

**BLS E-SERVICES LIMITED**

**30-01-2024 TO 01-02-2024**

**Industry: IT Enabled Services**

**Price Band: ₹129 -135**

**Recommendation: Subscribe for listing gains**

**Post Implied Market Cap: ₹1,172-1,227 Cr**

### Key Data

Issue Size (₹ Cr)	297 – 311
Fresh (₹)	297 – 311
OFS (₹)	-
No of shares offered	23,030,000
Face Value (₹ /share)	10
Bid Lot	108

### About the Company

BLS E-Services Limited (BLSe), a subsidiary of BLS International Services Ltd., is a leading technology-enabled digital service provider offering E-Governance, Business Correspondent, and Assisted E-services. With a robust, integrated business model, BLSe caters to semi-urban, rural, and remote areas where internet penetration is low, providing essential services in G2C, B2C, and B2B categories. Collaborating with merchants across India, BLSe delivers public utility, social welfare, healthcare, financial, educational, agricultural, and banking services. Acting as a Business Correspondent, BLSe offers various banking products through its subsidiaries, Zero Mass Private Limited (ZMPL) and Starfin, and provides assisted e-services like PoS, ticketing, and e-commerce through BLS Touchpoints.

### Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	2/2/2024
Refunds/Unblocking ASBA Fund	5/2/2024
Credit of equity shares to DP A/c	5/2/2024
Trading commences	6/2/2024

### Investment Rationales

- Asset light business model:** BLS E-Services employs a merchant-led model, emphasizing a capital-light approach for network expansion. Utilizing a proprietary technology platform, the company empowers merchants, who own or lease premises, with necessary infrastructure for BLS Touchpoints and Stores. Background checks and qualification criteria ensure reliable partnerships. Technology-driven operations enable nationwide reach at lower costs, with minimal capital expenditure on merchant onboarding. The company plans to increase BLS Store footprint, assisting merchants financially. Leveraging existing relationships, BLS aims for cross-selling opportunities, enhancing revenue per customer. With over 98,000 merchants, their operational focus, diverse product offerings, and technology investments contribute to an effective business model.
- Enabling social and financial inclusion in India:** BLSe through its various initiatives and services, aims to empower citizens in semi-urban, rural, and remote communities by providing access to technology and financial services. They play a significant role in fostering social and financial inclusion, connecting communities with digital services, and establishing trust through local market presence. The company, operating since 2006-07, was the first business correspondent in the history of the Indian banking system. Leveraging government schemes like Pradhan Mantri Jan Dhan Yojana (PMJDY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), they focus on reaching a wider section of society, including women entrepreneurs. The business model involves a B2B2C services portal and a recently launched BLS Sewa App, contributing to the social and financial inclusion of marginalized communities and citizens at the grassroots level. The company aims to expand its services further to reach more citizens.
- Multiple cross-selling and up-selling opportunities, network effect and wide reach for customer acquisition:** The company's integrated platform, combining G2C, B2B, and B2C models, facilitates increased customer footfall, scalability, and extensive cross-selling opportunities. With a diverse range of complementary products and services, their low marketing expenses contribute to a high operating leverage business model, enhancing profitability. The BLS Sewa app, a one-stop solution, streamlines various services and leverages sophisticated data analytics to predict customer behaviour, fostering effective cross-selling and up-selling. The app has witnessed significant cross-sell traction, further reinforcing the company's holistic approach and data-driven strategies.
- Business model with diverse sources of revenue and negligible customer acquisition and retention costs:** The company's revenue from operations has seen a significant increase, reaching ₹15,617.88 lakhs in the six months period ended September 30, 2023, compared to ₹ 6,448.72 lakhs in Fiscal 2021. This growth is attributed to the expanded services provided through BLS Touchpoints and BCs. The profit before tax (PBT) has also shown substantial improvement, with ₹2,077.54 lakhs in the six months period ended September 30, 2023, compared to ₹392.22 lakhs in Fiscal 2021. The revenue is generated through service fees, transactional commissions, registration fees, and various other charges from both consumers and merchants. The company collaborates with State Governments and PSU Banks, earning service fees or commissions for each successful transaction under contractual terms.
- Successful track record of acquisitions:** The company has a track record of strategic acquisitions to enhance capabilities, revenue streams, and market presence. Key acquisitions include Zero Mass Private Limited in June 2022, a leading business correspondent for financial inclusion with over 12,784 active BCs; Starfin India Private Limited in August 2018, a business correspondent for banks; and BLS Kendras Private Limited in October 2022, with 365 Sewa Kendras in Punjab, acquired through an equity swap agreement with the Corporate Promoter. These acquisitions align with the company's focus on extending services to underprivileged and unbanked populations and strengthening its position in the financial inclusion sector.

