increasing travel demand. It is a high entry barrier industry where in order to secure contracts, certain criteria need to be met such as delivery of turn around time, presence in a particular country, value added to the system and security measures etc. Additionally, the consular services business is also expected to double over the next few years on account of growing tourism, increased outsourcing penetration into Visa market and increase in passport processing and Attestations services outsourcing market.



Source: Company, Industry & Indsec Research

Investment Rationale

1. High Entry Barriers in Niche Industry-

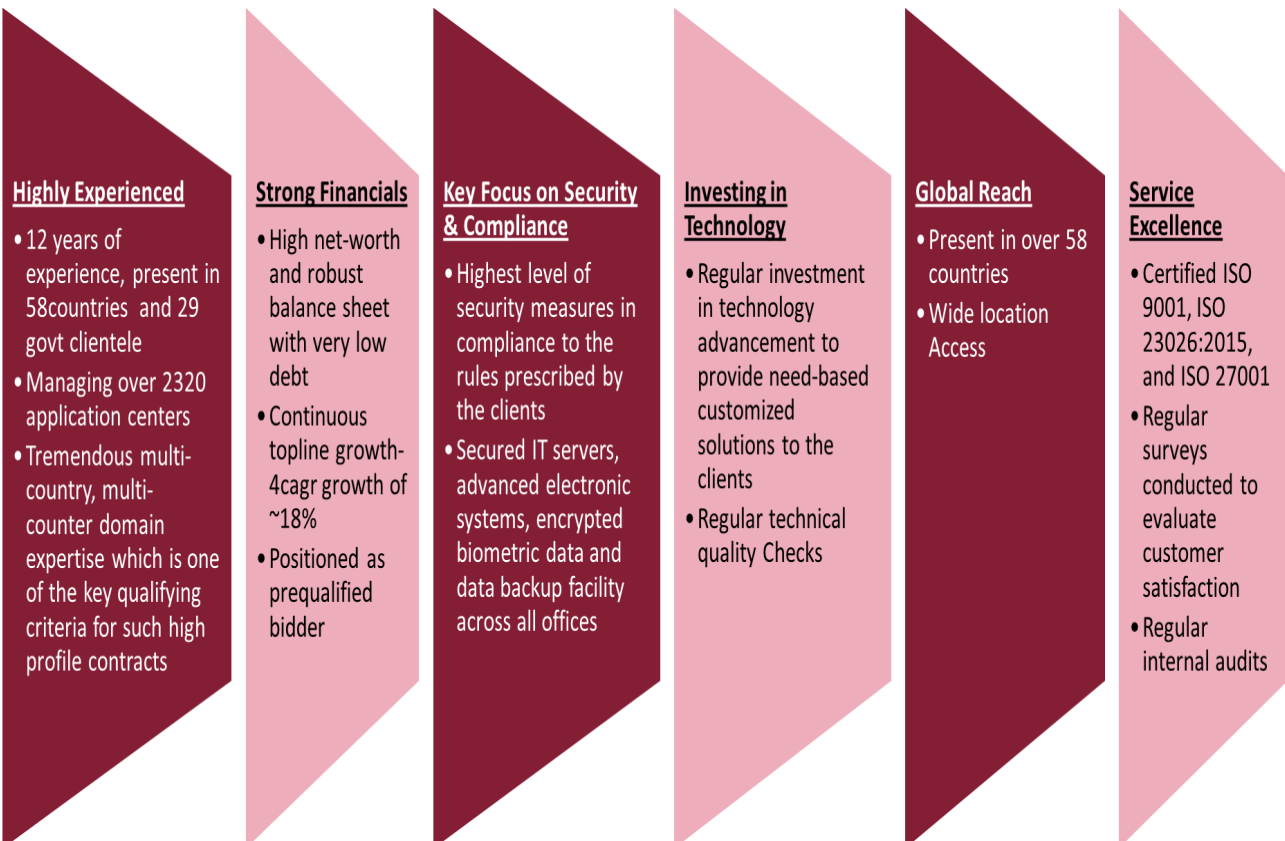
The visa outsourcing industry has shown significant growth with over 40mn visa applications being currently managed by specialized service providers globally. However, this translates to just 31% of the total visa market currently being outsourced with the remaining 69% yet to be tapped by outsourcing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

The increase in international travel is driving the growth of the visa/passport outsourcing industry. As per the United Nations' World Tourism Organization (UNWTO) the number of travelers worldwide increased to 1.23bn in 2016 from 0.6bn in 1996 and is projected to cross 1.8bn by 2030 on mere 3% CAGR. Cheaper air fares and the vastly improved travel network, which has shrunk travel time has increased global travel for work, leisure and immigration. T

