

## Making giant strides towards global ambitions

We interacted with the management of BLS International, a visa and passport outsourcing service provider, which caters to clients such as Governments across the world. It is expected to have double digit market share in the USD2.5bn visa outsourcing industry which has **extremely high entry barriers**. The company has also recently won a €175mn Global Spain Visa contract for five years which would make it a strong global player. It has significant opportunities to win new contracts where it has already pre-qualified given its success with its Spain contract. **We believe BLS International's foray into the e-governance space through the Rs15bn PSeGS order opens doors not only for domestic but also for future international contracts.** The e-governance space continues to remain untapped even though it is financially attractive since it is asset light and backed by positive cash flows.

- **Niche industry with high entry barriers:** The visa outsourcing industry is worth \$2.5bn with only 41mn visa applications being currently managed by specialised service providers globally. A mere 31% of the total visa market is currently outsourced since this industry is only 16 years old and VFS Global has 49% market share. The niche nature of this industry and high entry barriers with very few key players in the market, translates into a huge opportunity for BLS International which is expected to have double digit market share in FY18E. BLS International entered the business in 2005 by providing services to the Embassy of Portugal and has since rapidly scaled up its operations across 58 nations for 29 client Governments with more than 20mn applications processed till date.
- **BLS clinched €175mn Global Spain Visa contract:** In Dec'16 BLS won the €175mn Spain global visa contract for five years (3+2 years extension) which was previously with VFS Global. BLS would receive fixed €15.45/visa application and can process 1.6-1.8mn visa applications/year, processing visas only for Spain and a further 0.3-0.5mn for other Schengen countries. We believe this is a major win for BLS International given the high entry barriers in the industry as very few global players have won global contracts given strict technical, financial qualifications needed for the same. **We believe there are significant contracts up for renewal over the next two years and with BLS already pre-qualified to bid for these contracts given its success with the Spain contract, there can be significant upside to our estimates.**
- **First mover advantage in citizen services business model:** In 2016, BLS secured the Rs15bn Punjab e-Governance project through competitive bidding (VFS Global, Wipro, IL&FS, CKGS etc. were other bidders) and opened doors for opportunities both in India and internationally. We believe this business is completely aligned to the management's existing business model, which is asset-light and backed by positive cash flow. First of its kind project in India, BLS would engage in delivering to the people of Punjab more than 223 services through close coordination with more than 17 government departments, they offer a single window for government services through 2147 Punjab Sewa Kendras, manned by a total of ~4,250 personnel for five years.
- **Asset light, high FCF business model to command high valuations:** We believe both the visa outsourcing and citizen services businesses are asset light given that the company uses facility management partners to execute these projects leading to high FCF generation. Further the working capital requirement is low in both the businesses as money is collected upfront. **We model revenue/EBIDTA/PAT CAGR of 31%/54%/69% over FY17-19E.** Further it would have high RoE of 51% and 42% in FY18E and FY19E respectively. It would trade at attractive 9.8% adj. OCF/EV yield in FY19E. In 2016, Kuoni Group which owns VFS Global, was sold to EQT Partners at valuations of USD1.36bn (13x CY13 EV/EBIDTA). **Given strong earnings growth visibility we believe BLS International's market cap can potentially double in the next 18-24 months. Key risks include the growing use of e-visas, terrorist activity leading to lower global travel and high employee attrition.**

CMP*	Rs230			Key Data	
				Bloomberg Code	BLSIN IN
				Curr Shares O/S (mn)	102.5
				Diluted Shares O/S(mn)	102.5
				Mkt Cap (Rsbm/USDmn)	23.5/367.9
Price Performance (%)*			52 Wk H / L (Rs)	240.7/102.5	
	1M	6M	1Yr	5 Year H / L (Rs)	240.7/96.9
BLSIN IN	27.7	38.0	120.9	Daily Vol. (3M NSE Avg.)	703837
Nifty	3.0	12.0	12.8		

\*as on 11 September 2017; Source: Bloomberg, Centrum Research

### Shareholding pattern (%)\*

	Jun-17	Mar-17	Dec-16	Sep-16
Promoter	74.2	74.2	74.2	74.2
FII's	0.0	0.0	0.0	0.0
DII's	0.0	0.0	0.0	0.0
Others	25.8	25.8	25.8	25.8

Source: BSE, \*as on 11 September 2017

Y/E Mar (Rsmn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj. PAT	YoY (%)	EPS (Rs)	RoE (%)	RoCE (%)	PE (x)	EV/EBITDA (x)
FY15	4,500	16.7	287	6.4	236	15.3	2.3	33.4	26.1	74.3	59.5
FY16	5,050	12.2	367	7.3	309	30.9	3.0	30.5	25.2	56.7	46.6
FY17	6,350	25.7	824	13.0	500	61.8	4.9	35.3	21.1	36.2	22.2
FY18E	10,212	60.8	1,725	16.9	1,124	125.0	11.0	51.6	32.6	21.0	13.8
FY19E	10,936	7.1	1,966	18.0	1,421	26.4	13.9	42.0	30.0	16.6	10.8

Source: Company, Centrum Research Estimates

Ankit Kedia, ankit.kedia@centrum.co.in; 91 22 4215 9634

Varshit Shah, varshit.shah@centrum.co.in; 91 22 4215 9495

## Table of Contents

---

<b>Niche industry with high entry barriers .....</b>	<b>3</b>
Visa/passport outsourcing industry - USD 2.5bn opportunity.....	3
Structure of consular outsourcing/ service concession procurement .....	4
BLS International is among a handful of companies to capture this opportunity.....	6
The citizen services contract from Embassy of Afghanistan to further spur growth .....	7
Steady growth in existing Visa processing business.....	7
<b>Shift in orbit - €175mn Global Spain Visa contract .....</b>	<b>9</b>
Spain is #3 in global tourist arrival and #4 in Schengen visa application.....	9
Operations partly outsourced to facility management partners.....	10
VAS to be a significant revenue and margin driver in the medium term.....	11
Spain contract – Huge revenue upside.....	12
Other opportunities.....	13
Competitor Analysis .....	14
<b>First mover advantage in citizen services business model.....</b>	<b>16</b>
Rs15bn Punjab e-Governance contract for 5 years.....	16
Silent features of the Punjab eGovernance contract: .....	16
Punjab contract to account for 20% of total revenues and 32% of EBIDTA in FY19E.....	17
Upcoming opportunity through Indian e-Governance ecosystem .....	18
<b>Financial Analysis .....</b>	<b>19</b>
Revenue to grow at a CAGR of 31% over FY17-19E.....	19
Operating profit to grow at a CAGR of 31% over FY17-19E.....	19
Three-fold jump in profitability over FY17-19E.....	20
Asset light growth to help ROIC double over FY16-FY19E.....	21
Strong FCF generation .....	21
<b>Quarterly financial and Operating Metrics .....</b>	<b>23</b>
<b>Valuation .....</b>	<b>24</b>
<b>Key Risks .....</b>	<b>25</b>
<b>Company Background.....</b>	<b>26</b>
<b>Corporate Governance .....</b>	<b>28</b>
High share of independent directors .....	28
Key managerial compensation .....	28
Contingent Liability.....	28
Auditors Pedigree .....	29
Related party transactions .....	29
<b>Annexure .....</b>	<b>30</b>
<b>Financials (Consolidated) .....</b>	<b>36</b>

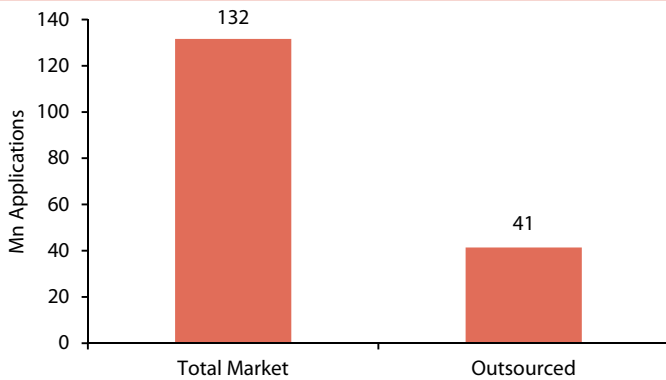
## Niche industry with high entry barriers

### Visa/passport outsourcing industry - USD 2.5bn opportunity

We believe the visa outsourcing industry is a \$2.5bn industry with only 41mn visa applications being currently managed by specialised service providers globally. A mere 31% of the total visa market is currently outsourced with the remaining 69% yet to be tapped by outsourcing service providers since this industry is only 16 years old.

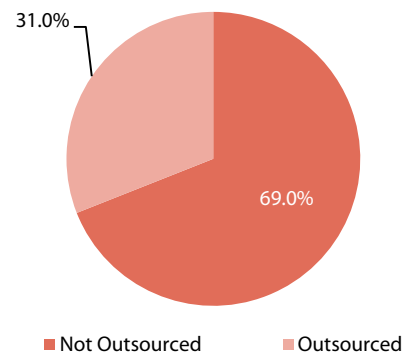
However, key drivers such as cost savings for diplomatic missions and improvement in service efficiency are contributing to the expansion of the outsourcing service from developed countries like the US and EU, as well as several developing/middle income high population countries in Middle-East, South Asia, South East Asia, Central Asia. With staff shortages and cost disadvantages to cope with, more and more diplomatic missions are now opting for the outsourcing model- a trend that is likely to pick up further as tourism grows. As 69% of the industry is still non-outsourced, the demand potential is huge and outsourcing is likely to increase exponentially over the next few years. Given the niche nature of this industry, with very few key players in the market, this translates into a huge opportunity for companies such as BLS International.

