

IPO Details		Company Background					
Opening Date	Jan 30, 2024	<ul style="list-style-type: none"> BLS E-Services Limited was originally incorporated in the year 2016 and has its registered office in New Delhi, India. The company 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 grassroots levels in India. The 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). As of 30th November 2023, the Company had 791 employees on its payroll. 					
Closing Date	Feb 01, 2024						
Stock Exchange	NSE, BSE						
Lot Size	108 Shares						
Issue Price	₹ 129 to ₹ 135 per share						
Issue Size	Aggregating up to 310.91 Cr.						
Fresh Issue Offer for Sale	Aggregating up to 310.91 Cr.						
Application Amount (Price at Upper Band)	Min. Inv. - ₹ 14,580 (108 shares) Max. Inv. - ₹ 1,89,540 (1,404 shares)						
IPO Objective							
1. Strengthening the technology infrastructure to develop new capabilities and consolidating the existing platforms.							
2. Funding initiatives for organic growth by setting up BLS Stores							
3. Achieving inorganic growth through acquisitions.							
4. General corporate purposes.							
Pre-Issue Shareholding		Market Capitalization (In Cr.)					
Category	No. of Shares	% of Total Shares	Pre-Issue	Post-Issue			
Promoter & Promoter Group	6,25,91,485	92.28 %	₹ 916	₹ 1,227			
Public	52,35,000	7.72 %	Financial Summary (In Cr.)				
Promoter of the Company			For the Period Ended	Mar-21	Mar-22	Mar-23	Sept-23
1.	Diwakar Aggarwal		Total Assets	40.59	55.93	179.47	213.77
2.	Shikhar Aggarwal		Net Assets	9.68	15.07	106.94	120.37
3.	BLS International Services Limited		Total Borrowings	11.02	8.76	-	-
Competitive Strengths			Total Revenue	65.23	98.40	246.29	158.05
1.	Asset light business model		Profit After Tax	3.15	5.38	20.33	14.68
2.	Enable social and financial inclusion in India		Tentative Timeline				
3.	Multiple cross-selling and up-selling opportunities, network effect and wide reach for customer acquisition.		Opening Date	Jan 30, 2024			
4.	Business model with diverse sources of revenue and retention costs.		Closing Date	Feb 01, 2024			
5.	Successful track record of the acquisitions.		Basis of Allotment	Feb 02, 2024			
6.	Experienced senior management, and skilled employees.		Initiation of Refunds	Feb 05, 2024			
			Credit of Shares to Demat	Feb 05, 2024			
			Listing Date	Feb 06, 2024			

Company Background and Analysis

BLS E-Services Limited was originally incorporated on April 12, 2016. Company is a technology enabled digital service provider, providing,

(i) Business Correspondents services to major banks in India – As a part of its operations, company acts 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 its Subsidiaries, namely ZMPL and Starfin. Company generates revenue from monthly commission; transaction-based commission; and registration Fees.

(ii) Assisted E-services – Company 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.

(iii) E-Governance Services at grass root levels in India – Company facilitates 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 its 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. Revenue structure revolves around a transactional framework. For every service delivered, a transaction fee is levied, along with a fixed government fee.

The table below set forth the revenue generated from business segments:

(Amount in Cr.)

Particulars	Mar-21		Mar-22		Mar-23		Sep-23	
	Amt	%	Amt	%	Amt	%	Amt	%
BC Business	17.96	27.84	21.49	22.23	148.31	61.02	103.15	66.05
E-Governance	46.12	71.52	70.74	73.15	82.58	33.98	44.26	28.34
Assisted E-Services	0.4114	0.64	4.4666	4.62	12.17	5.01	8.7619	5.61
Total	64.49	100	96.70	100	243.06	100	156.18	100

Through its robust network company provides 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. 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, these merchants are organised in two categories i.e.

BLS Touchpoints and BLS Stores. All merchants registered with the company are treated as BLS Touchpoints and they have access to offer multiple services being extended by the company.