Entry Barriers in the industry which is likely to keep competition in check-

- * **Domain Experience-** in terms of numbers of clients and counters been handled
- * **Strong Financials-** Minimum net worth & Annual Turnover
- * **Security & Compliance** -Secure Daily Purging/Web Security/Biometric/Physical
- * **Technological Innovation-**Continuous technical evolution
- * **Agility-**Fast cycle adaptability /Integrated process flow
- * **Service Excellence-** Hospitable approach /Customer service experience /quality audits
- * **State-of-the-art Offices-**Physical centres with robust security measures
- * **Product Suite-**Comprehensive consular offerings/application software
- * **Skilled Teams-**Well trained in CRM, IT systems and high team productivity
- * **Top Light Management-**Quick implementation turnaround/ matrix authority structure

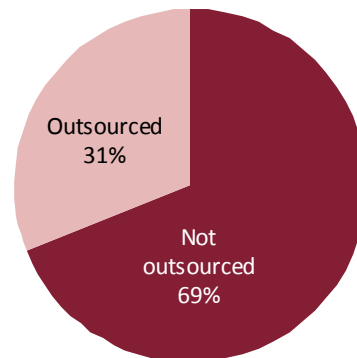
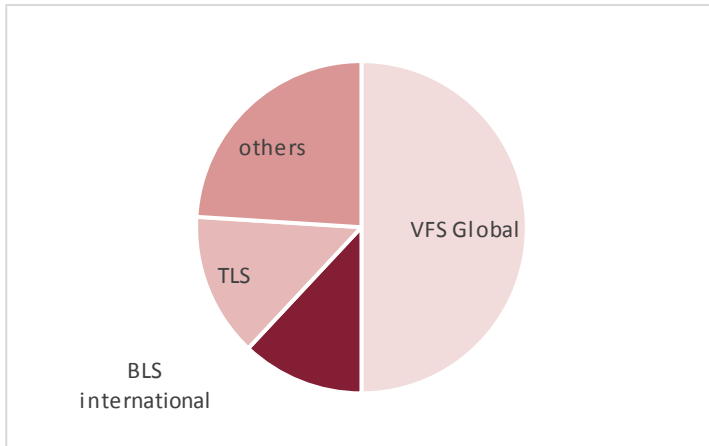


Source: Company, Industry & Indsec Research

The visa outsourcing industry is worth ~\$2.5bn with only 40mn visa applications being currently managed by specialized service providers globally. A mere 31% of the total visa market is currently outsourced since this industry is less than two decades old, VFS Global has 50% market share. The niche nature of this industry and high entry barriers with very few key players in the market, translates into a huge opportunity for BLS International which is has market share of close ~ to 12% and is expected further increase on back of new contracts given its strong brand positioning and competitive advantage. BLS International entered the business in 2005 by providing services to the Embassy of Portugal and has since rapidly scaled up its operations across 58 nations for 29 client Governments with more than 20mn applications processed till date.

Market share

128 mn visa applications-% of Outsourced and Not Outsourced



2. Spanish contract- game changer

In Dec'16 BLS International won the €175mn global visa contract from the Ministry of Foreign Affairs & Cooperation of Spain for five years (3+2 years extension) which was previously with VFS Global. Under the contract, BLS would need to process visas for applicants entering Spain and set up 53 visa application centers in 37 countries within 7 days of winning the contract. BLS International would receive fixed €15.45/visa application including taxes. BLS could process 1.8-2.0mn visa applications/year only for Spain.

BLS International operates through two distinct business models wherein ~60%-70% of the business is owned while the remaining 30-40% is through facility management partners (FMPs), which is controlled and supervised by BLS. Hence the company had a capex of mere ~Rs0.2bn for the Spain contract. This model is dictated by the regulatory environments in the country of operation i.e. Spain.

In the Direct Centre model, the visa centers will be established and managed by the company. This model will be adopted for centres with higher visa inflows. Direct Centers constitute ~60% of the total centers opened.

The Partnership Model will be used in ~40% of the centers. This model will be adopted in countries where it is difficult to operate on a standalone basis.

In the Partnership Model, the partner will own the centers and fund the capex (like a franchise model), but operations will be handled by BLS. Profits will be distributed ~80%/20% to BLS/partner respectively.

These facility management partners are also needed in countries where it is not viable for BLS International to own operations for regulatory or cultural reasons, political environment/stability and commercial viability

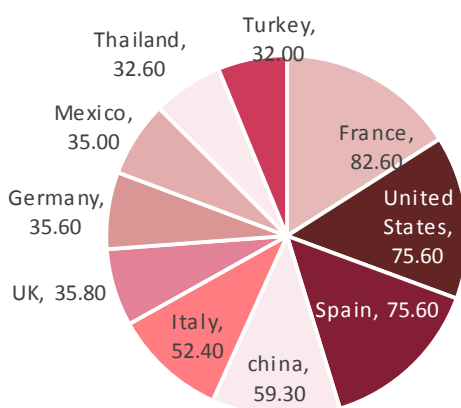
Importance of Spanish contract for BLS International

- ◇ Spanish visa processing contract win is the biggest and marks the entry of BLS into the Schengen region
- ◇ Capex of mere of ~Rs 0.2bn for Spain contract (initial set up cost)
- ◇ Revenue expected from the project is 175 mn Euros (excluding VAS) for a period of five year
- ◇ Realization from the Spanish contract is double that of the existing visa business.
- ◇ Margins of ~20% and opportunity to increase on back of value added services