**Exhibit 1: Visa processing market size by application**



Source: Company, Centrum Research Estimates

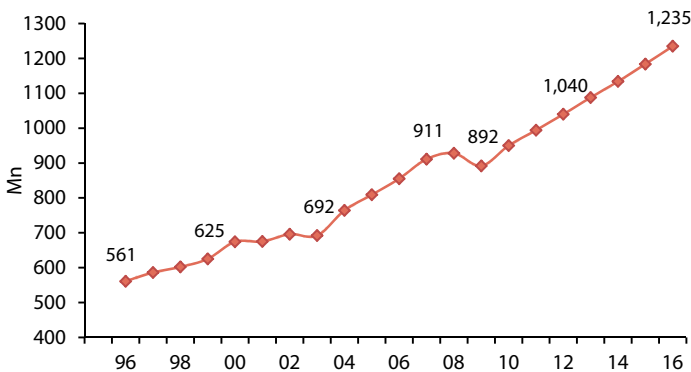
**Exhibit 2: Visa processing market- largely not outsourced**



Source: Company annual report, UNWTO

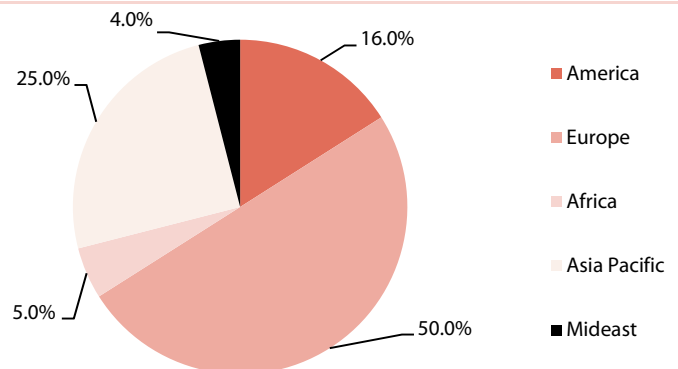
The increase in international travel is driving the growth of the visa/passport outsourcing industry. As per the United Nations' World Tourism Organization (UNWTO) the number of travellers worldwide increased to 1.23 billion in 2016 from 0.6bnmn in 1996 and is projected to cross 1.8 billion by 2030 on mere 3% CAGR. Cheaper air fares and the vastly improved travel network, which has shrunk travel time has increased global travel for work, leisure and immigration. Though Europe (50% of tourist arrivals) has traditionally been the largest market for international tourists, UNWTO believes that in the next decade, the Asia Pacific region won't be far behind. Tourist arrivals in the Asia Pacific regional increased to 25% in 2016 from 15% in 1995. UNWTO also believes that the sub-region with the largest number of tourist arrivals worldwide in 2030 would be North East Asia.

**Exhibit 3: International tourist arrivals (1996-2016)**



Source: UNWTO 2015 and 2016 Annual Report, Centrum Research

**Exhibit 4: International tourist Arrival 2016 – Region wise**



Source: UNWTO 2016 Annual Report, Centrum Research

## Structure of consular outsourcing/ service concession procurement

Governments' procurements for consular outsourcing are structured in different ways. They mostly differ by territorial scope, contract duration, remuneration type and service exclusivity. Governments outsource a single country, a geographic region or global consular operations. Usually a mission handles service procurement for a single country. Special units within a respective ministry of foreign affairs/ department of state handle larger contracts and might provide guidance to missions. Global contracts are split up in "task orders" or "lots" that combine a set of countries that share similarities (e.g. geography, languages) or that combine high with low volume applicant countries. Duration of contracts ranges from three to ten years and tends to include optional renewal periods besides immediate termination clauses in case of poor service quality.

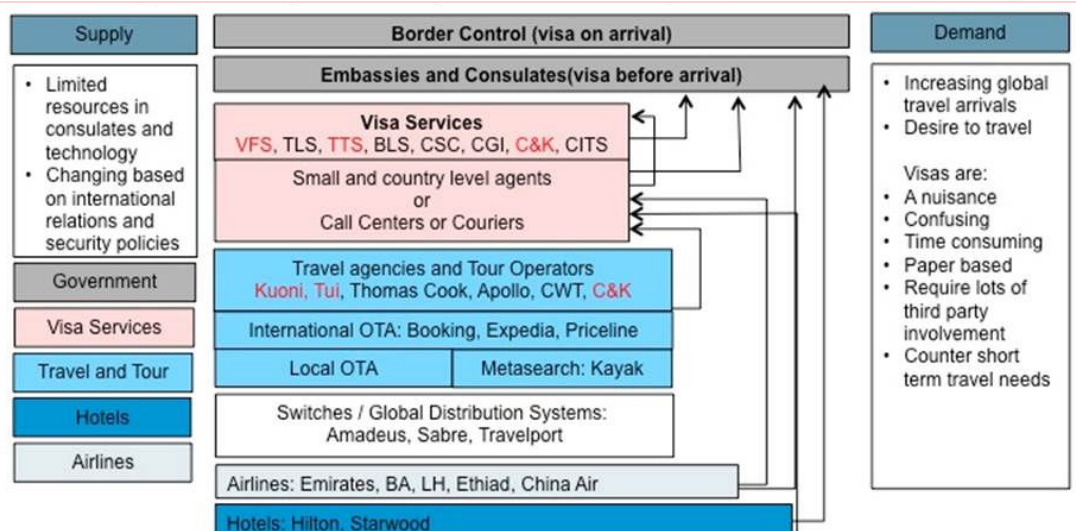
Procurement for consular business process outsourcing/service concessions can take up to a year or longer depending on the contract size. Award decisions tend to be based on: price, solution quality, references/ past performance, origin/ government security clearances of service provider or volume distribution. Past performance/ references in the field of consular outsourcing are mandatory to pass request for information (RFI) phases and final selection. That creates a barrier to market entry for new companies.

Origin/ government security clearances can be a factor to exclude service providers from the final selection. Several governments limit awards to prime contractors that originate from the same country as the procuring government due to security clearance/ trust reasons even though these firms cannot operate in many countries without utilizing local subcontractors.

Remuneration of service providers is either a fixed government fee per processed applicant or direct application fee. The latter is the most common form of service provider funding. The fee may be capped at certain levels (e.g. EU visa codex sets the maximum at 50% of the short term visa fee, currently 30 Euro), pre-defined (e.g. a Middle Eastern country sets different rates for religious, business travellers, varying by country, fees might be adjusted on an annual basis, as volumes go up or down, or escalate in longer term fixed price contracts. Besides service fees, governments allow service providers to offer value added services (VAS).

Exhibit 5 illustrates the position of visa outsourcing within the travel industry ecosystem relative to the supply and demand perspective. Consular service companies do not only work for government clients. They may also work for airlines, cruise lines or tour operators to provide a seamless and hassle free travel experience to their clients.

**Exhibit 5: VISA Eco-System**



Source: Dr. Alexander Schellong presentation

Existing visa application processes and regulations determine the type and degree of services that are and or can be outsourced. Visas differ by way of issuance, amount of allowed entries, type, length of stay and fees.

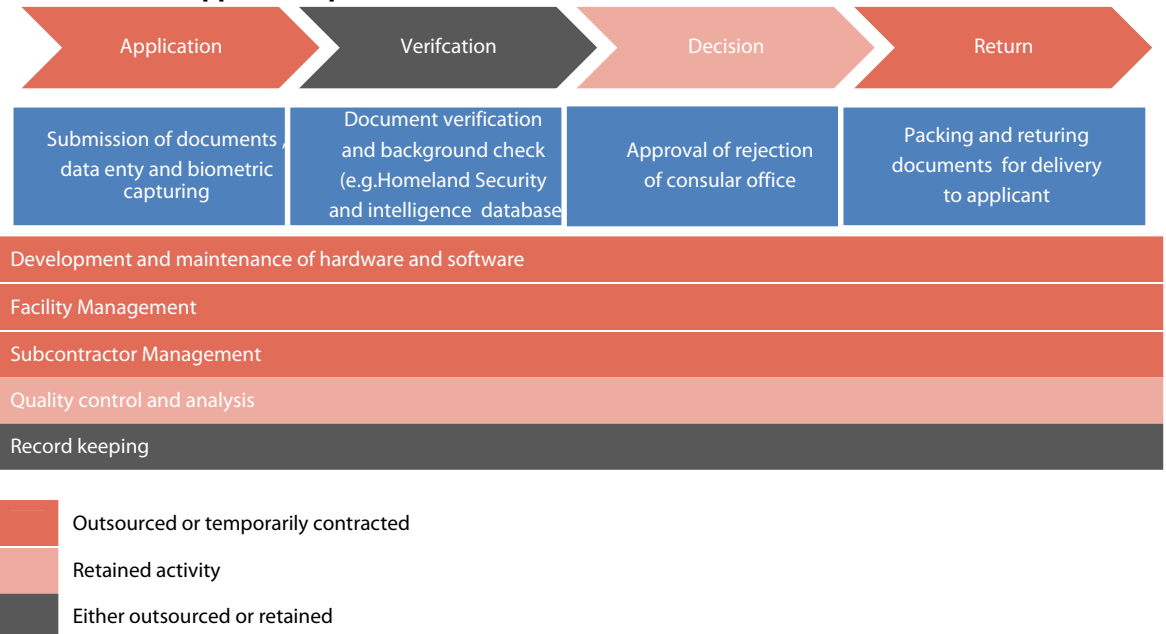
### Exhibit 6: VISA type

Dependencies	Visa Type	Issue Type
<input type="radio"/> Visa category	<input type="radio"/> Tourism	<input type="radio"/> On Arrival, (e-visa)
<input type="radio"/> Length of Stay	<input type="radio"/> Business	<input type="radio"/> Before Arrival
<input type="radio"/> Single Entry / Multiple Entry	<input type="radio"/> Work	<input type="radio"/> Electronic
<input type="radio"/> Travel with Dependents	<input type="radio"/> Transit	
<input type="radio"/> Fee exemption	<input type="radio"/> Student Immigration	

Source: Centrum Research

The visa application process value chain consists of four major elements: application, verification, decision and document return. Except for the decision whether a visa will be issued to an individual or not, all elements shown can and are fully or partly outsourced already. From an outsourcing company's perspective, each process step is different in terms of risk or margin potential. Information services and faster document return services always have the potential to improve returns of a project, especially if the other processes are costly or operate at cost level.

