

# BLS International Services

**BUY**

INDUSTRY	IT Processing		
<b>CMP (as on 27 Jun 2017)</b>	<b>Rs 181</b>		
<b>TP</b>	<b>Rs 271</b>		
Nifty	9,511		
Sensex	30,958		
<b>KEY STOCK DATA</b>			
Bloomberg	BLSIN IN		
No. of Shares (mn)	102		
MCap (Rs bn) / (\$ mn)	19/288		
6m avg traded value (Rs mn)	71		
<b>STOCK PERFORMANCE (%)</b>			
<b>52 Week high / low</b>	<b>Rs 208/97</b>		
	3M	6M	12M
Absolute (%)	9.1	(4.9)	-
Relative (%)	3.9	(24.8)	-
<b>SHAREHOLDING PATTERN (%)</b>			
Promoters	74.24		
FIs & Local MFs	-		
FPIs	0.01		
Public & Others	25.75		
<i>Source : BSE</i>			

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## Core processing unit (CPU)

BLS International (BLS) is globally the second largest visa processing player (after VFS Global). It has operations in 48 countries, and processes visas for countries like Spain, UAE, Russia and China. The company has processed ~18mn applications over the last twelve years. BLS reported healthy revenue growth of 25.7% (Rs 6.35bn) with EBITDA margin expansion of 570bps (13.0%) in FY17.

The company has forayed into e-Governance, after winning a lucrative five-year contract in the Indian state of Punjab. States like Haryana, Delhi and Orissa are likely to replicate this outcome-based model for several citizen services, opening up more opportunities for BLS.

BLS is a niche services provider, growing sustainably at mid-teen margins, with low working capital requirements and high return ratios (~35% RoE). Growth capital can be funded from internal accruals, opening up the scope for long-term value creation. **We initiate coverage with a BUY, and a TP of Rs 271, based on 25x FY19E EPS.**

### Niche, growing and agile

- In Dec-16, BLS won a €175mn (~Rs 13bn) Spanish visa processing contract, spread over five years. It is the first Indian company to bag a Schengen visa contract. BLS expects to process ~2mn Spanish visas annually, at ~€18.5 per visa (~Rs 1,330) for travellers from 48 countries. Five major foreign mission tenders for

~8.6mn visas p.a. are likely to be bidded in FY18-19. The Spanish win will act as an important reference point.

- In Mar-16, BLS won a five-year e-Governance project in Punjab for providing 223 citizen services through 2,147 centres or 'Seva Kendras'. BLS aims to earn ~Rs 85 each from ~29mn applications, at an est. EBITDA margin of 27% in FY18E. Total revenue scope is Rs 14.9bn over five-years. With a phased start, the Punjab project generated Rs 1.07bn (~17% in the FY17 revenue mix). **We see more opportunities opening up in this space for BLS.**
- BLS' revenue/EBITDA grew at a healthy CAGR of 40/52% over FY14-17. Niche focus, strong execution and an asset-light model resulted in a healthy RoE of 35% in FY17. We expect revenue/PAT to grow at a CAGR of 36/45% over FY17-19E, led by the Spanish visa contract and Punjab e-governance project. **Fresh contract wins in both segments of the business are likely to act as triggers for the stock.**

### Financial Summary (Consolidated)

YE	March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Net Revenue		4,500	5,050	6,350	10,723	11,755
EBITDA		287	367	824	1,519	1,733
APAT		236	309	499	989	1,112
Diluted EPS (Rs)		2.3	3.0	4.9	9.7	10.9
P/E (x)		78.7	60.1	37.2	18.8	16.7
EV / EBITDA (x)		64.2	49.5	22.7	12.1	10.2
RoE (%)		33.4	30.5	35.2	47.2	36.4

Source: Company, HDFC sec Inst Research

***Spanish visa processing contract win is the biggest and marks the entry of BLS into the Schengen region.***

***Revenue expected from the project is Rs 13bn (~175 mn Euros) for a period of five years.***

***Realisation from the Spanish contract is double that of the existing visa business.***

***EBITDA margin for the first year will be ~20%, and will increase gradually with rise in convenience services.***

***Capex for the Spain project is ~Rs 0.45bn, and will be funded internally.***

***The whole project will be executed through the Direct (40%) and Partnership Model (60%).***

## Spanish visa processing contract: Huge opportunity

- BLS won the visa processing contract from MAEC (Ministry of Foreign Affairs and Cooperation) of Spain in Dec-16. It is a five-year exclusive contract, wherein 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.
- The total scope of the project is Rs 13bn (~175 mn Euros). This is based on factors like ~2mn annual applications, and facilitation fees of ~18-19 Euros/application (~Rs 1,330/application).
- The company reported revenue of Rs 6.35bn in FY17, which does not include contribution from Spain. Revenue from the Spanish contract will flow from 1QFY18E, and is expected to touch ~Rs 2.53bn in FY18. This is ~40% of FY17 revenue and ~24% of FY18E revenue.
- The company aims at an EBITDA margin of ~20% in the first year. This could increase in the subsequent year, with an increase in the number of visa applications and rise in convenience fees.
- Spain alone will contribute Rs 0.51bn, or ~33% to FY18 EBITDA.
- A major differential in the Spanish contract is that the company will only report net revenue, excluding government fees. In the old visa business, it used to report government plus facilitation fees in its top-line. This resulted in an optically less EBITDA margin of ~7% for FY17. On a net basis, EBITDA margin for the old visa business is also ~25%, similar to the Spanish visa contract.
- The company can also levy additional charges for convenience services like form filling, photography, printing, photocopying, premium lounge etc. This can add Rs 200/application to the facilitation fee.
- The centres for the Spanish visa processing contract were opened in three phases. In phase I, BLS opened offices in 38 countries and 53 cities, in phase II, 43 countries and 98 cities and in phase III, 48 countries in 129 cities. All centers become operational in April-2017.
- The company will operate all these centres under two models viz (1) Direct Centres and (2) Partnership Model.
- In the Direct Centre model, the visa centres will be established and managed by the company. This model will be adopted for centres with higher visa inflows. Direct Centres constitute ~40% of the total centres opened.
- Direct Centres will be funded by internal accruals. The total capex for the Spanish contract will be ~Rs 0.45bn.
- The Partnership Model will be used in ~60% of the centres. 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 centres 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. This will yield ~2x returns to the partner, as compared to the existing bank rate in that particular country.