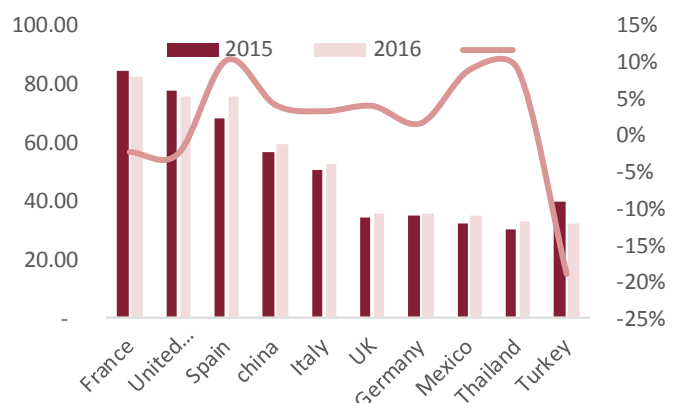
Importance of Spain

The United States continues to top the international tourism receipts ranking, with US\$ 206bn earned in 2016. It is the second largest destination in international tourist arrivals with 76mn. **Spain follows as the world's second largest earner with US\$ 60 billion, and the third largest destination in terms of arrivals with 76mn, virtually equaling the US. In the Schengen region, Spain receives the 4th highest number of visa applications only after France, Germany and Italy.**

International Tourism Arrivals (mns) Top destination (2016)

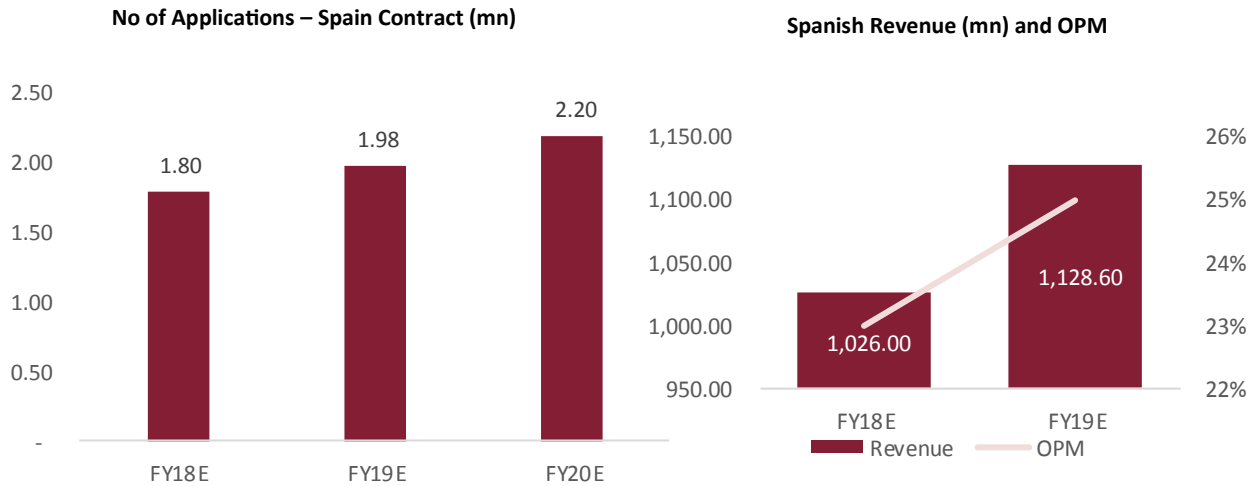


Growth/decline in number of Tourist entering (mn)



Source: Company, Industry & Indsec Research

We believe this win could be a game changer for the company, given the entry barriers involved in the industry. Wining this contract also shows confidence that the company could handle such large contract. The Spanish visa also marks the country’s entry into Schengen region. Spain is one of top tourist destination country in world and has seen an increase in trend of number of tourist entering every year. Such a trend is expected to continue. BLS will process visas for tourist entering Spain from 48 countries. BLS is going to open offices in 129 countries for the execution of the same . Revenues from the Spanish visa service has started following in from Q1FY18 and is expected to close to ~13% of total revenue in FY18E, while margins for this segment is expected to be north of 20%. We also believe with company winning such a contract, they could easily be in contention for other such potential contracts.



Source: Company, Industry & Indsec Research

3. Existing Visa Business to register steady growth

BLS manages all administrative and nonjudgmental work related to the visa application process. It also helps in scheduling interviews for some missions.