### Exhibit 7: Visa Application process



Source: Dr. Alexander Schellong presentation

### BLS International is among a handful of companies to capture this opportunity

BLS International entered the business in 2005 by being a service provider to the Embassy of Portugal. Over the past decade, through deep domain experience and expertise, BLS has successfully expanded its client government base to include India, Denmark, Bangladesh, Spain, Russia, Singapore etc. BLS International enters into contracts directly with Foreign Ministries, which require extensive past experience, resulting in very few players meeting the eligibility conditions for bidding globally. BLS International works predominantly with a user-pay revenue model wherein it receives service fee directly from visa applicants, in addition to the visa fees which are remitted to the diplomatic mission.

Steered by a combination of technological prowess and comprehensive understanding of client requirements, BLS is efficiently managing the tedious and time consuming administrative and non-judgmental part of the visa issuance process. **This benefits client governments immensely as they can concentrate their resources on the crucial judgemental part of the visa issuance process.** BLS International enables missions to focus on the key aspects of the visa application process and conduct interviews, where the company assists in scheduling interviews.

BLS is an authorized service provider for attestation of documents by the Ministry of External Affairs, India. They accept documents from individuals and representatives on behalf of MEA and facilitate the MEA's process of attestation by leveraging a judicious mix of technological solutions and skilled experts.

They serve the Embassy of the State of Kuwait and High Commission of Malaysia and several others in the field of Visa/Attestation of Documents/Apostille in India. They signed a contract with the Department of Immigration and Passport of Ministry of Home Affairs of Bangladesh for outsourcing of Bangladesh visa in India. They opened a UAE visa centre in Dhaka, Bangladesh, in December 2015. Further they signed a contract with the Hungarian Ministry of Foreign Affairs for outsourcing of Hungarian visas in Baku, Azerbaijan in January 2016. They received authorization for Algerian visa submissions from the Algerian embassy in New Delhi. BLS International has been successful in renewing contracts for an additional four years each from both Russia and Singapore for outsourcing services. This clearly endorses the BLS's strength of high quality, cost-efficient services and the success of its customer centric approach. BLS currently has ~70% success rate in contract renewal RFPs.

#### Exhibit 8: Operations across the globe



Source: BLS International Annual Report 2017

With the passage of time, the spectrum of services offered by BLS has also broadened to enable the company to emerge as an end-to-end solutions provider. Today, the company has developed a highly differentiated solutions portfolio that includes dedicated visa and passport application centres, verification and attestation services, web based modules (for appointment scheduling and online payment collection), biometrics solutions development, etc.

The Visa/Passport & OCI Application Centres (VACs) are running as service centres. They are situated according to the relevant government's requirements in specific city locations. They accept visa applications directly from applicants or via travel agents, ensure all documentation is in order, complete basic administrative processing work including data entry, appointment scheduling and biometric enrolment & pass on the applications to the relevant diplomatic mission. They are also

involved in delivery of passports and documents back to applicants. Computers, photocopiers and passport photo machines are available at the centres as required. Many VACs also offer VIP lounges and other services to enhance the overall experience for visa applicants.

### Exhibit 9: Visa and Consular Services

Algeria	Ghana	Kenya	Qatar	Ajman
Bangladesh	Great Britain	Kuwait	Russia	Sharjah
Bolivia	India	Lebanon	Saudi Arabia	Dubai
Cameroon	Indonesia	Mauritania	Senegal	Fujairah
China	Israel	Morocco	South Africa	Ras Al Khaimah
Equatorial Guinea	Ivory Coast	Nigeria	Thailand	Umm Al Quwain
Dominican Republic	Iraq	Oman	Tunisia	Ukraine
Ecuador	Jordan	Pakistan	Turkey	Vietnam
Egypt	Kazakhstan	Philippines	Abu Dhabi	Afghanistan

#### Indian Mission

Austria	Malaysia
Canada	Norway
Hong Kong	Poland
Lithuania	Singapore

#### Apostille and Attestation Services

Ministry of External Affairs, India
Embassy of UAE, in India
Embassy of State of Kuwait
High Commission of Malaysia

Source: BLS International Annual Report 2017

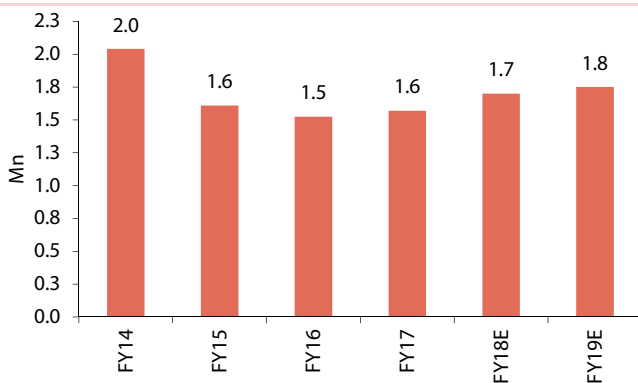
### The citizen services contract from Embassy of Afghanistan to further spur growth

In June'17, BLS International won the Citizen Services contract from the Embassy of Afghanistan worth USD 5mn for the five Gulf countries. BLS would need to open Citizen Service Centres (CSC) across the five Gulf countries including UAE, Kuwait, Oman, Bahrain and Qatar for the nationals of Afghanistan. BLS would process over 0.2mn applications through eight CSCs for the Afghans dwelling all over UAE, Kuwait, Oman, Bahrain and Qatar. Under this contract, the company would accept documents on behalf of the Ministry and facilitate the Ministry's Attestation/Apostille services, extend services like translation, state attestation services, and collect finger prints, facial photos, retina scans, etc. with/without passport processing. Currently 90 countries are using citizen services platforms globally up from 45 countries in 2003. With this win, we expect the company to garner bigger contracts over the medium term.

### Steady growth in existing Visa processing business

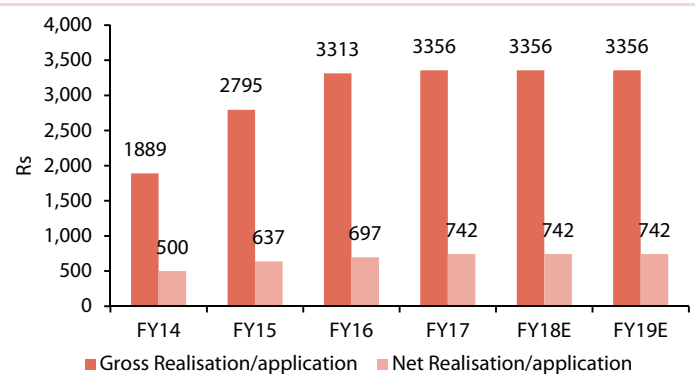
We expect the existing visa business to grow at a steady pace. Applications would grow at a CAGR of 5.6% over FY7-19E to 1.8mn driven by the new citizen services contract from the Embassy of Afghanistan. We have modelled flat realisation/application over next two years. Currently the revenue/application stands at Rs3,356 which includes the fees to be paid to Government agencies. Ex-Government fees, net realisation/application rose to Rs742 in FY17 from Rs500 in FY14.

Exhibit 10: No of Applications – ex-Spain contract



Source: Company, Centrum Research Estimates

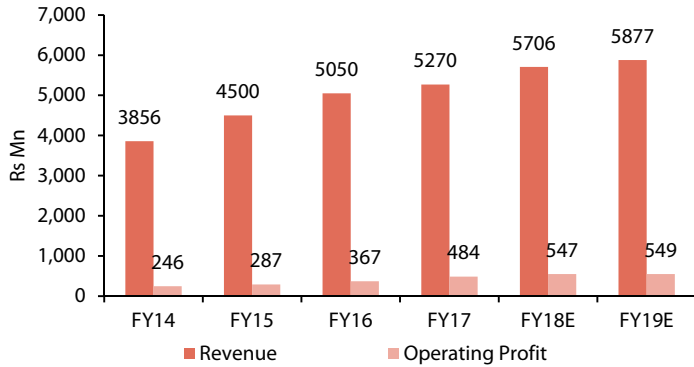
Exhibit 11: Realisation/application



Source: Company, Centrum Research Estimates

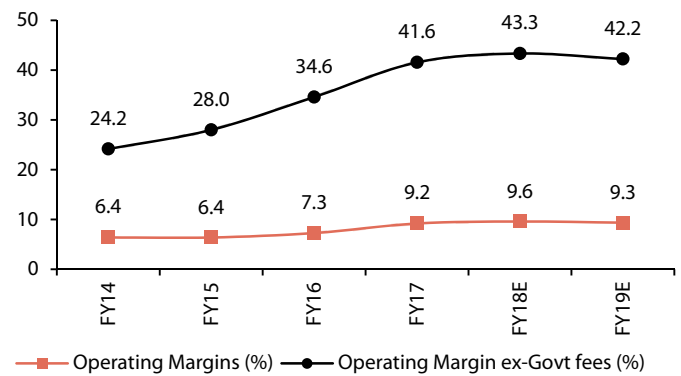
Overall revenues for this business would increase to Rs5.9bn in FY19E from Rs5.3bn in FY17 while the gross revenue ex-Government share would increase to Rs1.3bn in FY19E from Rs1.16bn in FY17. Operating profit would grow to Rs549mn in FY19E from Rs484mn in FY17 with margins at 9.3% in FY19E against 9.2% in FY17. Operating margins ex-government fees stood at 41.6% in FY17 which we expect would remain stable over the next two years.