BLS Stores are BLS branded stores which offer the 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 the consumers after having a touch and feel experience of such goods. As on September 30, 2023, Company has 98,034 BLS Touchpoints, which includes 1,016 BLS Stores.

To conclude, BLS E-Services Limited was incorporated in 2016, and has decent experience in the industry. Currently company derives most of its revenue from Business Correspondents services. Services provided by the company has wide application in various industries.

Business Strategies

1. Strengthening and integrating the technology backbone -

The company aims to develop solid technology and processes for effective execution, utilizing the exciting opportunities of digitalization, last-mile penetration and improved service quality. The company intends to integrate the existing technology platforms into a common technology platform comprising a common service portal and mobile application.

2. Grow the merchants and BLS Stores network -

The Company intends to become the “Go to Market Platform” for various business verticals including fintech and digital platforms.

3. Pursue strategic investments and acquisitions to enhance product and service capabilities -

The Company intends to continue making accretive acquisitions in geographies of interest and in complementary business areas, while centralizing all the core functionalities, to facilitate efficiencies and cross-selling opportunities.

4. Leverage existing market position to grow each business segment -

The company aims to continue growing each of the business segments with a particular focus on the cross-selling strategies, which the company believes will further entrench the value proposition with the consumers and is consistent with the mission to serve the consumers’ entire digital journey in a comprehensive manner by merging all the product and service functionalities into a single ecosystem.

Competitive Scenario and Peer Mapping

Competition

The company operates in a competitive environment and faces competition across all the product and service segments. The company compete closely across product and service types with a wide range of entities for instance, competes closely with other BC operators in the domestic remittance, micro-ATM and AePS offerings as BC operators are the “last mile” service providers operating on behalf of other banks. In addition, the company competes closely with regional rural banks, public sector banks and small finance banks. The industry has fewer barriers to entry. The bargaining power with the customers is moderate in the sector in which the company operates.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	BLS E-Services Limited	Emudhra Limited
	31st Mar 2023	31st Mar 2023
Net Profit Margin	8.36%	24.50%
EBITDA Margin	12.53%	34.94%
Return on Capital Employed	22.95%	17.57%
Return on Equity	3.40%	15.60%
EPS (INR)	3.02	7.90

The comparison of the key performance indicators of the listed peers as on Mar-22 is given below –

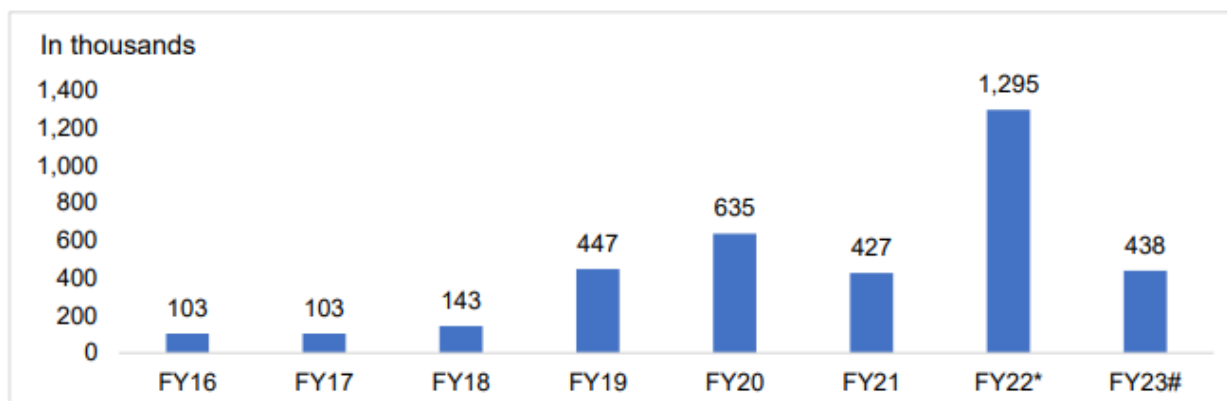
Particulars	BLS E-Services Limited	Emudhra Limited
	31st Mar 2022	31st Mar 2022
Net Profit Margin	5.56%	22.40%
EBITDA Margin	7.16%	36.61%
Return on Capital Employed	21.00%	28.57%
Return on Equity	24.62%	26.80%
EPS (INR)	0.89	5.90