*The visa processing outsourcing market is opening up, and many new contracts are coming up for renewal.*

*Five foreign mission contacts are coming up, with a potential volume of ~8.6mn visas.*

*BLS is eligible to bid for all these upcoming foreign contracts.*

*Switzerland, France, Greece, Australia and UK Global are the large and important contract coming up for renewal.*

## Significant visa contracts up for renewal

- The company plans to expand its presence in the foreign mission category, which holds immense potential and offers higher yields. For an Indian mission, the realisation is ~Rs 600-800/visa, while it is almost double at ~Rs 1,200-1,400/visa for a foreign mission.
- Around five foreign mission contacts are expected in FY18-19E, with a potential size of ~8.6mn visas (currently ~1.6mn processed by BLS). The company is aiming to procure contracts in Switzerland, France, Greece, Australia and UK.
- BLS is pre-qualified to bid for these contracts. If it wins even one (20% win-rate), the incremental opportunity could be immense.

### Indian And Foreign Mission Contracts Up for Renewal

Contracts in Pipeline	2016	2017	2018
Canada Global	1.50		
Thailand Global for 11 Countries	3.30		
Malaysia	0.19		
Germany	0.17		
Sri Lanka	0.19		
Israel	0.03		
Bulgaria	0.03		
Afghanistan	0.08		
Embassy of Brazil in US	0.30		
<b>Total</b>	<b>5.79</b>		
Swiss Global		3.50	
France Global		0.50	
Greece Global		1.10	
Australia Global		0.50	
<b>Total</b>		<b>5.60</b>	
UK Global			3.00
Embassy of India, Bahrain			0.05
Embassy of India, France			0.15
Embassy of India, Japan			0.13
Embassy of India, Saudi Arabia			0.50
Embassy of India, UK			0.50
Embassy of India, Washington D.C.			0.50
<b>Total</b>			<b>4.83</b>

Source: Company, HDFC sec Inst Research

***BLS is the second largest player globally among visa/passport processing companies.***

***The visa application outsourcing market is a niche one, with only ~30% of the contracts are being outsourced currently.***

***Win from the Afghanistan Embassy has volume of ~200K with realisation of Rs 800/passport.***

***Visa business ex-Spain will grow at a steady rate of 6-7% YoY with 7% EBITDA margin.***

## Existing visa processing business: Steady growth

- The existing visa and passport processing business of BLS is expected to grow at 6 to 7% YoY.
- BLS manages all administrative and non-judgmental work related to the visa application process. It also helps in scheduling interviews for some missions.
- Currently, 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 visa application outsourcing market is a niche one, with few specialised players. This business is largely processed in-house, with only 30% being outsourced. The rise in global travel outsourcing is going to continue, and will provide huge opportunities for companies like BLS.
- 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 focussed on the domestic market, and do not aggressively bid for global tenders.
- VFS Global is the largest player in the application processing space, with ~148mn applications processed till date. This is not pure-play

visa/passport volume, but also includes other types of services. VFS has 2,329 application centres and works with 55 governments across 129 countries.

- The revenue per application in FY17 stood at Rs 3,370, up from Rs 3,313 in FY16. This includes fees which have to be paid to the government. On a net basis, BLS earns ~Rs 600/application (VFS earns ~Rs 1,104/application).
- The existing visa business operates at an EBITDA margin of ~7%, and is expected to remain at the same level.

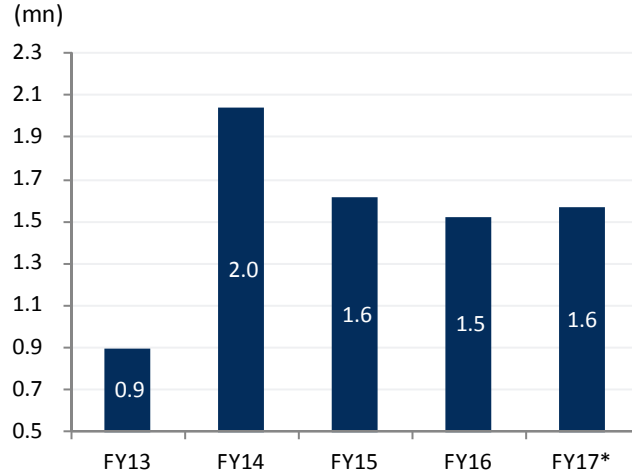
### Win from Afghanistan Embassy to support growth

- In June-17, BLS won a contract from the Embassy of Afghanistan in U.A.E. This contract is related to digitisation of existing passports of Afghanistan citizens in five gulf countries, i.e. UAE, Kuwait, Oman, Bahrain and Qatar.
- BLS will open eight visa application centres to support the Embassy of Afghanistan in the passport upgradation process.
- The company expects ~200,000 to 300,000 applications, and will charge a facilitation fee of ~Rs 800-900/passport.