**Exhibit 12: Revenue & operating profit**



Source: Company, Centrum Research Estimates

**Exhibit 13: Margins to stabilise**



Source: Company, Centrum Research Estimates



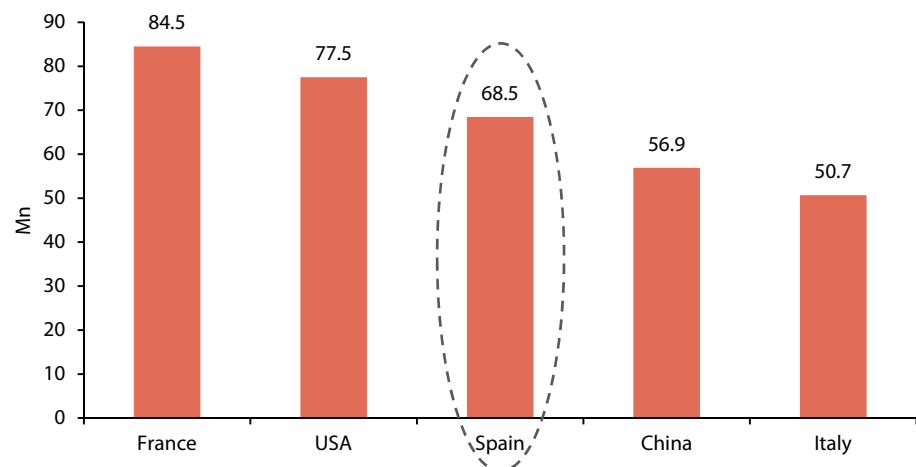
## Shift in orbit - €175mn Global Spain Visa contract

In Dec'16 BLS International won the €175mn global visa contract from the Ministry of Foreign Affairs & Cooperation of Spain for five years (3+2 years extension) which was previously with VFS Global. Under the contract, BLS would need to process visas for applicants entering Spain and set up 53 visa application centres in 37 countries within 7 days of winning the contract. BLS International would receive fixed €15.45/visa application including taxes. BLS could process 1.6-1.8mn visa applications/year only for Spain. We believe this is a major win for BLS International given the high entry barriers in the industry as very few players have won global contracts given strict technical, financial qualifications needed for the same.

### Spain is #3 in global tourist arrival and #4 in Schengen visa application

We believe the Spain visa contract is very significant since it forms the third highest country globally in 2016 in terms of tourist arrival at 68.5mn only after France and USA.

**Exhibit 14: Top five countries by arrivals 2016**



Source: UNWTO 2016 Annual Report, Centrum Research

In the Schengen region, Spain receives the fourth highest number of visa applications only after France, Germany and Italy. While visa applications for Spain reduced marginally in 2016, its share in the overall applications for Schengen countries has remained unchanged which is a positive, given that overall visa applications in the Schengen region has also reduced.

**Exhibit 15: Schengen-country wise Top 15 Visa applications**

Country	2014		2015		2016	
	No. of Visa Applications	% share	No. of Visa Applications	% share	No. of Visa Applications	% share
France	28,94,996	17	33,56,165	22	32,65,865	21
Germany	20,61,137	12	20,22,870	13	20,04,235	13
Italy	21,64,545	13	20,23,343	13	18,06,938	12
Spain	19,23,016	11	16,29,753	11	15,83,848	10
Poland	11,25,520	7	9,70,907	6	10,96,465	7
Greece	13,75,287	8	8,76,786	6	9,86,032	6
Netherlands	4,85,267	3	5,20,809	3	5,58,101	4
Finland	12,05,034	7	7,84,286	5	5,50,046	4
Czech Republic	5,19,819	3	4,21,355	3	4,89,920	3
Switzerland	4,66,329	3	4,81,886	3	4,60,653	3
Lithuania	4,63,709	3	4,23,189	3	4,21,143	3
Hungary	3,09,894	2	2,90,798	2	2,95,226	2
Austria	2,66,356	2	2,59,167	2	2,68,388	2
Sweden	1,91,009	1	1,92,852	1	2,27,005	1
Belgium	2,19,758	1	2,39,500	2	2,19,687	1
<b>Total Top 15</b>	<b>1,56,73,690</b>	<b>94</b>	<b>1,44,95,681</b>	<b>94</b>	<b>1,42,35,568</b>	<b>94</b>
<b>Total Schengen State</b>	<b>1,67,25,908</b>	<b>100</b>	<b>1,54,46,676</b>	<b>100</b>	<b>1,51,92,502</b>	<b>100</b>

Source: European Commission Migration & Home Affairs, Centrum Research

Bulk of the visa applications for Spain are from Russia which accounts for 29% of the total applications followed by China and Morocco which have a 12% share each in 2016. While the share of applications from Russia has significantly reduced, China's share of applications has increased from 5% in 2014 to 12% in 2016.

**Exhibit 16: Top 10 Spain visa applicant countries**

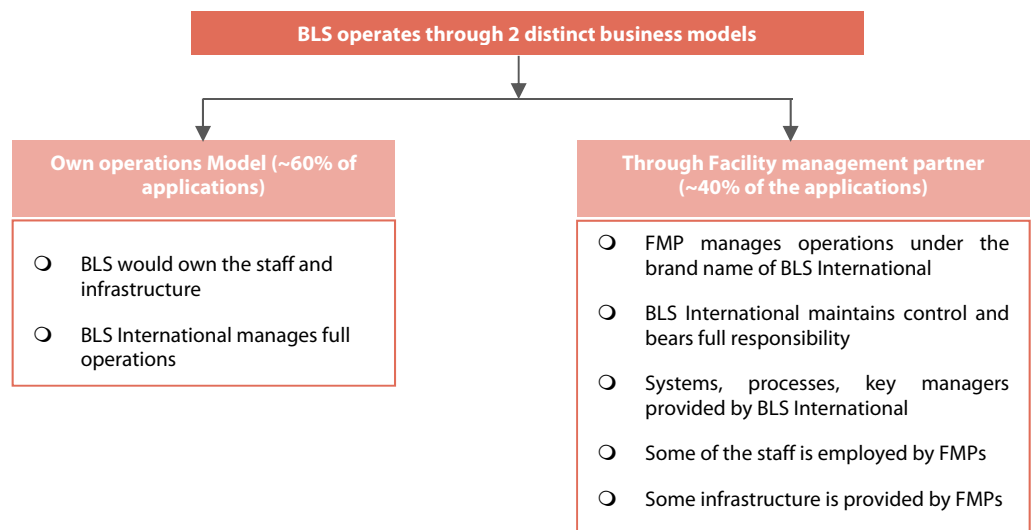
Name of Country	2014		2015		2016	
	Visa Applications	Share%	Visa Applications	Share%	Visa Applications	Share%
Russia	8,93,849	46	4,81,284	30	4,54,032	29
China	94,616	5	1,42,890	9	1,87,351	12
Morocco	1,55,690	8	1,65,924	10	1,85,503	12
Algeria	1,09,776	6	1,19,805	7	1,09,093	7
Ukraine	76,983	4	82,289	5	92,151	6
India	34,910	2	42,544	3	53,048	3
Turkey	47,974	2	52,801	3	50,800	3
Saudi Arabia	18,605	1	28,540	2	35,396	2
Ecuador	26,935	1	30,869	2	33,029	2
United kingdom	26,062	1	26,908	2	26,970	2
Others	4,37,616	23	4,55,899	28	3,56,475	23
Total	19,23,016	100	16,29,753	100	15,83,848	100

Source: European Commission Migration & Home Affairs, Centrum Research

**Operations partly outsourced to facility management partners**

BLS International operates through two distant business models wherein ~60% of the business is owned while the remaining 40% is through facility management partners (FMPs). Hence the company had a capex of mere ~Rs0.4bn for the Spain contract while the total cost would have been Rs1.5bn. These facility management partners are needed in countries where it is not viable for BLS International to own operations for regulatory or cultural reasons, political environment/stability and commercial viability. These FMPs handle the operations under BLS International's brand name. Some of the staff in these countries is employed by the FMP and infrastructure is provided by the FMP, but the key managers are employed by BLS International and BLS International maintains complete control and takes full responsibility for the entire operation. Further, this business model gives the management a lot of flexibility to scale up/down operations in a dynamic manner. In the Spain contract, BLS International cannot subcontract more than 50% of the total number of Diplomatic Missions or Consular Offices for which the service is provided.

**Exhibit 17: Business model – partly through FMPs**



Source: Centrum Research

## VAS to be a significant revenue and margin driver in the medium term

We believe value added and convenience services can be a significant revenue driver for the company in the medium term. Along with the service fees, service providers are allowed to offer multiple convenience services to applicants. Most of the fee structures for each of these services are approved by the consulate. We believe more than 50% of the applicants use the standard service while the premium service is used by 10-20% of the applicants while the platinum service is used by less than 5% of the applicants.

### Exhibit 18: Value added services offered by BLS

Standard Services	Premium Services	Platinum Services
Photocopying and Printing	Premium Lounge	Mobile Biometrics
Regular and Express Courier	Form-Filling Assistance	Prime Time Visa Appointment Service
Internet Facility	SMS for Real-Time Tracking of Application	Keep My Passport Service
	Travel Desk	On-Demand Mobile Visa Service
	Translation Services	Super Priority Visa Service
	Insurance Services	Walk-In Without Appointment Service
	Help Desk	
	Fax / E-Mail	
	Video Conferencing for Interviews	
	Video Visa Consultation	
	Kids Section	
	Call Centre Solution	

Source: BLS International Annual Report 2017

We have noted the price list for certain locations where the company has its Spain visa application centres. We believe that over 2-3 years the VAS service can account for 20-30% of the visa service fees. For the Spain contract we have conservatively modelled VAS revenues at 30% of service fees/application for the fifth year. The VAS service's margin is more than 50% which helps improve the company's overall margins.