The comparison of the key performance indicators of the listed peers as on Mar-21 is given below –

Particulars	BLS E-Services Limited	Emudhra Limited
	31st Mar 2021	31st Mar 2021
Net Profit Margin	4.88%	18.94%
EBITDA Margin	7.33%	30.30%
Return on Capital Employed	33.04%	19.62%
Return on Equity	28.43%	23.36%
EPS (INR)	0.52	2.49

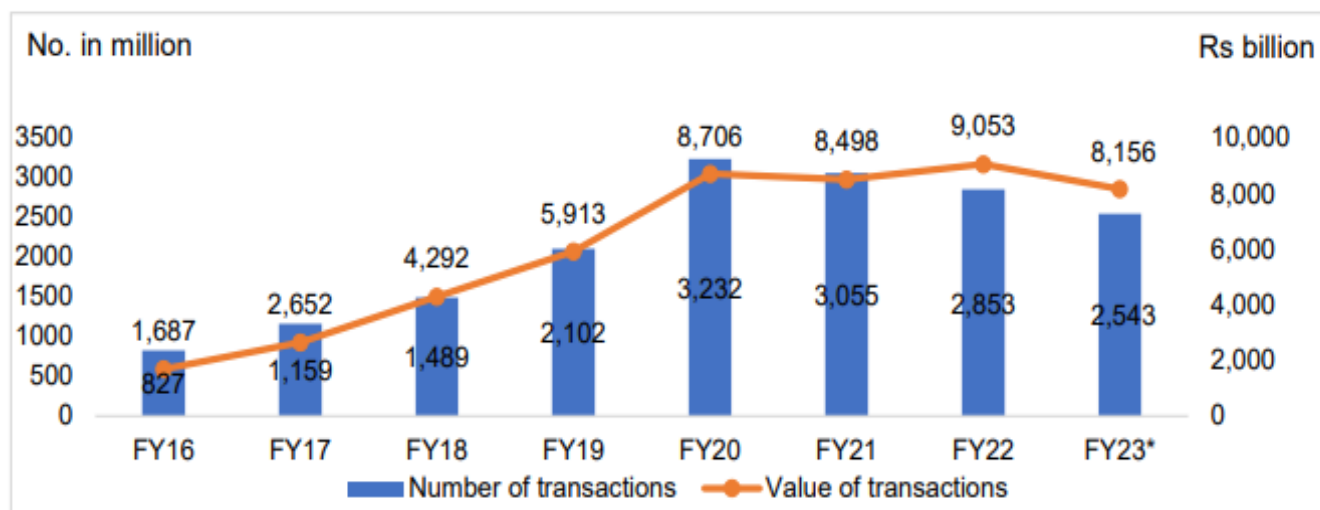
Industry Overview

Exhibit 1: Urban location covered through BC's



Note: *FY22 – provisional data by the RBI, there is a significant increase in data reported by few private sector banks for FY22. #FY23 data is till December 2022; Source: RBI, CRISIL MI&A Research

Exhibit 2: Number of BC-ICT transactions and value of transactions.



Note: *FY23 data is till December 2022; Source: RBI, CRISIL MI&A Research

(Source: prospectus)

Business correspondent industry in India -

The number of bank credit accounts in rural areas grew at a 14% CAGR between fiscal 2017 and fiscal 2022; further, the number of bank deposit accounts grew at a 5% CAGR between fiscal 2017 and fiscal 2022. An increase in banking credit and deposit accounts in rural and semi-urban areas would give a boost to the BC business as it may increase the value and volume of transactions through BCs.