*On a net revenue basis, BLS earns Rs 600/application from the existing visa business and Rs 3,370/application on a gross revenue basis.*

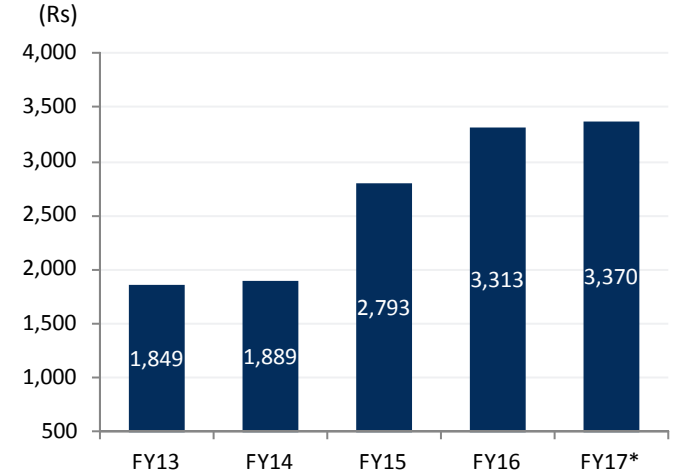
*Spain is an important travel destination, and success of the Spanish contract will help the company to win other upcoming European contracts.*

**Trend Of Total No Of Applications Processed**



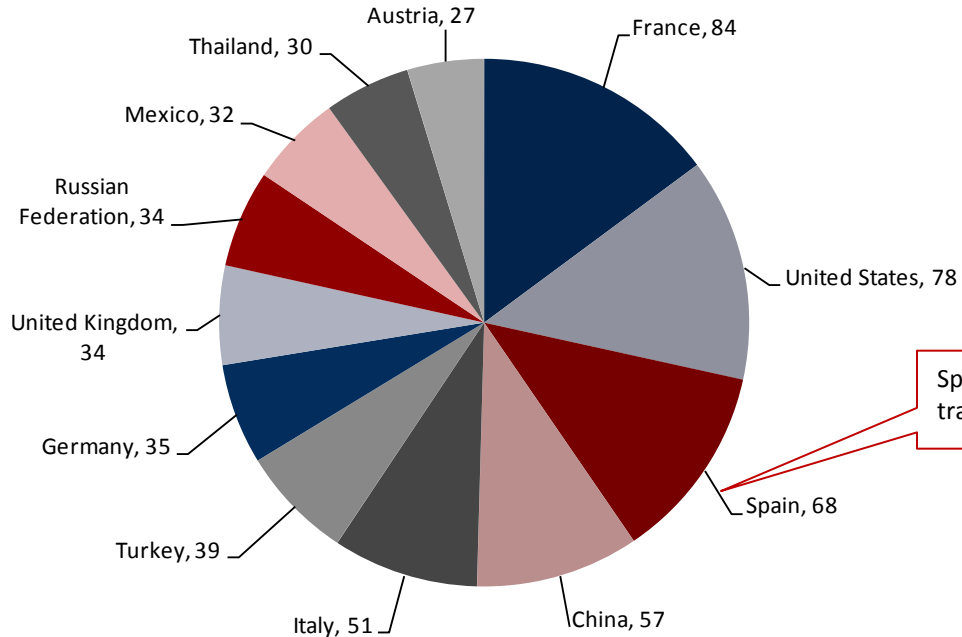
Source: Company, HDF. sec Inst Research, \*FY17 number is our estimates, company will publish numbers in its FY17 annual report

**Revenue Per Application Trend (Rs)**



Source: Company, HDFC sec Inst Research, \*FY17 number is our estimates, company will publish numbers in its FY17 annual report

**Top Travelled Countries In The World by Number Of Arrivals 2015 (mn)**



Source: World Bank, HDFC sec Inst Research

## Punjab e-Governance project: Gathering steam

### BLS successfully started operations of 2,147 Seva Kendras across 22 districts in Punjab

**All 2,174 centres across 22 districts became operational in Dec-16.**

**Current application flow is ~40K/day, which is expected to grow to ~80K applications/day.**

**The company is earning ~Rs 85/application, which can go up to Rs 100/application.**

**Punjab project generated revenue of Rs 1.07bn, which is ~17% of FY17 revenue.**

**EBITDA margin for the project will be ~27% in FY18E, and the margins for five years will be in the range of 27-28%.**

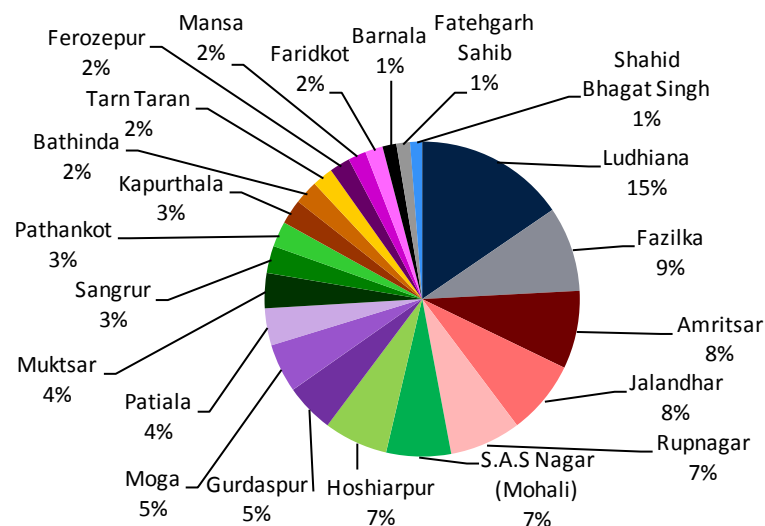
- Punjab State e-Governance Society (PSeGS) awarded BLS International the contract to operate, manage and maintain its 2,147 Seva Kendras for a period of five years in March-16.
  - BLS successfully opened 323 centres in Aug-16, 485 in Sep-16, 376 in Oct-16, 919 in Nov-16 and the finally, 44 in Dec-16.
  - A total of 223 services coming under the Right To Services (RTS) Act will be offered through these Seva Kendras.
  - In FY17, the Punjab e-governance contract generated revenue of Rs 1.07bn (~17% of FY17 revenue).
  - The margin expected from the Punjab e-governance project is ~27% in FY18E.
- Highlights and update of the project**
- PSeGS will equip the Sewa Kendras with internal furnishing and basic utilities like water, electricity, internet, fuel, insurance etc in a phased manner.
  - BLS will provide IT infrastructure and manpower for the project. The company has contracted Randstad for the onboarding of ~4,000 employees.
  - The company has ~200 employees for cash collection, with an average salary of Rs 12K/month each.
  - For infrastructure, BLS has tied up with HP for IT equipment (lease financing of USD 10mn), Nikon for server racks, CP Plus for CCTV cameras, Emerson for UPS and Hitachi for delivery and installation. The total capex for the project is estimated to be ~Rs 700mn.
  - The total scope of the project is Rs 14,880mn for a period of five years. The government will pay BLS within 60 days (without interest) if there are any shortfalls in the revenue. If there is a surplus, BLS will return the excess amount to the government. 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 calculations, revenue collection from all centres should be Rs 198mn/month. Taking an average realisation 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 102mn/month on a realisation of Rs 85/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. This has resulted in the debtors rising from Rs 22mn in FY16 to Rs 597mn in FY17. With the full year contribution streaming in FY18E, debtors are expected to rise further.

