



**IPO Report**

29<sup>th</sup> Jan'24

**Snapshot**

BLS E-SERVICES is a technology enabled digital service provider, providing (i) Business Correspondents services to major banks in India, (ii) Assisted E-services; and (iii) E-Governance Services at grass root levels in India. Through company's robust network company provide access points for delivery of essential public utility services, social welfare schemes, healthcare, financial, educational, agricultural and banking services for governments (G2C) and businesses (B2B) alike in addition to a host of B2C services to citizens in urban, semi-urban, rural and remote areas.

**VALUATION**

Company is bringing the issue at price band of Rs 129-135 per share at p/e multiple of more than 42x on post issue annualized H1FY24 PAT basis.

Company has asset light business model. Company enable social and financial inclusion in India. Company has multiple cross-selling and up-selling opportunities, network effect and wide reach for customer acquisition. Company's business model with diverse sources of revenue and negligible customer acquisition and retention costs. has successful track record of company's acquisitions.

Hence ,looking after all above we recommend "Subscribe" on issue.

<b>Price Band (Rs./Share)</b>	<b>129-135</b>
<b>Opening date of the issue</b>	<b>30<sup>th</sup> Jan '2024</b>
<b>Closing Date of the issue</b>	<b>01<sup>st</sup> Feb '2024</b>
<b>No of shares pre issue</b>	6,78,26,485 Eq Shares
<b>Issue Size</b>	Rs 297-311 Cr
<b>Fresh issue</b>	2,30,30,000 Equity Shares
<b>Shareholder Res</b>	23,03,000 Equity Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	108
<b>Shareholder Discount</b>	Rs 7/share

<b>BIDDING DETAILS</b>	
<b>QIBs (Including Anchor)</b>	745% of the offer (Approx 1,55,45,250 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 31,09,050 Eq Shares)
<b>Retail</b>	10 % of the offer ( Approx 20,72,700 Eq Shares)
<b>Shareholders</b>	23,03,000 Eq Shares
<b>Lead managers</b>	Unistone Capital Pvt. Ltd
<b>Registrar to the issue</b>	KFin Technologies Ltd.

**WHAT WE LIKE**

***Asset light business model***

Company's merchant led models are a capital light business strategy in respect of network expansion. Company have developed its own technology platform and continue to invest in it for further improvements, which allows company to service a wide pool of citizens and merchants and cater to their diversified requirements. The premises from which BLS Touchpoints and the BLS Stores operate are owned / leased by its merchants and company provide them with necessary technology and other infrastructure (as applicable) enabling them to extend its services to the end consumers. The success of company's reliance on these merchants emanates

***Successful track record of company's acquisitions***

Company have a history of acquiring complementary businesses, that complement company's existing capabilities, revenue streams and marketing presence. For instance, (i) company acquired Zero Mass Private Limited in June 2022, a business correspondent of banks for financial inclusion across the country extending basic banking services to underprivileged and unbanked populations by operating micro-banks in semi-urban, rural and remote areas of India, which have traditionally struggled with financial inclusion. It is the largest BC for the for the one of the largest public sector bank, it has more than 12,784 active BCs as on September 30, 2023; (ii) company acquired Starfin India Private Limited in August 2018, a business correspondent of banks for financial inclusion and (iii) company acquired BLS Kendras Private Limited on October 29, 2022, by entering into an equity swap agreement with its Corporate Promoter which had 365 Sewa Kendras, in the State of Punjab at the time of acquisition.

***Experienced Promoters supported by senior management team with proven track record of performance***

Company is led by a qualified and experienced senior management team, who are supported by a qualified team of managers and other employees. Company's Promoters have substantial industry knowledge and extensive managerial experience in this sector, with cumulative work experience of over 100 years. Company's Promoters have a track record and a demonstrated ability to create, build and grow businesses, including Company, EPACK Polymers Private Limited and EPACK Prefab Solutions Private Limited.



## COMPANY BACKGROUND

Company's merchants act as its interface with the consumers and play a critical role in delivery of goods and services on the ground. Presently, company's merchants are organised in two categories i.e. BLS Touchpoints and BLS Stores. All merchants registered with company are treated as BLS Touchpoints and they have access to offer multiple services being extended by company. BLS Stores are BLS branded stores which offer company's entire suite of offerings to the consumers including availability of select goods on a sample basis supplied by e-commerce players which can be ordered and procured by its consumers after having a touch and feel experience of such goods. As on September 30, 2023, company have 98,034 BLS Touchpoints, which includes 1,016 BLS Stores. Through company's tech-enabled integrated business model, company provide digital and physical products and services in the G2C, B2C, B2B categories in semi-urban, rural and remote areas where penetration of internet is low and citizens need assistance in availing basic technology enabled services. Company organize its business along three primary business segments, (i) Business Correspondents Services; (ii) Assisted E-services; and (iii) E-Governance Services. A key stakeholder in each of company's business segments are merchants, with whom company collaborate for delivery of its products and services to the citizens.