### Exhibit 19: Price list of VAS services provided at BLS Spain visa application centres

Service	Details	Delhi	Moscow	London	Beijing	Morocco
Courier	Passport delivery at home / office address	Rs 350		£14.95	60 Yuan	
Photo copy	Photo copier facility	Rs 2 / page	10 rubles / page	£0.30	1 Yuan	1 MAD
SMS	Convenience of automated message to the applicant's mobile phone at various stages of the visa application process	Rs 81/ passport	100 rubles / SMS	£1.95 / application		10 MAD
Premium Lounge	Premium lounge services at BLS application centre.	Rs 2000 / passport*	4657 rubles/ applicant	£60		330 MAD
Internet Kiosk	Facilities of internet at BLS centre to help with browsing, application/ document download/ sending emails etc	Rs 100/ 20 minutes		£1/1min		
Printing	Printing services for hotel reservations/ tickets/ itinerary etc	Rs15 / page				
Form Filling	help applicants in regards to filling up application forms	Rs 102/ application	200 rubles/ form	60 GBP		40 MAD
Flexi hours – Passport collection	Applicants can collect passport out of allotted collection time – on weekdays 9 AM to 4 PM	Rs 300/passport				
Mobile Biometric	Applicants, who are unable to visit VAC for their application submission, can avail this service	Rs 11000/- + logistics	9686 rubles/ applicant			
Prime Time Appointment	Applicants can book an appointment for outside our working hours i.e. 8 AM to 9 AM & 4 PM to 7 PM (Mon-Fri). Also 9 AM to 4 PM during Saturdays	Rs 2500/application				
Photo booth	If applicant is not carrying photograph or doesn't have the correct specification of photograph	Rs 160 for 3 photos	200 rubles	£10/ 6 Photos	30 Yuan	30 MAD

Source: Centrum Research, \*includes personalized service by dedicated staff, personal assistance in English and Hindi, refreshments, sms service, courier service, etc.

### Spain contract – Huge revenue upside

BLS International has opened VACs in three phases given the business requirement. Under Phase-I the company opened the mandatory 53 VACs in 37 countries within 7 days of winning the contract. In Phase-II and Phase-III the remaining 76 VACs were opened in Q4FY17. The company typically has three types of VACs 1) small; 2) medium; and 3) large, with small centres forming the bulk of them. Small centres have 25-30 applications/day while a medium sized centre would have 500-700 applications/day in the peak season while in the off season the application count would drop to 1/3<sup>rd</sup> for the medium and large centres. Given high fixed employee cost in each of these centres, operating margin for the small centre ranges from 20-25% while for medium centres it varies from 28-35% and for large centres it ranges from 40-45%.

#### Exhibit 20: Various types of application centres

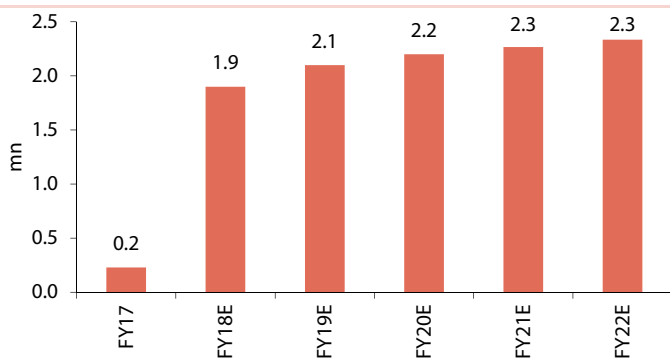
Centre Type	Small	Medium	Large
Area	750-1500sq ft	4000-8000 sq ft	10K-15K sq ft
No of Centres	109	14	6
Peak season app/day	25-30	500-700	1500-2000
Off season application	60% of peak	1/3rd of peak season	1/3rd of peak season
Manpower Cost	40% of revenues	30-35% of revenues	25-30% of revenues
EBIDTA Margins	20-25%	28-35%	40-45%

Source: Centrum Research Estimates

For the Spain contract, we have modelled 1.9mn visa applications for FY18E which would increase to 2.3mn applications by FY22E. Our interaction with the management suggests that under the Schengen contract, BLS International (Spain VAC) could issue visas of other Schengen countries if that country doesn't have VACs of the destination country. Hence the potential from this could be an incremental 0.3-0.5mn applications. Further we believe that since the service fee for Spain's visa charged by BLS International is nearly 15-25% cheaper as compared to visa fees of other countries charged by VFS Global (exhibit 24) it offers a significant upside to travel agents who typically do visa shopping and apply for visas through countries which have lower fees. In FY17 the company had processed merely 0.2mn application since all the centres were not operational by Q4FY17.

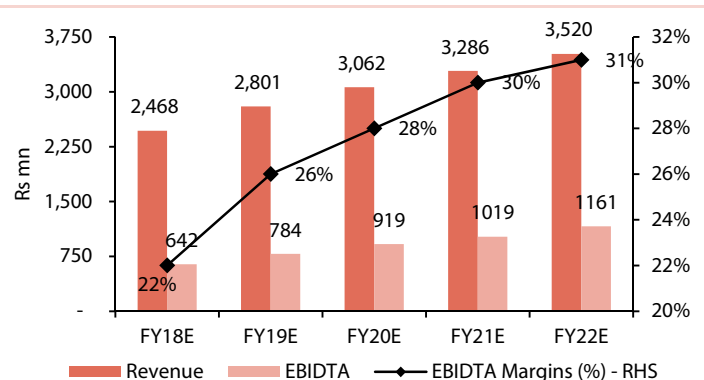
We have modelled a fixed service fee of Rs1,160/application and have increased contribution from VAS at 12% of application fees in FY18E to 30% in FY22E. We have modelled revenues at Rs2.5bn for FY18E which would grow at a CAGR of 9.3% over FY18E-22E to Rs3.5bn. Operating margins for this vertical would increase from 22% in FY18E to 31% by FY22E as the share of VAS increases and the company garners operating leverage with stability of operations. We remain conservative in our margin estimates since the company's existing visa business has a 40%+ operating margin which could further offer significant upside to our operating profit. We believe the Spain contract would account for 25% of the revenues and 40% of operating profit by FY19E.

#### Exhibit 21: No of Applications – Spain Contract



Source: Company, Centrum Research Estimates

#### Exhibit 22: Revenue & EBITDA – Spain Contract



Source: Company, Centrum Research Estimates

## Other opportunities

**Geographic Expansion:** Driven by strong market positioning, a highly successful business model and more than a decade of experience in the consular industry, BLS holds a competitive advantage to expand its operations to untapped geographies globally. Recently, it has become the first Indian company to win the consular contract from Spain. With such achievements and high credibility, we believe the company could have a multi-fold increase in its clientele over next few years. We believe there are significant contracts up for renewal over the next two years. BLS International is already pre-qualified to bid for these contracts given its success with the Spain contract. We believe the company could win contracts from France, Greece and Germany among others. Even a small success rate of 10-15% in these contracts would significantly boost the company's revenues.

### Exhibit 23: Upcoming Passport and Visa Business Opportunities

S. No.	Client Government	No. of Applications	Year
1	Canada Global	15,00,000	2016
2	Thailand Global for 11 Countries	33,00,000	2016
3	Malaysia	1,90,000	2016
4	Germany	1,71,000	2016
5	Sri Lanka	1,93,000	2016
6	Israel	32,000	2016
7	Bulgaria	25,000	2016
8	Embassy of Brazil in US	3,00,000	2016
		<b>55,73,000</b>	
1	Swiss Global	35,00,000	2017
2	France Global	5,00,000	2017
3	Greece Global	11,00,000	2017
4	Australia Global	5,00,000	2017
		<b>56,00,000</b>	
1	Embassy of India, Bahrain	50,000	2018
2	Embassy of India, France	1,50,000	2018
3	Embassy of India, Japan	1,30,000	2018
4	Embassy of India, Saudi Arabia	5,00,000	2018
5	Embassy of India, UK	5,00,000	2018
6	Embassy of India, Washington D.C.	5,00,000	2018
		<b>18,30,000</b>	

Source: Company, Centrum Research

**Contracts from Eastern countries:** We see significant potential in global/regional contracts of Eastern countries such as the Republic of Korea, Thailand and China in the coming years.

**Joint Visa Application Centres:** BLS with its strong domain knowledge in this niche area is exploring the opportunity of setting up Joint Visa Application Centres at Schengen (specific European) countries. This would bring in tremendous economies of scale and boost profitability given the cost saving.

We believe currently VFS Global is a market leader in the Schengen region with ~60% market share and operates joint visa application centres. As seen, the service fee charged by VFS Global for other countries is very high compared to BLS International's fee for Spain. Given that BLS would now have pre-qualified for both technical and financial bids, it stands to gain significantly in the next round of bids against VFS Global and other players given its low cost of operations.