### Punjab E-Governance Contract Calculations (Estimates)

Rs mn	FY17E*	FY18E	FY19E	FY20E	FY21E	FY22E	Total
No of Application Processed (mn)	12.3	29.1	30.6	32.1	33.7	23.6	161.6
Realization/application (Rs)	87	85	91	97	100	86	92
Revenue from Application processing	1,071	2,483	2,791	3,103	3,390	2,042	14,880
<b>Total Revenue</b>	<b>1,071</b>	<b>2,483</b>	<b>2,791</b>	<b>3,103</b>	<b>3,390</b>	<b>2,042</b>	<b>14,880</b>
IT Infrastructure Cost	72	198	218	240	264	218	1,210
Manpower Cost	329	869	956	1,052	1,157	743	5,107
Other Direct & Indirect Costs	375	745	837	931	1,017	613	4,518
<b>Total Cost</b>	<b>776</b>	<b>1,813</b>	<b>2,012</b>	<b>2,223</b>	<b>2,438</b>	<b>1,573</b>	<b>10,835</b>
<b>EBITDA</b>	<b>295</b>	<b>670</b>	<b>779</b>	<b>880</b>	<b>952</b>	<b>469</b>	<b>4,045</b>
<i>EBITDA Margin %</i>	<i>27.6%</i>	<i>27.0%</i>	<i>27.9%</i>	<i>28.4%</i>	<i>28.1%</i>	<i>23.0%</i>	<i>27.2%</i>
Finance Cost	39	79	79	79	79	79	433
Depreciation	70	140	140	140	140	78	707
<b>PBT</b>	<b>186</b>	<b>452</b>	<b>560</b>	<b>661</b>	<b>733</b>	<b>313</b>	<b>2,905</b>
TAX	63	154	190	225	249	106	988
<b>PAT</b>	<b>123</b>	<b>298</b>	<b>370</b>	<b>437</b>	<b>484</b>	<b>206</b>	<b>1,918</b>

Source: Company, HDFC sec Inst Research \* Estimates – Punjab revenue breakup not provided by the company

### Punjab District Wise Application Volumes ( Annualised 27.7 Mn Applications)



Source: RFP, HDFC sec Inst Research

**Many other states are looking to replicate the Punjab model.**

**Execution is the main key for the Punjab contract. Success in this initiative will lead to other states adopting the same model.**

## Huge potential in citizen services space

- 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.
- 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.

### Upcoming E-Governance Contracts

State	Client	Annual applications expected (mn)	Time Frame
Madhya Pradesh (State wide)	Dept. of IT & E-Govt. of MP	120	2016-17
ICT for Smart City Bhopal	Bhopal Smart City Development Corporation Limited	2	2017-18
CSC-Haryana e-Seva	Haryana State Electronics Development	20	2018-19
Odisha e-Governance Project	Odisha e-Governance services	25	2018-19
Delhi e-Governance	Delhi e-Governance Society (DeGS)	12	2017
Maharashtra	Dept. of IT & EGovernance, Maharastra	120	2018
Jharkhand	Department of Government Reform,, Jharkhand	60	2018-19

Source: Company, HDFC sec Inst Research



*Total of 2,147 centers across 22 districts will be established to provide full bouquet of citizen service*

*BLS opened 323 centres in Aug-16, 485 in Sep-16, 376 in Oct-16, 919 in Nov-16 and the last 44 centers in Dec-16. All centers were operational in 4QFY17.*

### Zone-wise Numbers Of Sewa Kendras For Punjab Project

Zone 1	Type 1	Type 2	Type 3	Total
Amritsar	1	40	112	153
Gurdaspur	1	0	142	143
Hoshiarpur	1	16	125	142
Jalandhar	1	35	108	144
Kapurthala	1	15	54	70
Pathankot	1	4	39	44
Taran Taran	1	3	94	98
<b>Total</b>	<b>7</b>	<b>113</b>	<b>674</b>	<b>794</b>

Zone 2	Type 1	Type 2	Type 3	Total
Barnala	1	10	40	51
Bathinda	1	34	89	124
Fatehgarh	1	10	38	49
Ludhiana	1	46	144	191
Mansa	1	10	61	72
Patiala	1	31	113	145
Sangrur	1	25	114	140
<b>Total</b>	<b>7</b>	<b>166</b>	<b>599</b>	<b>772</b>

Zone 3	Type 1	Type 2	Type 3	Total
Faridkot	1	2	43	46
Fazilka	1	6	77	84
Ferozepur	1	11	72	84
Moga	1	11	70	82
Muktsar	1	4	73	78
Ropar	1	15	56	72
SAS Nagar	1	34	45	80
SBS Nagar	1	5	49	55
<b>Total</b>	<b>8</b>	<b>88</b>	<b>485</b>	<b>581</b>

<b>Total</b>	<b>22</b>	<b>367</b>	<b>1758</b>	<b>2,147</b>
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Source: RFP, HDFC sec Inst Research

*PSeGS will provide the Sewa Kendras with Internal Furnishing & basic utilities*

*BLS will provide IT Infrastructure and Manpower for handling the project*

*BLS has engaged with Randstad for a supply of employees, they have tied up with HP for IT equipment (Lease financing of USD 10 mn)*