A Business Correspondent (BC) is an entity which acts as a teller for the bank and carries out a full range of transactions on behalf of the bank, in return for commissions on the services rendered. It is a model that enables people in remote areas of India to access formal financial institutions. The RBI has also allowed banks to designate business facilitators, who can refer customer proposals or facilitate banking transactions but are not allowed to carry out actual transactions. The concept of BCs is to address the needs of banks, which need to reach out to a wider section of society, as well as underprivileged people with no access to credit. With no access to credit, underprivileged people often have to invest their personal savings in health and entrepreneurial activities, leaving them highly vulnerable to adverse circumstances. Starting in 2006-07, Zero Mass Private Limited (now a subsidiary of BLS E-services Limited) was the first-ever business correspondent in the history of the Indian banking system.

Some of the intermediaries are small-time shop owners and retired workers who set up their own individual services for extra income or may work as agents to the large fintech BCs. Others are corporations that are further enabled by technological advancement and have their independent strategic approach. These corporates are either diversified service providers which offer various products and functionalities to customers all under one roof or act as BCs for banks or other such institutions or focussed entities which specialise in a specific product to enhance customer experience. Banking agents deployed by network managers have diverse business models, cost structures and revenue drivers, agent typology, products, and processes.

The Reserve Bank of India has taken several initiatives over the years to increase banking outreach and ensure greater financial inclusion. A significant step in this direction was the issue of RBI guidelines in January 2006 for engagement of Business Correspondents (BCs) by banks for providing banking and financial services. Initially, only non-governmental organisations and microfinance institutions (MFIs) set up under the Trust Act or Section 25 companies and post offices were allowed to function as BCs. Later, in the September 2010 circular of RBI, the guidelines were expanded to include individuals, local grocery shops, and even for-profit companies (excluding NBFCs). In fact, even SHG members called 'bank sakhis', were trained to provide a range of financial and non-financial services on behalf of the bank to their communities, as part of the Rural Financial Institutions Programme, a joint NABARD-GIZ programme launched in 2012.

(Source: Prospectus)

Key Managerial Personnel

Diwakar Aggarwal, aged 60 years, is one of the Promoters and Non-Executive Director of the Company. He holds a bachelor's degree in commerce (honours). He has over 30 years of experience in providing technology-enabled services to governments and citizens with his association with the BLS group of companies since 1991.

Shikhar Aggarwal, aged 32 years, is one of the Promoters and Non-Executive Director of the Company. He holds a bachelor's degree in arts. He has over 6 years of experience in providing technology-enabled services to governments and citizens with his association with the BLS group of companies.

Rahul Sharma, aged 38 years, is the Executive Director, and Chief Financial Officer of the Company. He holds a Bachelor of Commerce (Hons) degree and is a qualified Chartered Accountant. He has been associated with the BLS group since the year 2011. He has over 16 years of experience in the field of taxation, finance and accounts.

Shivani Mishra, aged 32 years, is the Independent Director of the Company. She holds a bachelor's degree in commerce and a master's degree in business administration. Presently, she is also associated with Bright Avenue School as a senior manager account and has more than nine years of experience in the field of finance and accounts.

Ram Prakash Bajpai, aged 79 years, is the Independent Director of the Company. He holds a bachelor's degree in science. He was awarded a doctorate in physics from the Indian Institute of Technology, Delhi and a doctorate in science from Hokkaido University, Japan. He has been associated with the Central Scientific Instruments Organisation, under the Department of Scientific & Industrial Research, Ministry of Science & Technology, the Government of India.

Rakesh Mohan Garg, aged 64 years, is the Independent Director of the Company. He holds a bachelor's degree in arts (honours) in mathematics and a Master of Business Administration degree. He retired as the Indian Revenue Services officer of the 1983 batch. He was also the principal chief commissioner of the Income Tax Department, Delhi region.