### Shareholding (No. of shares)

Pre-Issue	67,826,485
Post Issue (Lower price band)	91,927,260
Post Issue (Higher price band)	90,856,115

### Shareholding Pattern

Promoters	%
Pre Issue	90.25%
Post Issue	67.38%
<b>Promoters Group:</b>	
Pre Issue	2.02%
Post Issue	1.51%
<b>Public - Others:</b>	
Pre Issue	7.72%
Post Issue	31.11%

### Issue Breakup

QIB	75%
NIB	15%
Retail	10%

### Other Details

**BRLMs:** Unistone Capital Pvt. Ltd.

**Registrar:** KFin Technologies Ltd.

**Listing:** BSE & NSE

### Research Analyst

**Rajan Shinde**

rajan.shinde@mehtagroup.in

022-61507142

### Risk

- E- governance projects revenue dependency on promoters.
- Change in policies and regulatory framework.

### MView

We believe BLS E-Services Ltd IPO gives investors an opportunity to invest in a promising player in the technology-enabled digital service providing almost all related services under one roof. We think BLSe merchant based model highlights a capital-light approach for network expansion by leveraging its proprietary technology platform. We also believe the company plays a pivotal role in empowering citizens in semi-urban, rural, and remote areas by providing access to technology and financial services with the "Digital India" move by the government, this company has very bright prospects going forward in the long run. We also think BLSe's integrated platform, combining G2C, B2B, and B2C models, facilitates extensive cross-selling opportunities, network effects, and increased customer footfall. Company's past history of acquisition has enhanced its capabilities, revenue streams, and market presence, reinforcing its position in the financial inclusion sector. By looking at the financials, the company has shown a substantial growth in FY 2022 and FY 2023 with 50%-151%/71%-278% in revenues from operations/ Net profit. On valuation parse at upper band of ₹135/- the issue is asking for a market cap of ₹1227/- cr. Based on annualized FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking a P/E of 42x which seems fairly priced by looking at its revenue and profit growth and peers. Given the BLSe holistic approach, combining G2C, B2B, and B2C models, positions it as a key player in the digital service provider landscape. Hence, we recommend investors to "SUBSCRIBE" BLS-E- Service Ltd IPO for listing gain.



## CONSOLIDATED FINANCIAL TABLES

### BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept' 30	As at March' 31		
	2023 (06)	2023	2022	2021
Equity Share Capital	66.73	66.73	0.01	0.01
Reserve & Surplus	120.37	106.94	15.07	9.68
Net worth	187.10	173.67	15.08	9.69
Revenue from Operations	156.18	243.06	96.70	64.49
Revenue Growth	-	-	151%	50%
EBITDA	22.50	36.29	8.62	5.47
EBITDA Margin % as stated	14.23%	14.73%	8.76%	8.39%
Net Profit for the year	14.68	20.33	5.38	3.15%
Net profit Margin	9.40%	8.36%	5.56%	4.88%
Return on Equity ROE) %	12.92	33.33	43.48	38.91
Debt To Equity Ratio (x)	0.07	0.05	1.01	1.14
EPS	2.04	3.02	0.89	0.52
RONW	10.66%	16.46%	36.93%	34.30%
ROCE	16.69%	30.62%	28.39%	29.68%

Source: Company RHP

### COMPARISON WITH LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	Revenue from Operation FY 2023 (In Cr)	EPS	NAV	P/B	P/E	RONW
BLS E-Servtces Limited	Consolidated	1227	10	243.06	3.23	49.94	2.70	42	16.46%
Emudhra Ltd	Consolidated	3722	5	248.76	8.35	53.02	8.4	57.3	15.75%

Date as on 31st March 2023, Cline Mcap,PE, P2 calculated as on 29-01-2024  
BLS-E- Services. EPS/PE. P!B.NAV calculated on annualised basis post money



# MSEARCH

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### **Msearch's Recommendation (Absolute Performance)**

**Buy: > 20% within the next 12 Months**

**Accumulate: 5% to 20% within the next 12 Months**

**Sell : < -20% within the next 12 Months**

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Mehta Equities Limited, 903, 9th Floor, Lodha Supremus, Dr.E.Moses Road, Worli Naka, Worli, Mumbai 400 018, India  
Tel: +91 22 6150 7101, Fax: +91 22 6150 7102

Email: [info@mehtagroup.in](mailto:info@mehtagroup.in), Website: [www.mehtagroup.in](http://www.mehtagroup.in)

Compliance Officer: Prakash Joshi

Email Id: [compliance@mehtagroup.in](mailto:compliance@mehtagroup.in)

Phone No +91 22 61507180

For grievance redressal contact Customer Care Team Email: [help.kyc@mehtagroup.in](mailto:help.kyc@mehtagroup.in) Phone: + 91 22 61507154