*The total capex for the project is estimated to be around Rs 700mn*

### Infrastructure To Be Provided By BLS For Seva Kendras

Requirement	Type 1	Type 2	Type 3
Desktops	7	4	1
Printers	7	4	1
Scanners	6	3	1
LAN Switch - 24 Ports PoE	1	1	1
2 TB SATA HDD	1	1	1
Network Rack (with size)	1	1	1
UPS (10/5/3 KVA for Type	1	1	1
CCTV Fixed Camera	2	2	2
NVR	1	1	1
Token Management System	1	1	0
Biometric Attendance	1	1	1
Digital Camera with Tripod	6	3	1
Digital Slate with Digital Pen	6	3	1

Source: RFP, HDFC sec Inst Research

Manpower Requirements	Type 1	Type 2	Type 3	Total
Zone Project Coordinator for each Zone				3
District Program Manager				22
Assistant District Program Manager				22
Operators for Counter	132	1,101	1,758	2,991
Center Coordinator cum Facilitator	22	367	-	389
Attendant cum Helper cum Runner	22	73	352	447
Security Guard	22	367	-	389
<b>Total</b>	<b>198</b>	<b>1,908</b>	<b>2,110</b>	<b>4,263</b>

Source: RFP, HDFC sec Inst Research

**Weighted average fee per application will be around Rs 85/application**

**223 citizen services will be offered through these 2,147 Kendras**

**Govt. provided these 41 services through their Suvidha centers which have been converted to Seva Kendras**

### Application Processing Fees For Various Services Under Offering

Department and Services offered	Processing fees / Application (Rs)
<b>Department of Social Security and Women &amp; Child Development Department</b>	
Senior Citizen Identity Card	10
<b>Department of SC BC Welfare</b>	
Application for Caste Certificate SC	50
Application for Caste Certificate BC	50
<b>Department of Health &amp; Family Welfare</b>	
Issuance of Birth Certificate(Rural)	50
Issuance of Death Certificate(Rural)	50
Addition of Name of child in Birth Certificate	35
Correction in Birth/Death Certificate	35
Delayed Registration of Birth/Death	60
Issuance of Birth Certificate(Urban)	50
Issuance of Death Certificate(Urban)	50
<b>Department of Home</b>	
Issuance of Marriage ability Certificate (Under The Special Marriage Act, 1954)	830
Solemnization of Marriage(Under The Special Marriage Act, 1954)	1,160
Registration of Marriage Under The Punjab Compulsory Registration of Marriage Act, 2012	1,200
Issuance of new Arms	1,950
Issuance of Duplicate Arms	370
Renewal of Arms License	370
Entry of Weapon	370
Addition/Deletion of Weapon	930
NOC for Sale of Weapon	400
Permission to Carry the Weapon	400
Application of Extension of Jurisdiction	370
Cancellation of Arm License	400
Change of Address	400
Addition/Deletion of Retainer	400
Change of Bore	400
Permission for Deposit of weapon in death Case	400
Permission for sale / transfer Weapon in Death Case	400
Extension of Cartridges	300

Department and Services offered	Processing fees / Application (Rs)
<b>Department of Food and Civil Supplies</b>	
Issuance of ration card	40
Addition, change and deletion of name in ration card	40
Issuance of Surrender Certificate	20
Issuance of duplicate ration card	25
Rural area certificate	50
<b>Department of Personnel</b>	
Issuance of residence certificate	50
<b>Department of Agriculture</b>	
Issuance and renewal of license for sale of seeds /fertilizers /insecticides	170
Addition of godown in seeds/fertilisers licenses	170
Issuance of duplicate agricultural license of seeds/fertilizers/insecticides	170
Addition of item in license for seeds/fertilisers/insecticides	170
<b>Department of Revenue</b>	
Countersigning of documents	200
Copying of documents	30
Attestation of document	30

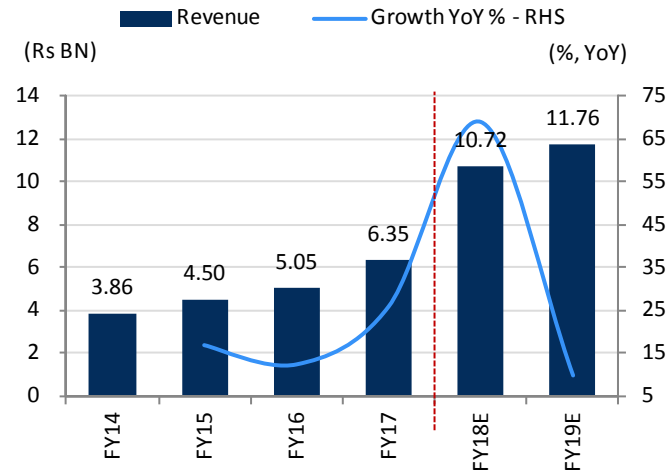
Source: RFP, HDFC sec Inst Research

## Risk and concerns

- Major economic slowdown leading to reduction in global travel.
- Increased adoption of e-visas globally.
- Execution risk for Punjab e-governance project.