Manoj Joshi, aged 66 years, is the Independent Director of the Company. He holds a bachelor's degree in commerce and a master's degree in commerce. He has over three decades of experience in the area of board management. He is presently associated with Morepen Laboratories Limited as an independent director.

To conclude, the company has three promoters, out of which there are two individual promoters, and they have good experience and knowledge in the sector in which the company operates. The Remaining Directors of the company have decent knowledge and experience in their respective fields which helps in the overall growth of the company.

Financial Snapshot

Profit and Loss Statement					(In Cr.)
Particulars	FY 21	FY 22	FY 23	Sep-23	
Revenue from Operations	64.49	96.70	243.06	156.18	
Other Income	0.75	1.70	3.23	1.87	
Total Income	65.23	98.40	246.29	158.05	
Expenses					
Cost of Services	41.95	63.52	161.56	105.23	
Changes in inventories of finished goods, work-in-process and Stock-in-Trade	-	-	-	-	
Employee benefits expense	3.81	6.41	23.23	14.16	
Finance Costs	1.48	1.02	3.93	0.34	
Depreciation and Amortization expense	0.07	0.82	2.78	1.38	
Other expenses	14.00	19.85	25.21	16.16	
Total Expenses	61.31	91.62	216.71	137.27	
Earnings Before Interest, Taxes, Depreciation & Amortization	4.73	6.92	30.46	20.63	
EBITDA Margin	7%	7%	13%	13%	
Profit before exceptional and extraordinary items and tax	3.92	6.78	29.58	20.78	
Exceptional items	-	-	2.60	-	
Profit/(Loss) before tax	3.92	6.78	26.98	20.78	
Tax Expense					
Current Tax	0.80	1.68	6.46	5.07	
Deferred Tax Charge / (credit) for the year/period	-0.02	-0.31	0.90	1.02	
Tax expense for earlier years	0.00	0.02	-0.71	-	
Total Tax Expense	0.77	1.40	6.65	6.09	
Profit/(Loss) for the year	3.15	5.38	20.33	14.68	
Net Profit Margin	5%	5%	8%	9%	

Balance Sheet					(In Cr.)
Particulars	FY 21	FY 22	FY 23	Sep-23	
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	0.13	0.20	1.07	1.03	
Right of use assets	-	6.35	4.93	7.51	
Goodwill	8.01	8.01	81.49	81.49	
Other Intangible Assets	0.00	0.02	0.02	0.02	
Financial Assets	-	-	-	-	
Other financial assets	8.30	10.30	11.66	10.29	
Deferred Tax Assets (Net)	2.50	2.80	2.68	1.73	
Non-current tax assets (net)	0.96	1.44	7.39	8.70	
Total Non-Current assets	19.90	29.13	109.23	110.77	
Current Assets					
Inventories	-	-	0.56	2.63	
Financial Assets					
(i) Investments	-	-	-	3.57	
(ii) Trade Receivables	8.85	8.54	18.22	23.83	
(iii) Cash and Cash Equivalents	7.50	6.05	15.71	21.36	
(iv) Other Bank Balances	1.84	7.60	29.39	40.97	

