BLS International Services Limited (BLS)

26 November 2018

CMP: ₹125

Q2-FY19 Result Update

Target: ₹263

- BLS International has reported a de-growth of 2.4% in its consolidated revenue at Rs.1821 million in Q2-FY19 as against Rs.1865 million in Q2-FY18. On profitability front, the company has reported operating margins of 19.9% at Rs.363 million in Q2-FY19 as against 23.2% at Rs.433 million in Q2-FY18, compression of 330 basis points due to lower revenue contribution from high margin value added services (Spain). The Company's profit after tax (PAT) margins for the quarter stood 18.1% at Rs.330 million in Q2-FY19 as against 14.4% at Rs.268 million in Q2-FY18, improvement of 376 basis points.

- BLS International marks the second quarter of FY-19 with a number of contracts and awards. It commenced servicing the French Embassy in Jordan from August 2018. Under this project, BLS International will provide key deliverables, which will compose of approximately 25,000 France visa application in Jordan in strategic alliance of its partner. The strategic association linked strengthened the company's presence in Europe and Middle East.

- BLS International Services also signed an agreement with Vision Box in this quarter to cooperate in connection with specific projects or opportunities in the territory of Portugal. An agreement was signed with premium security printing company, a company existing under the laws of Hungary in which BLS will engage them in providing of continuous support in further operations to collaborate and pursue the tender of Ministry of Foreign Affairs, Hungary globally.

- The company also signed an agreement with Speed Identity AB to cooperate in connection with a specific project or opportunity for the Ministry of Foreign Affairs of Sweden, Denmark, Finland and Norway. Speed Identity is a company existing under the laws of Sweden, which is expert service provider of biometric hardware and software products and services.

- The UK Visas and Immigration (UKVI) contract has also started from 12th Nov 2018. The company is expecting around 200,000 to 500,000 applications annually in this contract. The company also introduced value added services including brand new 'Premium Lounge' Service in London and Mobile Biometric enrolment services across the United Kingdom for UK Visas and Immigration (UKVI) on 12th Nov 2018. This will add to the incremental revenues from H2 of FY19.

- Management has commented positive outlook for FY19 as the existing contract is in mature stage. Along with this yield per application and services provided to customer is also increasing. We continue to believe that long term growth prospects of the company remains intact. We continue to remain positive on the stock and maintain BUY rating with target price of Rs.263.

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Quarterly Results

Financial Results (₹ Mn.)

(In ₹ mn)	Q2-FY19	Q2-FY18	Chg
Net Sales	1,821	1,865	-2.4%
Operating Expense	1,458	1,432	1.8%
EBITDA	363	433	-16.3%
Other Income	91	8	
Depreciation	46	102	
EBIT	408	339	20.2%
Interest	29	28	
PBT	379	311	21.7%
Tax	49	43	
Exceptional Items	-	-	
PAT	**330**	**268**	**23.1%**

Margins

Consolidated			
Margins	Q2-FY19	Q2-FY18	Chg BPS
Operating Margin %	19.9%	23.2%	-330
Net Margin %	18.1%	14.4%	376

Source: Company, Anand Rathi Research

BLS International Services Limited (BLS)

Financials

(In ₹ mn)	FY-17	FY-18	FY-19E	FY-20E
Net Sales	6,349	7,891	9,903	12,636
Operating Expense	5,526	6,303	7,783	9,805
EBITDA	823	1,587	2,119	2,830
Other Income	25	41	54	69
Depreciation	260	396	493	651
EBIT	588	1,232	1,680	2,249
Interest	55	124	136	159
Misc. items	-	-	-	-
PBT	533	1,108	1,545	2,090
Tax	32	143	199	269
Minority Interest	(0)	-	-	-
PAT	501	965	1,346	1,821

Margins	FY-17	FY-18	FY-19E	FY-20E
Sales Growth %	25.7%	24.3%	25.5%	27.6%
Operating Margin %	13.0%	20.1%	21.4%	22.4%
Net Margin %	7.9%	12.2%	13.6%	14.4%

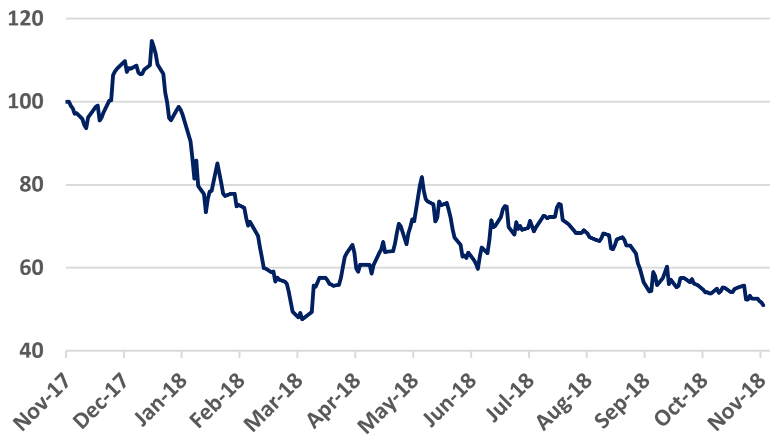
(In ₹ mn)	FY-17	FY-18	FY-19E	FY-20E
Liabilities				
Equity Share Capital	102	102	102	102
Reserve & Surplus	1,543	2,503	3,849	5,670
Totat Shareholder's Funds	1,645	2,605	3,951	5,772
Minority Interest	1	1	1	1
Long-Term Liabilities	487	390	390	390
Other Long-term Liabilities	12	15	15	15
Deferred Tax Liability	14	(33)	(33)	(33)
Short-term Liabilities	824	1,686	2,074	2,647
Total	**2,984**	**4,665**	**6,399**	**8,793**
Assets				
Net Fixed Assets	784	495	327	204
Long-Term L&A	6	6	6	6
Non Current Investments	305	278	278	278
Other Non-Current Assets	-	21	21	21
Current Asset	1,888	3,866	5,768	8,284
Total	**2,984**	**4,665**	**6,399**	**8,793**

(In ₹ mn)	FY-17	FY-18	FY-19E	FY-20E
EPS (₹)	4.9	9.4	13.1	17.7
P/E (x)	25.6	13.3	9.5	7.1
P/B (x)	7.8	4.9	3.2	2.2
ROE	30.4%	37.1%	34.1%	31.5%
ROCE	27.2%	41.4%	38.9%	36.6%

BLS International Services Limited (BLS)

Rating and Target Price history:

BLS rating history & price chart



Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 26th Nov, 2018 close.

BLS rating details

Date	Rating	Target Price (`)	Share Price (`)
28-Sept-17	BUY	310	245
16-Nov-17	BUY	310	244
16-Feb-18	BUY	263	189
29-May-18	BUY	263	200
27-Aug-18	BUY	263	163
26-Nov-18	BUY	263	125

Source: Ace Equity, Anand Rathi Research

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