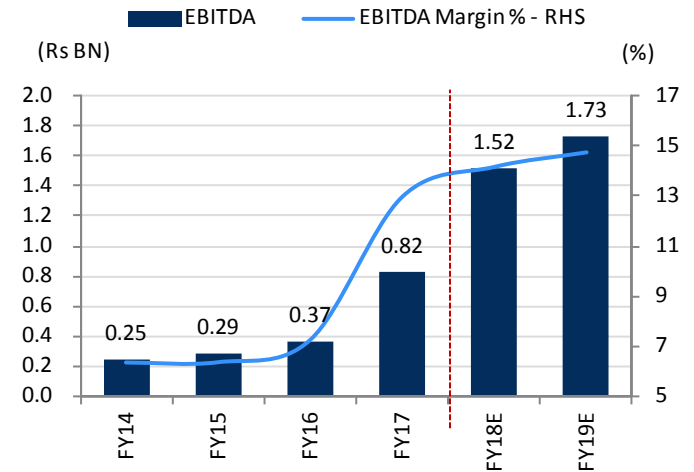
## Financial Charts

### Healthy Revenue Growth Led By Spanish Visa and Punjab E-Governance Contract Wins



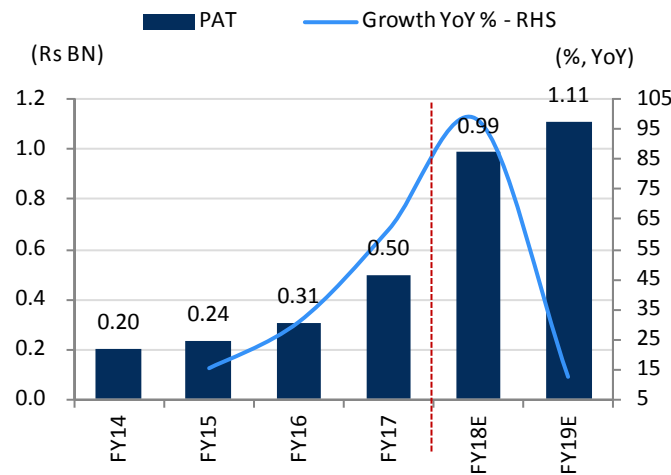
Source: Company, HDFC sec Inst Research

### Strong EBITDA Growth Fuelled By New Contract Wins



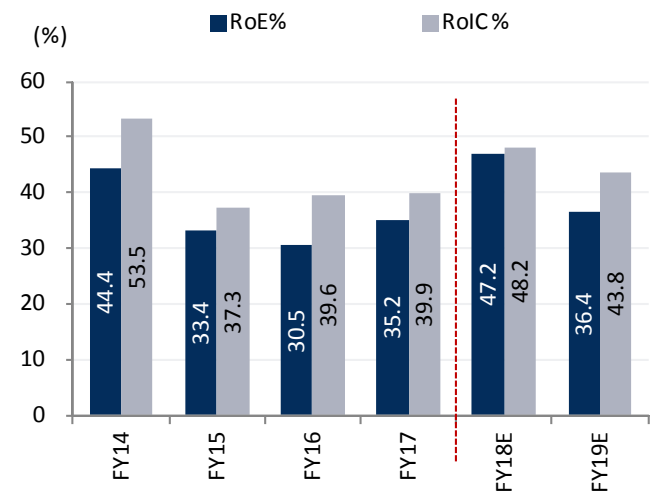
Source: Company, HDFC sec Inst Research

### PAT And PAT Growth



Source: Company, HDFC sec Inst Research

### Healthy Return Ratios



Source: Company, HDFC sec Inst Research

### Key Assumptions & Summary

	FY15	FY16	FY17E	FY18E	FY19E
<b>Visa Processing (ex- Spain)</b>					
No of Visa applications (mn)	1.61	1.52	1.57	1.64	1.73
Growth YoY%	-21.1%	-5.4%	2.8%	5.0%	5.0%
Realisation/Application (Rs)	2,793	3,313	3,370	3,471	3,575
Growth YoY%	47.8%	18.6%	1.7%	3.0%	3.0%
<b>Revenue (Rs mn)</b>	<b>4,500</b>	<b>5,050</b>	<b>5,279</b>	<b>5,709</b>	<b>6,174</b>
Growth YoY%	16.7%	12.2%	4.5%	8.1%	8.2%
<b>Spain Visa Processing</b>					
No of Visa applications (mn)				1.90	2.00
Growth YoY%					5.0%
Realisation/Application (Rs)				1,332	1,399
Growth YoY%					5.0%
<b>Revenue (Rs mn)</b>				<b>2,531</b>	<b>2,790</b>
Growth YoY%					10.3%
<b>EBITDA</b>				<b>506</b>	<b>583</b>
EBITDA Margin %				20.0%	20.9%
<b>Total Visa Processing Business (Old + Spain)</b>					
No of Visa applications (mn)	1.61	1.52	1.57	3.54	3.72
Growth YoY%	-21.1%	-5.4%	2.8%	126.3%	5.0%
Realisation/Application (Rs)	2,793	3,313	3,370	2,325	2,409
Growth YoY%	47.8%	18.6%	1.7%	-31.0%	3.6%
<b>Revenue (Rs mn)</b>	<b>4,500</b>	<b>5,050</b>	<b>5,279</b>	<b>8,240</b>	<b>8,965</b>
Growth YoY%	16.7%	12.2%	4.5%	56.1%	8.8%
<b>EBITDA</b>	<b>287</b>	<b>367</b>	<b>529</b>	<b>849</b>	<b>954</b>
EBITDA Margin %	6.4%	7.3%	10.0%	10.3%	10.6%
<b>Punjab e-Governance Project</b>					
No of Applications (mn)			12.3	29.1	30.6
Growth YoY%				136.1%	5.0%
Realisation/Application (Rs)			87	85	91
Growth YoY%				-1.8%	7.0%
<b>Revenue (Rs mn)</b>			<b>1,071</b>	<b>2,483</b>	<b>2,791</b>
Growth YoY%				131.9%	12.4%
<b>EBITDA</b>			<b>295</b>	<b>670</b>	<b>779</b>
EBITDA Margin %			27.6%	27.0%	27.9%
<b>Total Revenue</b>	<b>4,500</b>	<b>5,050</b>	<b>6,350</b>	<b>10,723</b>	<b>11,755</b>
Growth YoY%	16.7%	12.2%	25.7%	68.9%	9.6%
<b>Total EBITDA</b>	<b>287</b>	<b>367</b>	<b>824</b>	<b>1,519</b>	<b>1,733</b>
EBITDA Margin %	6.4%	7.3%	13.0%	14.2%	14.7%