### Exhibit 24: Service Provider Fees

Country	Service Provider	Visa Fees (Rs)	Service Provider Fees(Rs)	Other fees (Rs)
France	VFS	4,545	1,511	Rs150 as convenience fees
Switzerland	VFS	4,500	1,350	Rs150 as convenience fees
Germany	VFS	4,600	1,543	-
Italy	VFS	4,250	1,015	-
Spain	BLS	4,300	1,160	-

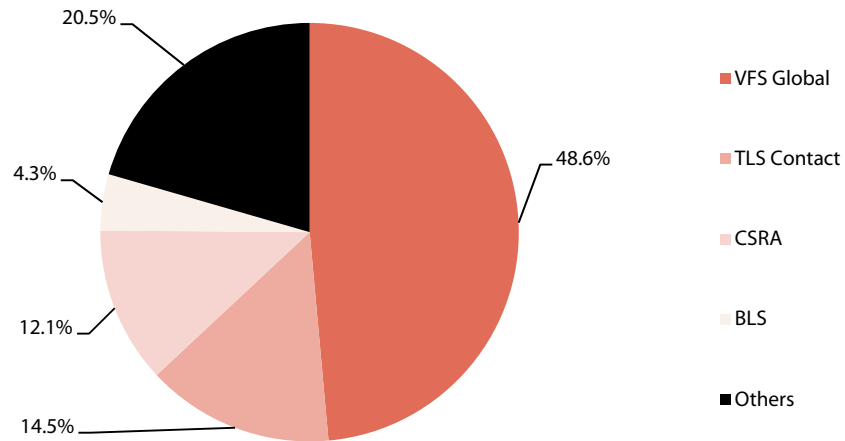
Source: Various websites, Centrum Research

**Leveraging the Visa Consultancy business:** With a view to capitalise on the brand equity of BLS International, they have started providing visa consultancy services to various consulates. This is a major step towards the forward integration of the business and we expect consultancy services to provide the company significant opportunities to move up the value chain.

### Competitor Analysis

We believe the global visa outsourcing industry receives around 41mn visa applications of which VFS Global has ~49% market share. VFS Global started its business in 2001 and set up the first visa application processing for the Consulate General of USA in Mumbai, India. BLS International has ~4% market share while other large players such as TLS Contact and CSRA has 14.5% and 12.1% market share respectively. There are around 70 other players, which command around 20% market share.

**Exhibit 25: Market share of visa outsourcing industry by application**



Source: Centrum Research Estimates

We believe the important KPIs to track in this business are the number of Government clients, countries of operations and visa application centres. VFS Global has the densest network of visa application centres among all major competitors and the majority share in most global contracts. As seen in exhibit 26, players such as Gerry, CITS V Service and IVS Global work with only one government as a client while some of the other players have multiple Governments as clients.

**Exhibit 26: VFS far ahead than competition**

Service Provider	Client Government	Country operations	Visa application centres	No. of applications	Key Countries / Comments
BLS International	29	58	129	1.8mn	Spain, India, Russia, Hungary, Singapore, Afghanistan etc
CSRA	5	48	78	5mn	Roughly half of the total U.S. visa application volume worldwide, Canada, Argentina, Brazil, Mexico
VFS Global	56	129	2371	20.1 mn	EU, UK, Canada, USA, Australia, India, Saudi Arabia etc
TLS Contact	NA	~80	140	6mn	EU, Australia, UK, Russia, Africa etc
TT Services	8	35	51	NA	Acquired by VFS Global in Aug'17
IVS Global	1	9	~17	NA	India
Gerry	1	1	11	NA	Pakistan
CITS V service	1	1	NA	NA	China
Cox & Kings	NA	8	50	NA	USA, Algeria, Thailand, Sweden, Dubai, Egypt etc

Source: Various companies, Centrum Research

### VFS Global

VFS Global, part of the Kuoni Group was sold to EQT Partners in 2016 at valuations of USD1.36bn. Since the acquisition of Kuoni Group, EQT partners have sold all the other businesses of the company and have retained VFS Global as they feel this business has maximum potential over the long term.

Over the last six years, VFS Global has increased revenues at a CAGR of 14.5% to CHF348mn and accounted for mere 10.6% of the Kuoni Group's total revenues. VFS Global had gross operating profit of CHF255mn (CAGR of 12.6% over 2011-16) at 73.4% GOP margins and accounted for 42% of total Group GOP in 2016. Kuoni Group had a total EBIT of 38mn while VFS Global had EBIT of CHF61mn with EBIT margins at 17.4%.

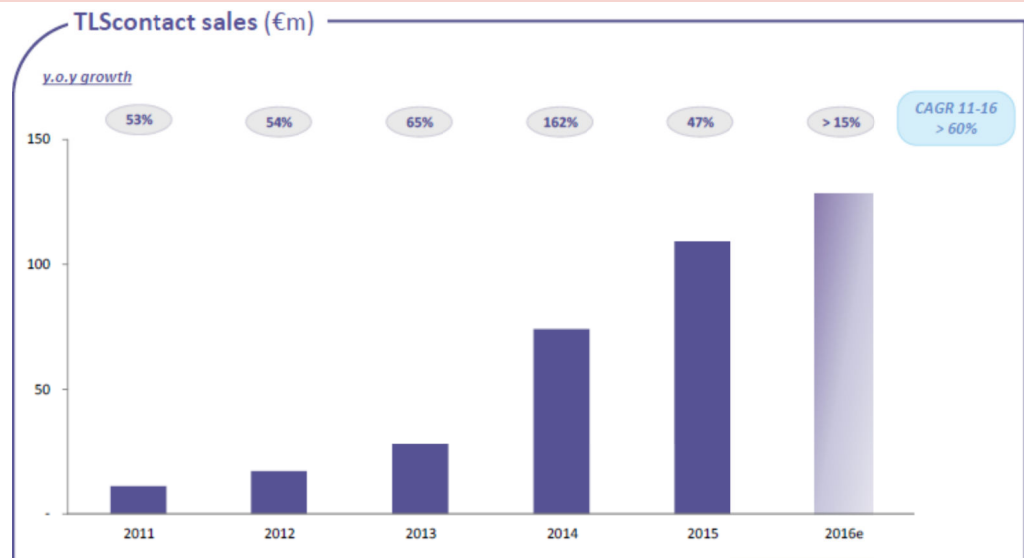
**Exhibit 27: Segment Reporting VFS Global – Kuoni Group (CHF Million)**

Particulars (Dec-YE)	2011	2012	2013	2014	2015	2016
Total Turnover	5,111	5,845	5,669	5,508	3,349	3,283
Turnover VFS Global	176	205	244	271	317	348
VFS Global as a % of Total Turnover	3.5	3.5	4.3	4.9	9.5	10.6
Total Gross Op Profit (GOP)	1,026	1,102	1,106	1,025	610	609
VFS Global GOP	141	154	178	208	225	255
VFS Global as a % of Total GOP	13.7	14.0	16.1	20.3	37.0	41.9
VFS Global GOP Margin	79.9	75.2	73.0	76.7	71.2	73.4
Total EBIT	185.8	147.7	182.6	105.7	53.1	38.3
VFS Global EBIT	41.9	35.5	40.2	52.5	53.9	60.6
VFS Global EBIT as a % of Total EBIT	22.6	24.1	22.0	49.7	101.5	158.2
Total EBIT Margin	3.6	2.5	3.2	1.9	1.6	1.2
VFS Global EBIT Margin	23.8	17.3	16.5	19.4	17.0	17.4

Source: Kuoni Group Annual Reports, Centrum Research Estimates

**TLS Contact**

TLS Contact is part of the listed Teleperformance Group. It opened its first VAC in Beijing for the French Embassy in 2007 and has since expanded to over 140 locations. From €4mn in revenues in 2009, it now has revenues of ~€125mn with CAGR of + 60% over 2011-16.

**Exhibit 28: TLS contact financial growth**


Source: Teleperformance January 2017 presentation

## First mover advantage in citizen services business model

### Rs15bn Punjab e-Governance contract for 5 years

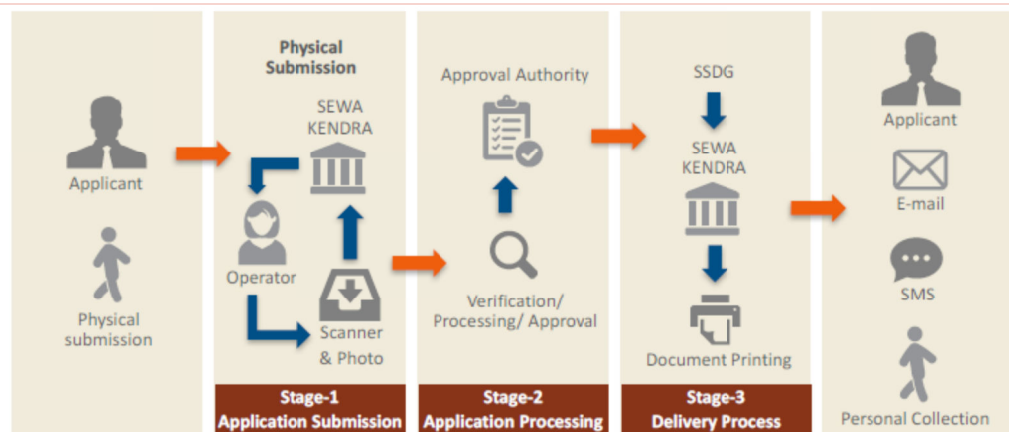
In 2016, BLS International secured the Punjab e-Governance project through competitive bidding (VFS Global, Wipro, IL&FS, CKGS etc. were other bidders) and paved the way for the company to harness the expansive e-opportunity offered by the Digital India campaign. Backed by strong execution capabilities and highly efficient processes, BLS has successfully diversified its services to enter the Citizen Services domain, which stands as one of the high growth but rather untapped businesses. These projects have not only provided BLS International the first mover advantage but also opened doors for opportunities both in India and internationally. We believe the foray into the e-governance space is completely aligned to the management's existing business model, which is asset-light and backed by positive cash flow. This, coupled with the Government's focus on promoting e-governance, makes it a virtually risk-free business proposition.