Balance Sheet					(In Cr.)
(v) Loans and advances	0.47	-	-	-	-
(vi) Other financial assets	1.38	2.08	1.30	4.85	4.85
Other current assets	0.65	2.53	5.05	5.80	5.80
Total Current assets	20.68	26.80	70.23	103.00	103.00
Total Assets	40.59	55.93	179.47	213.77	213.77
EQUITY AND LIABILITIES					
Equity					
Share Capital	0.01	0.01	66.73	66.73	66.73
Other Equity	1.40	6.78	40.21	53.64	53.64
Share capital pending allotment	8.27	8.27	-	-	-
Total equity attributable to equity holders of the company	9.68	15.07	106.94	120.37	120.37
Non-controlling interests (NCI)	-	-	451.18	553.89	553.89
Total Equity	9.68	15.07	558.12	674.26	674.26
Liabilities					
Non-current liabilities					
Financial Liabilities					
(i) Borrowings	-	7.26	-	-	-
(ii) Lease liabilities	-	5.53	3.87	5.96	5.96
Provisions	0.16	0.24	0.26	0.38	0.38
Other non-current liabilities	-	-	-	2.50	2.50
Total Non-current liabilities	0.16	13.03	4.13	8.85	8.85
Current liabilities					
Financial Liabilities					
(i) Borrowings	11.02	1.50	-	-	-
(ii) Trade Payables	-	-	-	-	-
total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-
total outstanding dues of creditors other than micro enterprises and small enterprises	1.61	7.94	2.49	1.49	1.49
(iii) Other Financial Liabilities	16.83	15.23	53.36	64.72	64.72
Lease Liability	-	0.93	1.31	1.92	1.92
Provisions	0.03	0.01	0.02	0.47	0.47
Other current liabilities	1.27	2.22	6.69	10.42	10.42
Total Current liabilities	30.75	27.83	63.88	79.01	79.01
Total Liabilities	30.91	40.86	68.01	87.86	87.86
Total Equity and Liabilities	40.59	55.93	626.13	762.12	762.12

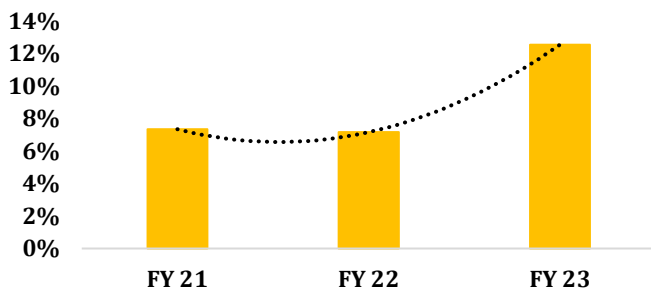
Cash Flow Statement					(In Cr.)
Particulars	FY 21	FY 22	FY 23	Sep-23	
Net Cash Flow from Operating Activities	8.64	19.74	28.87	20.36	20.36
Net Cash Flow from Investing Activities	-0.57	-13.62	-65.63	-13.32	-13.32
Net Cash Flow from Financing Activities	-4.81	-6.05	15.71	21.36	21.36

Ratio Sheet				
Particulars	FY 21	FY 22	FY 23	Sep-23*
Per Share Data				
Diluted EPS	0.52	0.89	3.02	3.42
BV per share	1.07	1.66	11.77	49.41
Operating Ratios				
EBITDA Margins	7%	7%	13%	13%
PAT Margins	5%	5%	8%	10%
Inventory days	-	-	0.84	3.08
Debtor days	50.07	32.24	27.37	27.92
Creditor days	14.02	45.65	5.63	2.59
Return Ratios				
RoCE	47%	22%	24%	9%
RoE	33%	36%	4%	7%
Valuation Ratios (x)				
EV/EBITDA	2.79	2.57	3.00	10.36
Market Cap / Sales	19.02	12.68	5.05	3.93
P/E	259.62	151.69	44.70	39.46
Price to Book Value	126.72	81.41	11.47	2.73
Solvency Ratios				
Debt / Equity	1.14	0.10	-	-
Current Ratio	0.67	0.96	1.10	1.30
Quick Ratio	0.67	0.96	1.09	1.27
Asset Turnover	1.59	1.73	1.35	0.73
Interest Coverage Ratio	3.15	5.96	7.05	56.00