Source: Company, HDFC sec Inst Research

### Company Timeline

2016	Punjab E-Governance win, Listed on NSE & BSE, Won 1 <sup>st</sup> global visa contract for Schengen country - Spain
2014	Bangladesh Mission in India, Hungary in Azerbaijan
2013	Embassy of India in Vienna (Austria), Beijing (China), Oslo (Norway), Pretoria, Ottawa, Moscow, USA, Hague
2012	Consulate General India, Jeddah High Commission of India, Singapore Ministry of External Affairs (Attestation & Apostle services) in New Delhi, Chandigarh, Jalandhar
2011	Embassy of India, Manila (Philippines), Embassy of India in Seoul (Korea), Embassy of India in Muscat (Oman), Embassy of India in Abu Dhabi (UAE)
2010	Embassy of India in Warsaw (Poland)
2009	Embassy of India in Khartoum (Sudan), Embassy of the State of Kuwait in New Delhi (India)
2008	Embassy of India in Madrid (Spain)
2007	Embassy of Tunisia, New Delhi (India) Embassy of Romania, New Delhi (India)
2006	Embassy of Greece, New Delhi (India) Austrian Embassy, New Delhi (India) Embassy of Belgium, New Delhi India)
2005	Started work for Indian Missions of Malaysia, Portugal, Germany, Republic of Djibouti and Norwegian Embassy

Source: Company, HDFC sec Inst Research

### Management Profile

Name	Designation	Professional details
Nikhil Gupta	MD	35+ years of experience in manufacturing, finance, project management. Has worked with Price Waterhouse Coopers, Novartis India Ltd, Raychem RPG Ltd, RPG Cables Ltd.
Shikhar Agarwal	Joint MD	Graduate from Delhi university, manages international operations and plays a keen role in new business development
Karan Agarwal	Executive Director	A finance graduate from University of Bradford, UK and Finance from Harvard University. 10 year + experience in leading multiple business streams. Plays an instrumental role in managing the finances of the company
Mukul Harmilapi	CFO	CA professional with 27+ years of experience in companies like Complex International and Goldline finance. Joined the company in December 2016.
Charu Khosla	Sr. Vice-President	16+ year of experience in business development, and has been associated with BLS for more than a decade.

Source: Company, HDFC sec Inst Research

**Income Statement (Consolidated)**

YE March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
<b>Net Revenues (Rs mn)</b>	<b>4,500</b>	<b>5,050</b>	<b>6,350</b>	<b>10,723</b>	<b>11,755</b>
<b>Growth (%)</b>	<b>16.7</b>	<b>12.2</b>	<b>25.7</b>	<b>68.9</b>	<b>9.6</b>
Cost of services	3,676	4,132	4,303	4,994	5,405
Employee Benefit	351	329	417	2,188	2,391
Other Expenses	185	221	805	2,022	2,227
<b>EBITDA</b>	<b>287</b>	<b>367</b>	<b>824</b>	<b>1,519</b>	<b>1,733</b>
<b>EBITDA Margin (%)</b>	<b>6.4</b>	<b>7.3</b>	<b>13.0</b>	<b>14.2</b>	<b>14.7</b>
<b>EBITDA Growth (%)</b>	<b>16.9</b>	<b>27.8</b>	<b>124.3</b>	<b>84.4</b>	<b>14.1</b>
Depreciation	51	55	260	308	365
<b>EBIT</b>	<b>236</b>	<b>312</b>	<b>564</b>	<b>1,211</b>	<b>1,368</b>
Other Income (Including EO Items)	4	5	23	27	31
Interest	1	3	55	81	81
<b>PBT</b>	<b>239</b>	<b>314</b>	<b>532</b>	<b>1,157</b>	<b>1,318</b>
Tax (Incl Deferred)	3	5	32	168	206
Minority Interest	(0)	0	0	0	0
<b>RPAT</b>	<b>236</b>	<b>309</b>	<b>500</b>	<b>989</b>	<b>1,112</b>
EO (Loss) / Profit (Net Of Tax)	0	0	0	0	0
<b>APAT</b>	<b>236</b>	<b>309</b>	<b>499</b>	<b>989</b>	<b>1,112</b>
<b>APAT Growth (%)</b>	<b>15.3</b>	<b>30.8</b>	<b>61.7</b>	<b>98.1</b>	<b>12.5</b>
<b>Adjusted EPS (Rs)</b>	<b>2.3</b>	<b>3.0</b>	<b>4.9</b>	<b>9.7</b>	<b>10.9</b>
<b>EPS Growth (%)</b>	<b>15.3</b>	<b>31.0</b>	<b>61.7</b>	<b>98.0</b>	<b>12.5</b>

Source: Company, HDFC sec Inst Research

**Balance Sheet (Consolidated)**

YE March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
<b>SOURCES OF FUNDS</b>					
Share Capital - Equity	102	102	102	102	102
Reserves	733	1,085	1,543	2,445	3,461
<b>Total Shareholders' Funds</b>	<b>835</b>	<b>1,187</b>	<b>1,645</b>	<b>2,548</b>	<b>3,563</b>
Minority Interest	1	1	1	1	1
<b>Total Debt</b>	<b>56</b>	<b>41</b>	<b>838</b>	<b>1,050</b>	<b>1,050</b>
Net Deferred Taxes	0	-4	0	0	0
Long Term Provisions & Others	10	11	26	26	26
<b>TOTAL SOURCES OF FUNDS</b>	<b>902</b>	<b>1,237</b>	<b>2,511</b>	<b>3,626</b>	<b>4,641</b>
<b>APPLICATION OF FUNDS</b>					
Net Block	242	242	784	963	1,041
CWIP	0	0	0	0	0
Investments	17	17	305	305	305
LT Loans & Advances	141	175	6	11	12
<b>Total Non-current Assets</b>	<b>401</b>	<b>434</b>	<b>1,095</b>	<b>1,279</b>	<b>1,358</b>
Inventories	0	0	0	0	0
Debtors	59	22	597	1,028	1,288
Other Current Assets	416	486	611	925	1,035
Cash & Equivalents	159	426	665	1,179	1,820
<b>Total Current Assets</b>	<b>633</b>	<b>934</b>	<b>1,873</b>	<b>3,133</b>	<b>4,143</b>
Creditors	74	68	130	228	248
Other Current Liabilities & Provns	58	63	326	558	611
<b>Total Current Liabilities</b>	<b>132</b>	<b>131</b>	<b>457</b>	<b>786</b>	<b>860</b>
<b>Net Current Assets</b>	<b>501</b>	<b>803</b>	<b>1,416</b>	<b>2,347</b>	<b>3,284</b>
<b>TOTAL APPLICATION OF FUNDS</b>	<b>902</b>	<b>1,237</b>	<b>2,511</b>	<b>3,626</b>	<b>4,641</b>