This is the first of its kind project in India, and BLS would engage in delivering over 223 services, to the people of Punjab, which come within the ambit of the Punjab Right to Services Act, 2011. Working in close coordination with more than 17 government departments, they offer a single window for government services through 2147 Punjab Sewa Kendras, to be manned by a total of ~4,250 personnel, to whom BLS shall provide the necessary training. Strategically located within a distance of 2.5 km from one another, across the state, the Sewa Kendras will facilitate the citizens of the state in availing government services at their doorsteps. Software for the project is already operational. Average monthly applications from April-August'15 for these 223 services across the state stood at 2.4mn.

### Silent features of the Punjab eGovernance contract:

- 5 year contract for Rs1488crore (fixed) wherein BLS will be delivering more than 223 services through 2147 Sewa Kendras which come under the Right To Services Act, in close coordination with more than 17 departments
- Punjab State e-Governance Society (PSeGS) was already running 160 Suwidha Kendra for last five years delivering 70 services in the State of Punjab; these are now part of the 2147 Sewa Kendras
- Sewa Kendras are strategically located within a 2.5km distance from one another
- BLS collects government fee and service charges upfront along with the applications
- Physical infrastructure such as electricity, furnishing, water, fuel, internet etc provided by PSeGS; IT infrastructure and manpower to be supplied by BLS International
- BLS has successfully opened all 2147 centres – 323 centres in Aug'16, 485 centres in Sep'16, 376 centres in October'16, 919 centres in Nov'16 and remaining 44 centres in December'16.
- BLS International has outsourced manpower recruitment to Randstad for ~4200 employees, IT Infrastructure has been bought from HP through financial lease, Emerson for UPS, CP Plus for CCTV, Hitachi for AMC, Nikon for servers etc. Total project capex cost is Rs0.7bn.
- BLS International has given Rs0.6bn bank guarantee to PSeGS for the contract.

### Exhibit 29: Flow of process at the Sewa Kendra



Source: Company, Centrum Research



**Exhibit 30: Tentative Zonewise Numbers of Sewa Kendras**

Zone No	District	Type I	Type II	Type III	Total	Apr-Aug avg. trans. volumes p.m. (FY15)
1	Amritsar	1	40	112	153	164,454
	Gurdaspur	1	0	142	143	116,412
	Hoshiarpur	1	16	125	142	174,263
	Jalandhar	1	35	108	144	182,196
	Kapurthala	1	15	54	70	106,719
	Pathankot	1	4	39	44	57,513
	Taran Taran	1	3	94	98	204,124
<b>Zone 1 Total</b>		<b>7</b>	<b>113</b>	<b>674</b>	<b>794</b>	<b>1,005,682</b>
2	Barnala	1	10	40	51	33,580
	Bathinda	1	34	89	124	57,710
	Fatehga Sahirh	1	10	38	49	30,760
	Ludhiana	1	46	144	191	451,000
	Mansa	1	10	61	72	40,979
	Patiala	1	31	113	145	90,653
	Sangrur	1	25	114	140	58,708
<b>Zone 2 Total</b>		<b>7</b>	<b>166</b>	<b>599</b>	<b>772</b>	<b>763,390</b>
3	Faridkot	1	2	43	46	40,791
	Fazilka	1	6	77	84	178,321
	Ferozepur	1	11	72	84	46,096
	Moga	1	11	70	82	116,854
	Muktsar	1	4	73	78	49,794
	Ropar	1	15	56	72	86,238
	SAS Nagar	1	34	45	80	142,989
	SBS Nagar	1	5	49	55	33,308
<b>Zone 3 Total</b>		<b>8</b>	<b>88</b>	<b>485</b>	<b>581</b>	<b>694,391</b>
<b>State Total</b>		<b>22</b>	<b>367</b>	<b>1,758</b>	<b>2,147</b>	<b>2,463,463</b>

Source: PSeGS RFP, Centrum Research

**Punjab contract to account for 20% of total revenues and 32% of EBIDTA in FY19E**

As per the contract the Punjab government would pay BLS International a fixed revenue every year at 16%/18%/20%/22%/24% of Rs1488cr for 1 to 5 years of service. This revenue is inclusive of tax and BLS international would bear the state and central government taxes. Hence we have modelled gross revenues of Rs14.9bn under the contract and net revenue of Rs12.3bn. Further the company can boost revenues by providing more services at the Sewa Kendras in consultation with the state government on a revenue share model. As per the agreement the Punjab state Government would pay BLS International within 60 days in case there is a shortfall in collections. We believe at 75-80K applications/day they would be revenue neutral while currently they are at 35-40K applications/day since only 82 services out of 223 have been introduced till date. As the awareness increased coupled with the increase in services we believe the government would be revenue neutral from FY20E against management expectations from H2FY19. From the current application count BLS International is cash neutral (ex-Government share) and doesn't see significant impact on financials. For FY17, debtors from the Punjab Government stood at Rs570mn while we have modelled ~ Rs1bn for FY18E which would reduce substantially from FY19E onwards.

Most of the services such as IT infrastructure, manpower, security, CCTV along with annual AMC have already been outsourced by the company hence the expenses won't increase substantially over next five years. Hence we have modelled steady margin expansion from 26% in FY18E to 33.6% in FY22E.

The company has taken a financial lease from HP for IT equipment at Rs0.6bn for five years while Hitachi would do the AMC. They would take accelerated depreciation for the accounting hence the PAT in earlier years would be lower. The company would pay the full tax for this project. We have modelled cumulative PAT of Rs1.7bn from this project.

**Exhibit 31: Punjab Financials**

Rs Mn	FY17	FY18E	FY19E	FY20E	FY21E	FY22E
Gross Revenue	1094	2455	2753	3050	3348	2180
Net Revenue	930	2038	2257	2501	2745	1788
(Surplus)/Deficit - Funded by Government	570	982	509	(91)	(255)	(188)
Operating Profit	310	536	633	753	864	600
Margins %	33.3	26.3	28.0	30.1	31.5	33.6
PBT	58	315	442	582	713	513
PAT	39	209	293	387	474	341

Source: Centrum Research Estimates

**Upcoming opportunity through Indian e-Governance ecosystem**

Over the last few years, the Indian Government has taken several initiatives, which will provide attractive opportunities for niche service providers in the e-service ecosystem. Within India, the opportunity matrix for BLS is continuously expanding with the Government's key focus on the Digital India model. Indian Government is leveraging solutions and services from specialist service providers to realise the vision of Digital India. At both centre and state level governments, initiatives are being undertaken to promote the Digital India model for rendering public services effectively. With several states including Haryana, Delhi and Orissa looking to replicate the Punjab e-governance model, BLS has outstanding credentials and the first mover advantage given its success in Punjab.

**Exhibit 32: Upcoming E-Governance Business Opportunities**

Sr.	Project Opportunity	Client	Annual Volume of Applications	Time Frame
1	Madhya Pradesh (State wide)	Dept. of IT & E-Govt. of MP	120 Million	2016-17
2	ICT for Smart City Bhopal	Bhopal Smart City Development Corporation Limited	2 Million	2017-18
3	CSC-Haryana e-Seva	Haryana State Electronics Development Corporation Limited	20 Million	2018-19
4	Odisha e-Governance Project	Odisha e-Governance Services Limited	25 Million	2018-19
5	Delhi e-Governance	Delhi e-Governance Society (DeGS)	12 Million	2017
6	Maharashtra	Dept. of IT & E- Governance, Govt. of Maharashtra	120 Million	2018
7	Jharkhand	Department of Government Reform, Jharkhand	60 Million	2018-19

Source: Company, Centrum Research

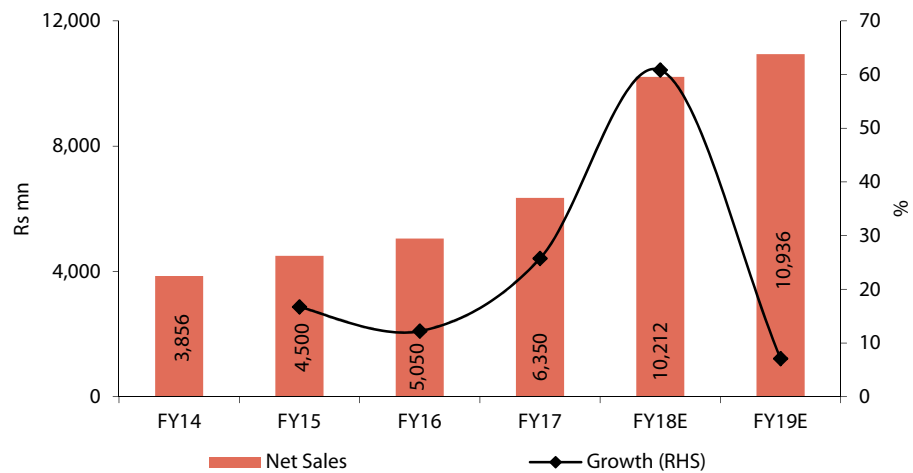
According to United Nations e-Government Survey 2016, there has been a significant increase in the number of countries that are providing public services online through a one stop platform. Globally, South East Asian countries are also adopting e-governance model proactively, opening exciting opportunities for BLS. Ramp up in e-governance initiatives worldwide shall enable BLS to penetrate high growth markets across geographies. Given the first mover advantage of BLS in the e-governance space, coupled with its experience in the consular service arena, we believe BLS International is ideally positioned to capture a huge market in South East Asia as well.