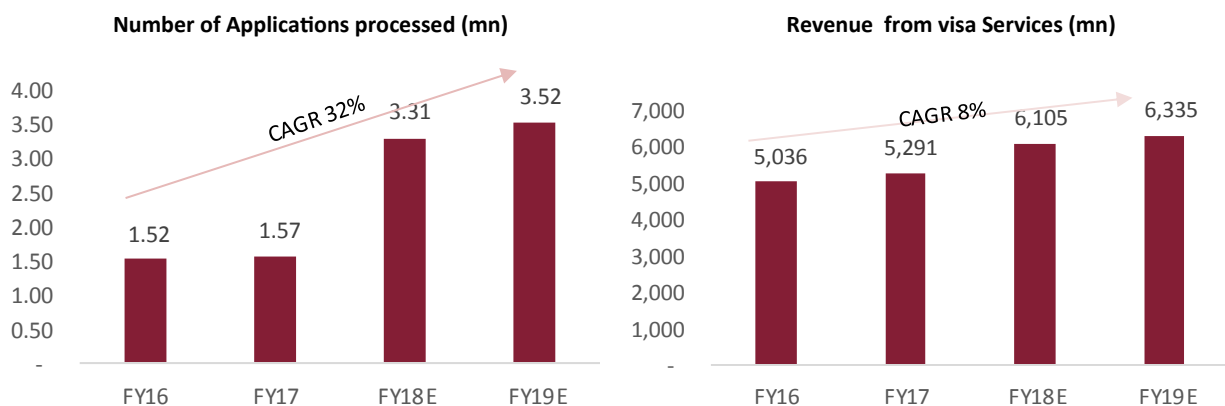
BLS has 127 application centres in 48 countries, and has processed ~18mn visas till date. It processed 1.6mn visas in FY17, which includes passport/visa/other applications.

The main competitors of BLS (second largest) is VFS Global (leading with ~50% market share). Other players are TLS Contact and Cox & Kings Global Services. These players are largely focused on the domestic market, and do not aggressively bid for global tenders.

Afghan Contract to provide additional revenue driver-

In June'17, BLS International won the Citizen Services contract from the Embassy of Afghanistan worth USD 5mn for the five Gulf countries. BLS would need to open Citizen Service Centres (CSC) across the five Gulf countries including UAE, Kuwait, Oman, Bahrain and Qatar for the nationals of Afghanistan. BLS would process over 0.2mn applications through eight CSCs for the Afghans dwelling all over UAE, Kuwait, Oman, Bahrain and Qatar. Under this contract, the company would accept documents on behalf of the Ministry and facilitate the Ministry's Attestation/Apostille services, extend services like translation, state attestation services, and collect finger prints, facial photos, retina scans, etc. The company expects ~200,000 to 300,000 applications, and will charge a facilitation fee of ~Rs 800-900/passport.

We expect BLS visa division (incl Spain) to clock a growth of 50% CAGR over FY17-19 in number of applicants processed, while revenues are expected to grow at CAGR of 9% during the same period. While margins are for the same are like to improve on from 8% to 18% on back of recent wins.



Source: Company, Industry & Indsec Research

4. Punjab Govt contract –first of a kind :

In 2016, BLS International secured the Punjab e-Governance project through competitive bidding, the company outbid players like VFS Global, Wipro, etc. and paved its way into the huge potential of digital India. This is a first-of-its-kind project in India, and several other states such as Haryana, Delhi and Orissa are looking to replicate this mode.

With this the company has successfully diversified its service offering to enter the citizen service domain, which stand as of one of high growth. We believe such a win not only makes BLS the first mover and but also opens the door for such contract both in India and international.

The Punjab government's objective behind the outsourcing of Seva Kendras was to provide every citizen access to the Government-to-Citizens services (G2C) anytime, anywhere in a hassle-free, transparent and time-bound manner. The success of this project is very critical, and will inspire other state governments to implement this model. BLS would provide necessary training to more than ~4250 employees to handle these service Kendra. These service kendra will be located at 2.5km from one and another across the state.

Features of the Punjab Contract

- ⇒ A total of 223 services coming under the Right To Services (RTS) Act will be offered through these Seva Kendras. Working in close coordination with more than 17 govt departments, they offer a single.
- ⇒ 5 year contract for Rs 14880mn (fixed) where BLS would deliver more than 223 services through 2147 sewa kendras which come under RTI
- ⇒ if there is a surplus in revenue, BLS will return the excess amount to the govt. Thus, BLS' revenue will be fixed for tenure of five years. It can earn additional revenue by providing more convenience services at its counters.
- ⇒ As per the RFP, the Punjab government will pay BLS 16%/18%/20%/22%/24% of the fixed revenue in years 1/2/3/4/5 of operations, respectively
- ⇒ As per calculation revenue collection from all centres should be Rs 198mn/month. Taking an average realization of Rs 85/application, the average number of applications required to reach the target is ~78K applications/day. Currently, BLS is receiving ~35-40K applications/day, and earning ~Rs 178mn/month on a realization of Rs 150-180/application.
- ⇒ The difference in the expected and actual revenue realised is billed to the government monthly. Till the funds come in from the government, it is entered as debtors in the balance sheet.
- ⇒ BLS collects govt fees and service charges along with the application.
- ⇒ BLS successfully opened ~2147 centers as on Sept 17
- ⇒ Punjab project generated revenue of Rs 1.07bn, which is ~17% of FY17 revenue, while margins are higher than other business