Source: Company, HDFC sec Inst Research



**Cash Flow Statement (Consolidated)**

YE March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Reported PBT	239	314	532	1,157	1,318
Non-operating & EO items	(4)	(5)	(23)	(27)	(31)
Interest expenses	1	3	55	81	81
Depreciation	51	55	260	308	365
Working Capital Change	(167)	(42)	(277)	(422)	(297)
Tax Paid	(6)	(8)	(32)	(168)	(206)
<b>OPERATING CASH FLOW ( a )</b>	<b>114</b>	<b>317</b>	<b>515</b>	<b>930</b>	<b>1,230</b>
Capex	(72)	(55)	(802)	(486)	(442)
Free cash flow (FCF)	42	262	(287)	443	788
Investments	(46)	(25)	(201)	0	0
Non-operating Income	4	5	23	27	31
<b>INVESTING CASH FLOW ( b )</b>	<b>(114)</b>	<b>(75)</b>	<b>(980)</b>	<b>(460)</b>	<b>(412)</b>
Debt Issuance/(Repaid)	56	(15)	797	212	0
Interest Expenses	(1)	(3)	(55)	(81)	(81)
FCFE	98	244	455	574	707
Share Capital Issuance	0	0	0	0	0
Dividend	0	0	(42)	(86)	(97)
<b>FINANCING CASH FLOW ( c )</b>	<b>55</b>	<b>(18)</b>	<b>700</b>	<b>45</b>	<b>(178)</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>55</b>	<b>224</b>	<b>235</b>	<b>514</b>	<b>641</b>
EO Items, Others	24	44	(4)	0	0
<b>Closing Cash &amp; Equivalents</b>	<b>159</b>	<b>426</b>	<b>665</b>	<b>1,179</b>	<b>1,820</b>

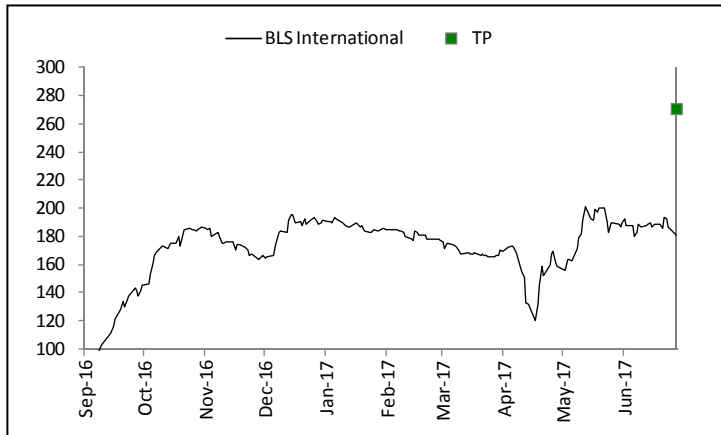
Source: Company, HDFC sec Inst Research

**Key Ratios (Consolidated)**

	FY15	FY16	FY17	FY18E	FY19E
<b>PROFITABILITY (%)</b>					
GPM	18.3	18.2	32.2	53.4	54.0
EBITDA Margin	6.4	7.3	13.0	14.2	14.7
APAT Margin	5.2	6.1	7.9	9.2	9.5
RoE	33.4	30.5	35.2	47.2	36.4
RoIC (or Core RoCE)	37.3	39.6	39.9	48.2	43.8
RoCE	31.8	29.2	29.4	34.5	28.6
<b>EFFICIENCY</b>					
Tax Rate (%)	1.4	1.5	6.0	14.5	15.6
Fixed Asset Turnover (x)	12.4	12.1	5.2	6.3	5.5
Inventory (days)	0	0	0	0	0
Debtors (days)	5	2	34	35	40
Other Current Assets (days)	34	35	35	32	32
Payables (days)	6	5	9	9	9
Other Current Liab & Provns (days)	5	5	19	19	19
Cash Conversion Cycle (days)	27	27	42	38	44
Debt/EBITDA (x)	0.2	0.1	1.0	0.7	0.6
Net D/E (x)	(0.1)	(0.3)	0.1	(0.1)	(0.2)
Interest Coverage (x)	269	91	10	15	17
<b>PER SHARE DATA (Rs)</b>					
EPS	2.3	3.0	4.9	9.7	10.9
CEPS	2.8	3.6	7.4	12.7	14.4
Dividend	0	0	0	1	1
Book Value	8	12	16	25	35
<b>VALUATION</b>					
P/E (x)	78.7	60.1	37.2	18.8	16.7
P/BV (x)	22.2	15.6	11.3	7.3	5.2
EV/EBITDA (x)	64.2	49.5	22.7	12.1	10.3
EV/Revenues (x)	4.1	3.6	3.0	1.7	1.5
OCF/EV (%)	0.6	1.7	2.7	5.0	6.9
FCF/EV (%)	0.2	1.4	-1.5	2.4	4.4
FCFE/Mkt Cap (%)	0.5	1.3	2.5	3.1	3.8
Dividend Yield (%)	0.0	0.0	0.2	0.4	0.4

Source: Company, HDFC sec Inst Research; N.A – Not Applicable

**RECOMMENDATION HISTORY**



Date	CMP	Reco	Target
28-Jun-17	181	BUY	271

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- BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
- NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
- SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

**INSTITUTIONAL RESEARCH**
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