As a part of company's operations, company act as business correspondents ("Business Correspondents") to provide banking products and services on behalf of banks to people while performing a variety of services including opening savings, recurring deposit accounts, cash deposits, withdrawals, remittance, transfer, bill collection services, through company's Subsidiaries, namely ZMPL and Starfin. Company generate revenue from monthly commission; transaction-based commission; and registration Fees. Further, company also provides a variety of Assisted E-Services through retailers and digital stores also known as BLS Touchpoints, including PoS services, ticketing services, assisted e-commerce services, etc. The revenue generated under this business segment is through registration fees; transaction-based commission on goods & services supplied; and support service charge. Company also provide a variety of assisted e-services through retailers and digital stores also known as BLS Touchpoints, including PoS services, ticketing services, assisted e-commerce services, etc. Additionally, company facilitate delivery of various e-governance initiatives of the State Governments in India by providing various information communication technology ("ICT") enabled citizen centric services ("E-Governance Services") through company's merchants also known as BLS Touchpoints to the citizens. Company's E-Governance Services, enable the provision of citizen-centric and front-end services through BLS Touchpoints ranging from birth and death certificates, PAN and Aadhar registrations, property registrations, and other citizen centric services in a transparent and accountable manner. Company has entered into an MOU with the National e-Governance Division ("NeGD") for agent assisted delivery of unified mobile application for new-age Governance ("UMANG") services into its digital platform, offering convenient access of E-Governance Services. Company's revenue structure revolves around a transactional framework. For every service delivered, a transaction fee is levied, along with a fixed government fee. The government fee is remitted to the government department in real-time, facilitated through its payment wallet maintained with the government department. The transaction fee, on the other hand, is validly apportioned, ensuring distribution to BLS Touchpoints and company, as per the pricing dynamics established in each district as per contract.

Particulars	As of Sept 30,2023		Fiscal 2023		Fiscal 2022		Fiscal 2021	
	Amount (in ₹ lakhs) % of revenue from operations	mount (in ₹ lakhs) % of revenue from operations	Amount (in ₹ lakhs) % of revenue from operations	mount (in ₹ lakhs) % of revenue from operations	Amount (in ₹ lakhs) % of revenue from operations	Amount (in ₹ lakhs) % of revenue from operations	Amount (in ₹ lakhs) % of revenue from operations	Amount (in ₹ lakhs) % of revenue from operations
<b>BC Business</b>	10315.28	66.05	14830.95	61.02	2149.49	22.23	1795.56	27.84
<b>EGovernance</b>	4426.41	28.34	8258.27	33.98	7073.66	73.15	4612.02	71.52
<b>Assisted EServices</b>	876.19	5.61	1216.85	5.01	446.66	4.62	41.14	0.64

Company utilize a "phygital" strategy (i.e., physical and digital) that integrates technologically over 98,000 merchant distribution outlets (comprising of BLS Touchpoints and BLS Stores) for assisted payment solutions, remittance, travel, education and insurance products, with a one-stop digital online platform for all of company's offerings. This results in a business model that is difficult to replicate, and which is intended to provide a smooth customer experience regardless of the product, service or location. Becoming "phygital" gives company the ability to offer localised services to its consumers, where trust, knowledge and 'face to face' guidance by company's merchants is readily available to citizens, no matter how remotely they are located. Company also have a history of acquiring complementary businesses and integrating them into its eco-system, company is typically able to achieve growth and improved performance of the newly acquired business within a relatively short timeframe. For instance, company acquired Starfin in the month of August 2018 and ZMPL the month of June 2022, which had 1,384 active CSPs and more than 11,500 active CSPs, respectively at the time of acquisition. Further, in October 2022, company acquired BLS Kendras Private Limited, which had 365 Sewa Kendras, in the State of Punjab at the time of acquisition.