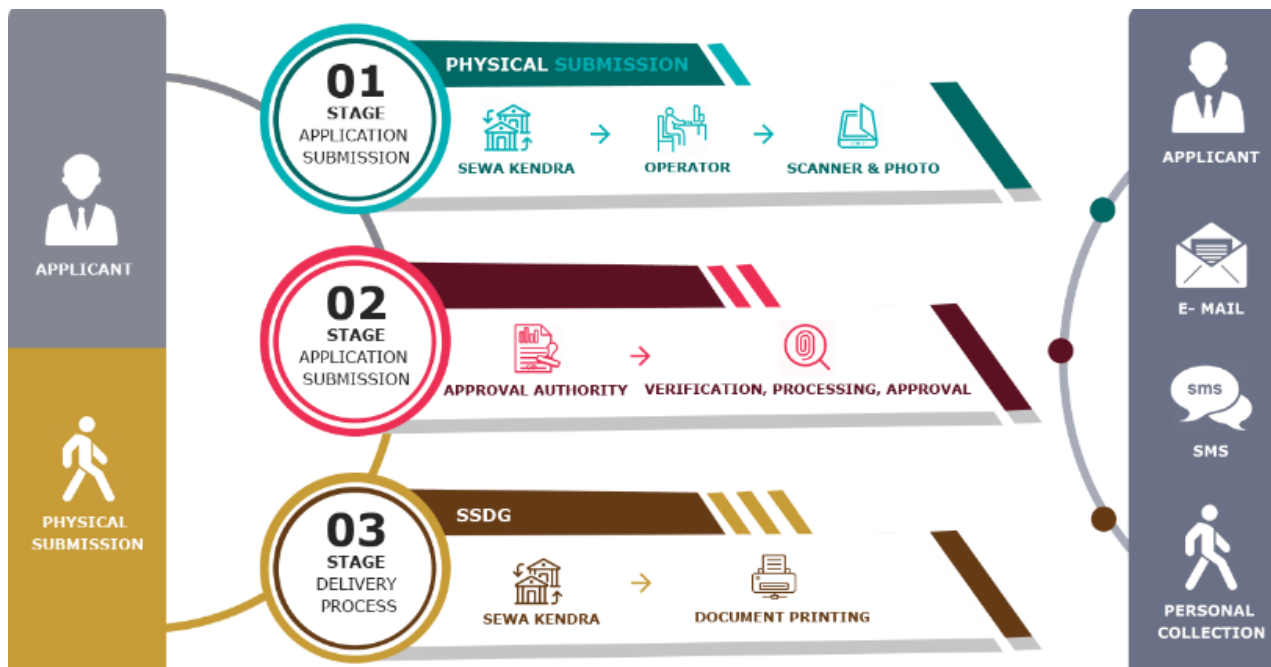
As per the agreement with Punjab govt would pay BLS International a fixed revenue every year at 16%/18%/20%/22%/24% of Rs14880mn for 1 to 5 years of service. This revenue is inclusive of tax and BLS international would bear the state and central government taxes. Further the company can boost revenues by providing more services at the Sewa Kendras in consultation with the state government on a revenue share model. As per the agreement the Punjab state Government would pay BLS International within 60 days in case there is a shortfall in collections. We believe the company could see revenue from Punjab grow at CAGR of 42% over FY17-19 and contribute close to ~26% to the overall revenue.

Further we believe, Over the last few years, the Indian Government has taken several initiatives, which will provide attractive opportunities for niche service providers in the e-service ecosystem. Within India, the opportunity matrix for BLS is continuously expanding with the Government's key focus on Digital India model. With several states including Haryana, Delhi and Orissa looking to replicate the Punjab e-governance model, BLS has outstanding credentials and first mover advantage given its tremendous success in Punjab. Additionally, According to United Nations e-Government Survey 2016, there has been a significant increase in the number of countries that are providing public services online through one stop platform. Globally, South East Asian countries are also adopting e-governance model proactively, opening exciting opportunities for BLS.

Opportunities for BLS International (upcoming Contacts)

Sr no	Projects Opportunity	Clients	Annual Volumes Number of Applications (mn)	Time Frame
1	ICT for Smart City Bhopal	Bhopal Smart City Development Corporation Limited	2.00	2017-18
2	CSC-Haryana e-Seva	Haryana State Electronics Development Corporation Limited	20.00	2018-19
3	Odisha e-Governance Project	Odisha e-Governance Services Limited	25.00	2018-19
4	Delhi e-Governance3	Delhi e-Governance Society (DeGS)	12.00	2017
5	Maharashtra2	Dept. of IT & E-Governance, Govt. of Maharashtra	120.00	2018
6	Jharkhand	Department of Government Reform, Jharkhand	60.00	2018-19

Typical Process Flow for Citizen and Front End Services



Source: Company, Industry & Indsec Research

5. Upcoming Consular Business Opportunities

Driven by strong market positioning, a highly successful business model and more than a decade of experience in the consular industry, BLS holds a competitive advantage to expand its operations to untapped geographies globally. Post winning the contract from Spain the company is pre-qualified to bid for these contracts. With such achievements and high credibility, we believe the company could have a multi-fold increase in its clientele over next few years. We believe there are significant contracts up for renewal over the next two years. If the Company even wins one of these contracts it could significantly increase company's overall revenue as realization are almost double as against an Indian mission.