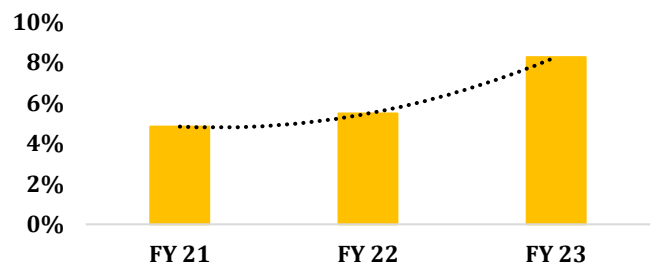
*Annualized Figures

Financial Charts

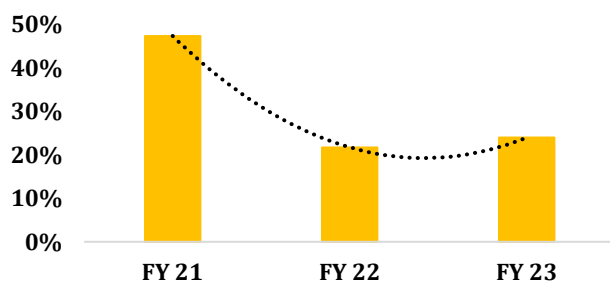
EBITDA Margin



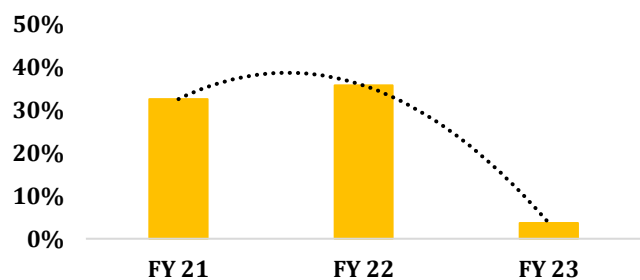
Net Profit Margin



Return On Capital Employed



Return on Equity



Key Risk Factors

1. There are pending litigations against the Company, Promoters, Subsidiaries and Group Companies amounting to Rs. 1,019.28 lakhs. Any adverse decision in such proceedings may adversely affect the business, results of operations and financial condition.
2. The company has certain contingent liabilities amounting to Rs. 2,273.79 lakhs which could materially and adversely affect the business, results of operations and financial condition.

Track Record of Lead Manager

The lead manager to the issue is Unistone Capital Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Managers in recent times –

Unistone Capital Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Valiant Laboratories Limited	152.46	140.00	October 06, 2023	204.00
2.	Unihealth Consultancy Limited	56.55	132.00	September 21, 2023	158.00
3.	Ratnaveer Precision Engineering Limited	165.03	98.00	September 11, 2023	123.00
4.	Mono Pharmacare Limited	14.84	28.00	September 07, 2023	70.1
5.	Sangani Hospitals Limited	15.17	40.00	August 17, 2023	39.6
6.	Sahana System Limited	32.74	135.00	June 12, 2023	936.00
7.	MOS Utility Limited	49.97	76.00	April 18, 2023	147.00
8.	Global Surfaces Limited	154.98	140.00	March 23, 2023	301.00
9.	All E Technologies Limited	48.20	90.00	December 21, 2022	283.00
10.	Integrated Personnel Services Limited	12.74	59.00	November 11, 2022	181.00

*CMP for all the above-mentioned companies is taken as of 30th January 2024.

As per the offer document, Unistone Capital Private Limited has had 10 mandates in the last three fiscal years. For Unistone Capital Private Limited out of the 10 mentioned above, all the mandates opened at premiums on the listing day.

Recommendation

The company has been in the industry since 2016 and is relatively new to the industry. The company has seen an increase in the top line of the financials. The company faces high competition. The management outlook of the company is not satisfactory.

The P/E on a post-IPO basis is around 39.46 times which makes it aggressively priced by looking at the performance of the company and its peers. The Sector P/E is 37.7 times.

The company faces high competition in the industry in which the company operates. The company's management is not satisfactory. The company has seen a sudden growth in the top line and bottom line of its financials for the FY 2023 which may or may not sustain going forward. The company is also not utilizing its debt opportunity well which is not very attractive for the company. Thus, at the current P/E, we recommend, **AVOID** applying to this IPO.

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