**INVESTMENT RATIONALE**

<p><i>Company enable social and financial inclusion in India</i></p>	<p>The access to technology and financial services gives power to citizens to improve their lives and impact company's communities in positive ways. Semi urban, rural and remote communities are being connected with services and opportunities through digital and financial inclusion. Started in 2006-07, company's Material Subsidiary, ZMPL was the first ever business correspondent in the history of Indian banking system. Company provide a variety of products and services in India through BLS Touchpoints and BC network, including PoS services, ticketing services, assisted e-commerce services, etc. Company's presence in the local market and community help it to connect with citizens easily giving them better access to social and financial inclusion making it easy to establish trust and ensuring the sustainability of company's business model (Source: CRISIL Report). Through company's business model, company is able to provide a wide range of products and greater avenues to increase client penetration and stickiness.</p>
<p><i>Multiple cross-selling and up-selling opportunities, network effect and wide reach for customer acquisition</i></p>	<p>Company's ability to bring together the advantages of G2C, B2B and B2C models within a single platform, provide many touch points for the consumer and back-end entities, thereby enhancing the customer footfall by 4,04,153 consumers at company's BLS Touchpoints and BLS Stores and to increase scalability. This, coupled with company's wide range of products and services that complement each other, results in multiple cross-selling and upselling opportunities, network effects and wide reach for customer acquisition. Due to company's ability to cross-sell various complementary products and services, in addition to company's presence in multiple industries, company typically have low marketing and business promotion expenses and thus, improved opportunities for profitability and unit economics metrics. Accordingly, company have a high operating leverage business model, allowing company to reduce customer onboarding costs over time.</p>
<p><i>Experienced senior management, skilled employees and strong parentage of company's Promoters, Diwakar Aggarwal and Shikhar Aggarwal and Corporate Promoter "BLS International Services Limited"</i></p>	<p>Company's Corporate Promoter, BLS International Services Limited has an established track record for providing visa, passport, consular and other citizen services to state and provincial governments across Asia, Africa, Europe, South America, North America &amp; Middle East through its tech enabled platform and is the only listed company engaged in this domain in India. It is a preferred partner for embassies and governments across the world, having a reputation for setting benchmarks in the domain of visa, passport, consular, e-governance, attestation, biometric, e-visa and retail services. It is recognized as "Best under a Billion Company" by Forbes Asia and is amongst "Fortune India's Next 500 companies". The strong parentage of company's Promoters also helps in attracting talent, exploring potential business opportunities and accessing capital. As on December 31, 2023, the market capitalisation of company's Promoter was ₹13,15,100.46 lakh. Company's Board comprises of Directors with experience in managing technology-based companies. Company's Directors and KMPs have experience in the various industries and have been responsible in augmenting relationships with various stakeholders. Company have a professional leadership team, consisting of its Chairman, Managing Director, Chief Financial Officer and other Key Managerial Personnel, each of whom have considerable experience in the field of technology, e-commerce, business correspondent services and e-governance related services.</p>



## OBJECTS OF OFFER

Company proposes to utilise the Net Proceeds towards funding the following objects:

1. Strengthening company's technology infrastructure to develop new capabilities and consolidating its existing platforms;
2. Funding initiatives for organic growth by setting up of BLS Stores;
3. Achieving inorganic growth through acquisitions; and
4. General Corporate Purposes

## RISKS

Company has limited experience, having begun its operations as a special purpose vehicle ("SPV") in 2016. Thereafter, company acquired Starfin in the month of August 2018 and ZMPL the month of June 2022, which had 1,384 active CSPs and more than 11,500 active CSPs, respectively at the time of acquisition. Further, in October 2022, company acquired BLS Kendras Private Limited, which had 365 Sewa Kendras, in the State of Punjab at the time of acquisition. Sewa Kendras provide E-Governance Services in two out of three zones in the State of Punjab.

Source:RHP



**Consolidated Financials**

(Rs in Mn)

Financials	FY21	FY22	FY23	H1FY24
Total Revenue (A)	6448.72	9669.82	24306.07	15617.88
Total Expenditure (B)	5976.07	8977.49	21000.3	13554.92
EBIDTA	472.65	692.33	3305.77	2062.96
EBIDTA Margin	7.33	7.16	13.60	13.21
Other Income	74.63	169.74	323.20	186.65
Depreciation	7.33	82.01	278.21	137.69
EBIT	539.95	780.06	3350.76	2111.92
Interest	147.73	102.32	392.82	34.38
PBT	392.22	677.74	2957.94	2077.54
Share of profit in associate	0.00	0.00	0.00	-5.68
PBT	392.22	677.74	2957.94	2071.86
Exceptional	0.00	0.00	-260.00	0.00
PBT	392.22	677.74	2697.94	2071.86
Tax	77.40	139.78	664.76	609.43
PAT	314.82	537.96	2033.18	1462.43
NPM	4.88	5.56	8.36	9.36
ROE%	34.30	36.93	16.46	10.66
EPS	0.52	0.89	3.02	2.04
Eq Cap	1.00	1.00	6,672.65	6,672.65
Net Worth	<b>967.90</b>	<b>1,506.69</b>	<b>11,145.21</b>	<b>12,590.89</b>

(Source: RHP)

**Peer Comparison**

Company Name	Face value	P/E	Revenue from operations (Rs in Mn)	EPS	NAV	ROE %
<i>BLS EServices Limited</i>	<i>10</i>	<i>--</i>	<i>24629.27</i>	<i>3.02</i>	<i>18.76</i>	<i>16.46</i>
<b>Peers</b>						
EMudhra Limited	5	56.27	24875.70	8.01	53.02	15.75

(Source: RHP)



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