Upcoming Consular Business Opportunities

S. No.	Client Government	Estimated Application Per Year	Year
1	Canada Global	1,500,000	2017
2	Czech Republic	244,000	2017
3	Thailand Global For 11 Countries	3,300,000	2017
4	Singapore	2,566,000	2017-18
5	Germany	171,000	2017
6	Lithuania	98,000	2017
7	New Zealand	290,000	2017
8	Italy	109,000	2017
9	South Africa	103,000	2017-18
10	Austria	112,000	2017
		8,493,000	
1	Swiss Global	3,500,000	2017-18
2	France Global	500,000	2017-18
3	Greece Global	1,100,000	2017-18
4	Australia Global	500,000	2017-18
		5,600,000	
1	UK Global	3,000,000	2018-19
2	Embassy Of India, Bahrain	50,000	2018
3	Embassy Of India, France	150,000	2018
4	Embassy Of India, Japan	130,000	2018
5	Embassy Of India, Saudi Arabia	500,000	2018
6	Embassy Of India, UK	500,000	2018
7	Embassy Of India, Washington D.C.	500,000	2019
		4,830,000	

Source: Company, Industry & Indsec Research

Valuation and Recommendation :

BLS is world's second largest visa, passport and consular outsourcing services provider for governments and their diplomatic missions worldwide, in terms of visa applications processed. They have 12 years of global experience in managing visa and passport issuance related administrative and non-judgmental tasks for their client governments spread across 29 client Govts with operations in 58 countries as of Mar '17. The company has successfully diversified their services to enter the Citizen Services domain, which stands as one of the high growth but untapped businesses. They successfully managed to complete the Punjab e-governance project

What attracts us towards BLS is the business model, as it is a niche G2C service provider, with growing sustainably at high margins, low working capital requirements. Most of the growths can be funded largely by internal accruals, providing scope for sustained growth.

We believe the Spanish visa contract €175mn has moved the company into a new league in this highly competitive industry. We believe that Spanish Visa contract is not only margin and revenue lucrative, it also pre-qualifies the company for lot of other contracts which will be up for renewal. We expect that Spanish contract to contribute close to 10% of the overall revenue.

The company also bagged a first of kind e-governance contract from the Punjab govt, the year contract is worth ~Rs 14880mn over 5 years. The Punjab e-governance win is a step towards harnessing the tremendous opportunity offered by the Digital India campaign. This is a first-of-its-kind project in India, and several other states such as Haryana, Delhi and Orissa are looking to replicate this model. We believe the Punjab contract is likely to contribute close to 26% to the overall revenue.

Overall, we remain positive on the prospects of BLS given the Niche nature of the business and high entry barriers in the industry. We expect the company to post a topline CAGR growth of 16.4% YoY over FY17-19 to Rs 8.61bn driven by the Spanish contract and Punjab E-govt contract. During the same period, we expect EBITDA to post a robust growth of 56.3% YoY to Rs 2.01bn, while margins are likely to improve to 23.39% as against 13% in FY17. Both the Spanish contract and Punjab contract are margin lucrative. PAT is expected to grow at CAGR of 63.9% to Rs 1.34bn. At CMP of Rs 261 the stock is trading 22.7x and 19.9x on expected earnings of Rs 11.51 and Rs 13.10 for FY18E and FY19E respectively. Given the niche nature of the business and recent wins the company could see a tremendous growth in its earnings, further any new wins in the visa space is likely to provide a huge boost revenue. Given all the growth potential, we assign a PE multiple of 25x on FY19E earning of Rs 13.10 post which we arrive at a target of Rs 328 an upside of 26% from current levels.

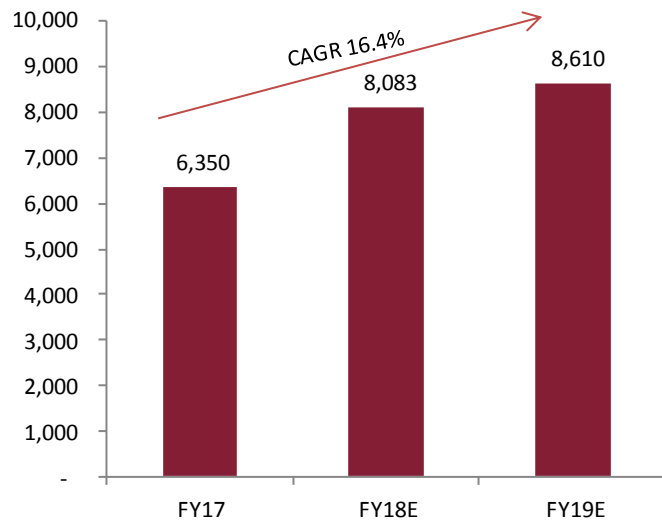
Risk to Call:

Major slowdown in the tourist travelling incase of a global economic slow down.

Problems during executing Punjab E-govt contract.

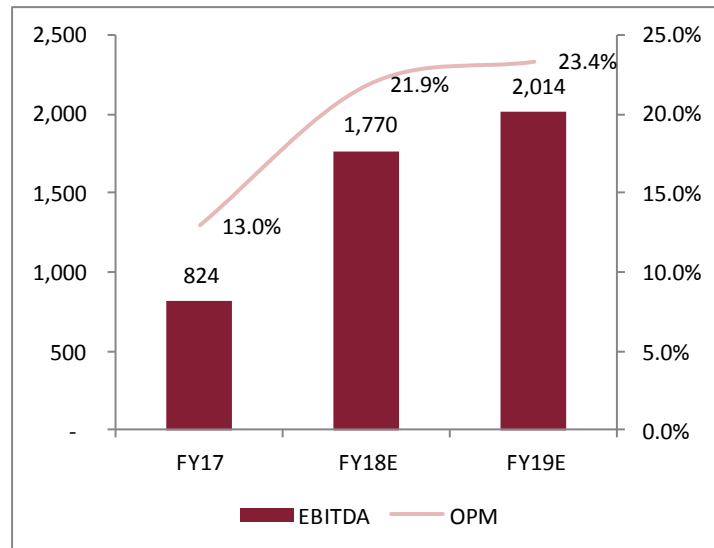
Increase in E-Visas.

Topline is expected to grow by 16.4% CAGR between FY17-19E to Rs.8.6bn on the back growth Spanish Visa Contract and Punjab Govt contract

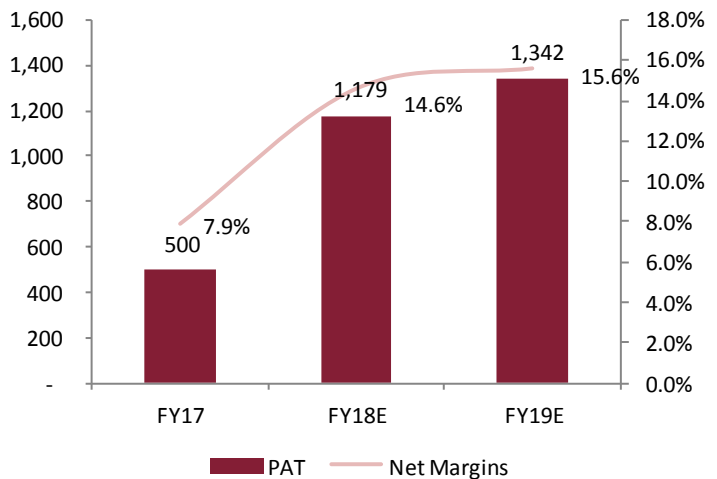
Revenue (Rs mn)


Source: Industry, Indsec

EBITDA is expected to grow by 56.3% CAGR between FY17-19E to Rs. 2.01bn while OPM is expected to be in the region of 23.4%.

EBTIDA (Rs mn) (OPM)

PAT (Rs mn) & PAT Margins

PAT is expected to grow by 63.9% CAGR between FY17-19E to Rs. 1.34bn. While net margins are expected to be in the region of 15.6%



Source: Company & Indsec Research

SUMMARY INCOME STATEMENT

<i>(in mn)</i>	FY14	FY15	FY16	FY17	FY18E	FY19E
Total Income	3,856	4,500	5,050	6,350	8,083	8,610
Cost Of Revenues (incl Stock Adj)	3,139	3,676	4,125	4,678	5,274	5,532
Gross Profit	716	824	925	1,671	2,809	3,078
Employee Cost	331	351	329	417	566	624
Other Operating Expenses	140	185	228	431	473	440
EBITDA	246	287	367	824	1,770	2,014
Other Income	4	4	5	23	32	34
Net Interest Exp.	7	1	3	55	112	117
Depreciation	35	51	55	260	319	370
Exceptional Items	0	0	0	0	0	0
PBT	208	239	314	532	1,371	1,561
Tax	3	3	5	32	192	219
Profit After Tax	205	236	309	500	1,179	1,342
Net Profit	205	236	309	500	1,179	1,342
EPS	2.0	2.3	3.0	4.9	11.5	13.1

SUMMARY BALANCE SHEET

Fiscal Year Ending

<i>(in mn)</i>	FY14	FY15	FY16	FY17	FY18	FY19
Assets						
Net Block	106.0	140.6	153.9	718.4	599.2	428.9
Capital WIP	0.0	0.0	0.0	0.0	0.0	0.0
Intangible Assets	117.2	101.9	88.2	65.8	65.8	65.8
Other Non current Assets	32.8	79.7	20.5	305.2	305.5	306.4
Long term loans and advances	78.4	79.2	0.9	5.7	5.7	5.7
Current Assets						
Current Investment	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	39.2	58.6	22.1	597.0	753.0	825.6
Cash and cash equivalents	79.5	158.5	473.2	664.8	2,009.3	3,704.1
Short-term loans and advances	213.6	416.0	612.5	457.3	531.5	518.9
Other Current Assets	0.0	0.0	0.0	153.4	177.2	165.1
Total Current Assets	332.3	633.1	1,107.8	1,872.6	3,470.9	5,213.7
Current Liabilities & Provisions						
Short-term borrowings	0.0	0.0	0.0	351.2	701.2	1,051.2
Trade payables	61.0	74.0	67.8	130.3	177.2	212.3
Other current liabilities	17.3	54.3	59.3	317.5	376.5	377.4
Short-term provisions	1.3	4.1	4.7	8.9	8.9	8.9
Total Current Liabilities	79.7	132.3	131.8	456.7	562.6	598.6
Net Current Assets	252.6	500.8	976.0	1,415.9	2,908.4	4,615.1
Total Assets	587.1	902.2	1,239.6	2,511.1	3,884.7	5,422.0
Liabilities						
Share Capital	102.5	102.5	102.5	102.5	102.5	102.5
Reserves and Surplus	476.4	732.5	1,085.0	1,542.8	2,685.6	3,992.0
Total Shareholders Funds	578.8	835.0	1,187.5	1,645.2	2,788.1	4,094.5
Minority Interest	0.9	0.8	1.0	1.4	2.2	3.3
Total Debt	0.0	56.3	40.0	838.2	1,068.2	1,298.2
Long Term Provisions	5.3	10.1	11.0	12.3	12.3	12.3
Other Long Term Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Net Deferred Tax Liability	2.1	0.0	0.0	13.9	13.9	13.9
Total Liabilities	587.1	902.2	1,239.6	2,511.1	3,884.7	5,422.0

SUMMARY CASH FLOW STATEMENT						
(in mn)	FY14	FY15	FY16	FY17E	FY18E	FY19E
PBT	208	239	314	532	1,371	1,561
Depreciation Total	35	51	55	260	319	370
After other adjustments	(1)	13	37	19	112	117
(Inc) / Dec in Working Capital	(142)	(168)	(43)	95	(148)	(12)
Taxes	(1)	(3)	(8)	(10)	(192)	(219)
Others	-	-	-	-	-	-
Cash from Ops.	99	133	355	896	1,462	1,818
Capital Expenditure & investments	(96)	(109)	(69)	(1,082)	(200)	(200)
Cash from Investing	(96)	(109)	(69)	(1,082)	(200)	(200)
Issue of Share capital	-	-	-	-	-	-
Net Borrowings	-	56	(16)	447	230	230
Others	-	(1)	(3)	(55)	(112)	(117)
Issuance of Dividend	-	-	-	(6)	(36)	(36)
Cash from Financing	-	55	(19)	386	82	77
Extraordinary receipts/payment	-	-	-	-	-	-
Net Change in Cash	3	79	267	200	1,344	1,695
BF Cash	76	79	158	426	626	1,970
Cash from Merger	-	-	0	(0)	0	-
END Cash	79	158	426	626	1,970	3,665

SUMMARY RATIOS						
	FY14	FY15	FY16	FY17	FY18E	FY19E
<u>Profitability</u>						
Return on Assets	30.7%	22.8%	22.5%	16.8%	26.5%	22.3%
Return on Capital	37.1%	26.9%	25.8%	23.6%	38.5%	31.1%
Return on Equity	35.4%	28.2%	26.0%	30.4%	42.3%	32.8%
<u>Margin Analysis</u>						
Gross Margin	18.6%	18.3%	18.3%	26.3%	34.8%	35.8%
EBITDA Margin	6.4%	6.4%	7.3%	13.0%	21.9%	23.4%
Net Income Margin	5.3%	5.2%	6.1%	7.9%	14.6%	15.6%
<u>Short-Term Liquidity</u>						
Current Ratio	4.2x	4.8x	8.4x	2.3x	2.7x	3.2x
Quick Ratio	4.2x	4.8x	8.4x	2.3x	2.7x	3.2x
Avg. Days Sales Outstanding	4	5	2	34	34	35
Avg. Days Inventory Outstanding	-	-	-	-	-	-
Avg. Days Payables	6	6	5	7	8	9
<u>Long-Term Solvency</u>						
Total Debt / Equity	-	0.1x	0.0x	0.5x	0.4x	0.3x
EBITDA / Interest Expense	32.5x	272.8x	93.0x	10.7x	13.2x	14.4x
<u>Valuation Ratios</u>						
EV/EBITDA	108.5x	92.7x	71.6x	32.7x	14.6x	12.1x
PER	130.7x	113.3x	86.6x	53.5x	22.7x	19.9x
P/B	46.2x	32.0x	22.5x	16.3x	9.6x	6.5x

INDSEC Rating Distribution

BUY : Expected total return of over 25% within the next 12 months.

ACCUMULATE : Expected total return between 10 to 25% within the next 12 months.

REDUCE : Expected total return below 10% within the next 12 months.

SELL : Expected total return is below the market return within the next 12 months.

NEUTRAL: No investment opinion on the stock under review.

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