## Financial Analysis

### Revenue to grow at a CAGR of 31% over FY17-19E

We expect revenues to grow to Rs10.9bn in FY19E at a CAGR of 31.2% over FY17-19E vs CAGR of 18.8% over FY15-FY17 on the back of ramp up in revenues from Spain and Punjab e-Governance contract. Revenues from Spain's business would start from FY18E and grow at a CAGR of 11.4% over FY18-20E to Rs2.8bn. The ex-Spain visa business is expected to grow at a CAGR of 5.6% over FY17-19E to Rs5.8bn. In FY17, revenue from the Punjab contract was for less than 6 months and we expect this to pick up from FY18. We believe revenue from Punjab to increase to Rs2.2bn in FY19E from Rs0.9bn in FY17.

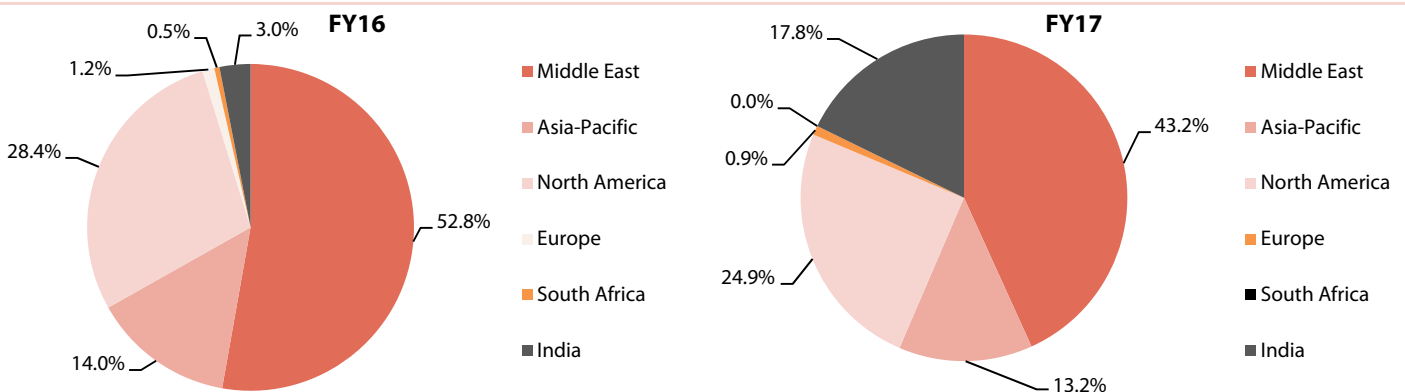
### Exhibit 33: Net Sales to grow due to Spain and Punjab contracts



Source: Company, Centrum Research Estimates

Revenues from India increased as a % of Gross sales from 3% in FY16 to 17.8% in FY17 on the back of ramp up in the Punjab e-governance contract. As Spain contract ramps up from FY18, the distribution of revenue should witness a significant change. Middle East stood as the highest contributor to the company's revenue with a revenue share of 43.2% (up 3.5% YoY) primarily driven by the UAE consular services contract.

### Exhibit 34: Geography-wise Performance



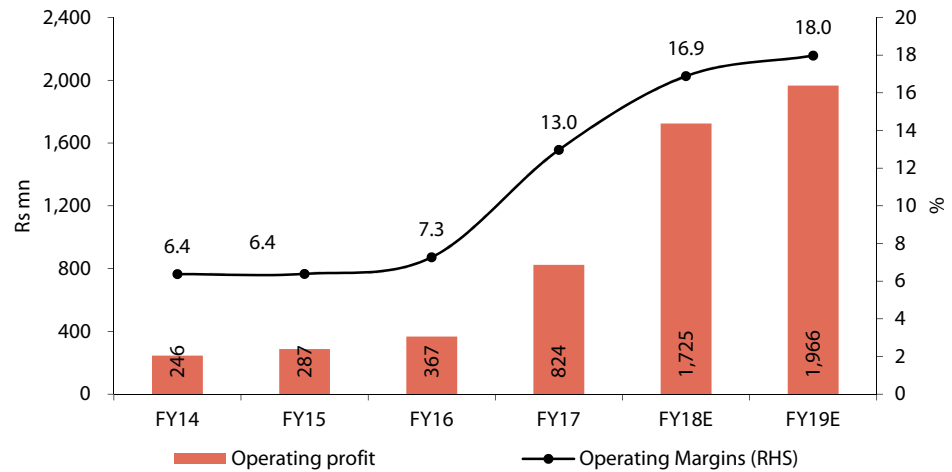
Source: Company, Centrum Research

Source: Company, Centrum Research

### Operating profit to grow at a CAGR of 31% over FY17-19E

We expect operating profit to grow to Rs2bn at a CAGR of 54.5% over FY17-19E as Spain and Punjab start contributing to incremental revenues. Spain business would contribute 40% (Rs784mn) of the operating profit in FY19E. Punjab e-governance business would contribute 32% (Rs633mn) of the operating profit vs. 38% (Rs310mn) in FY17. Operating profit from other businesses will grow as usual to Rs549mn at a CAGR of 6.5%. While the existing visa business would have stable margins at ~9.3%, we expect the Spain visa vertical's margins to grow to 28% in FY19E against 26% in FY18. Punjab e-Governance business would have operating margin of 28% in FY19E. We also expect operating margins to improve 500 bps to 18% over FY17-19E on the back of new business addition.

**Exhibit 35: Operating profit and margins to have steady growth**

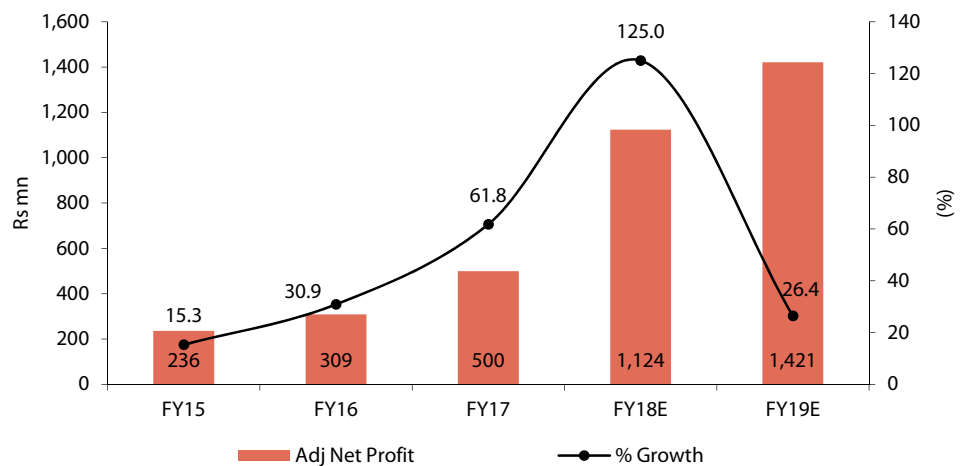


Source: Company, Centrum Research Estimates

**Three-fold jump in profitability over FY17-19E**

We model net profit at Rs1421mn in FY19E from mere Rs500mn in FY17 on the back of strong growth in revenue and operating profit driven by Spain and Punjab e-governance contracts. We also note that effective tax rate will increase from 6% in FY16 to 11% in FY19E as revenue from Punjab e-governance contract is taxed a full rate in India. However, the company will continue to enjoy tax benefits in geographies outside India.

**Exhibit 36: Adj. Net Profit trend**

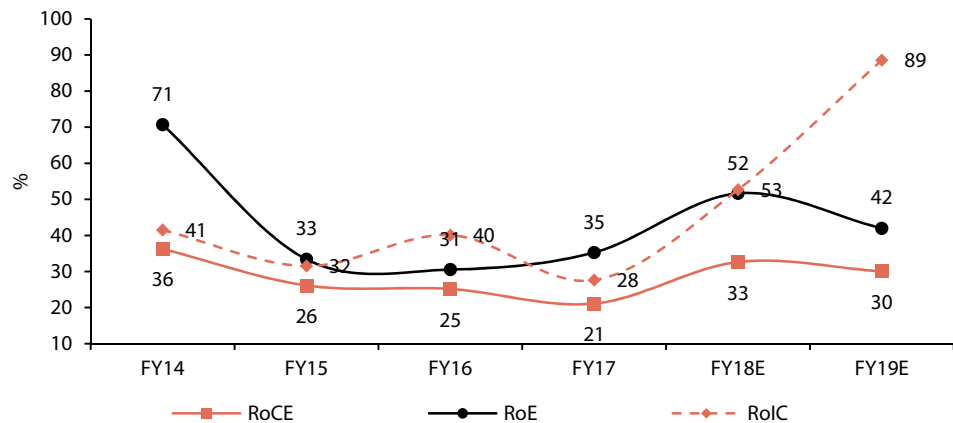


Source: Company, Centrum Research Estimates

### Asset light growth to help ROIC double over FY16-FY19E

We expect ROE to increase from 31% in FY16 to 42% in FY19E on the back of strong growth in profitability. Moreover, we expect ROIC to more than double from 40% in FY16 to 89% in FY19E due to lower capex and strong adj. free cash flow generation. We expect cash balance to increase from Rs665mn in FY17 to Rs3400mn in FY19E. ROCE is expected to increase from 25% in FY16 to 30% in FY19E.

**Exhibit 37: Return Ratios**



Source: Company, Centrum Research Estimates

**Exhibit 38: Dupont Analysis**

Dupont Analysis	FY15	FY16	FY17	FY18E	FY19E
PAT/Sales (x)	0.05	0.06	0.08	0.11	0.13
Sales/Assets (x)	6.05	4.70	3.29	3.20	2.43
Assets/Equity (x)	1.05	1.06	1.36	1.47	1.33
<b>RoE (%)</b>	<b>33.4</b>	<b>30.5</b>	<b>35.3</b>	<b>51.6</b>	<b>41.8</b>

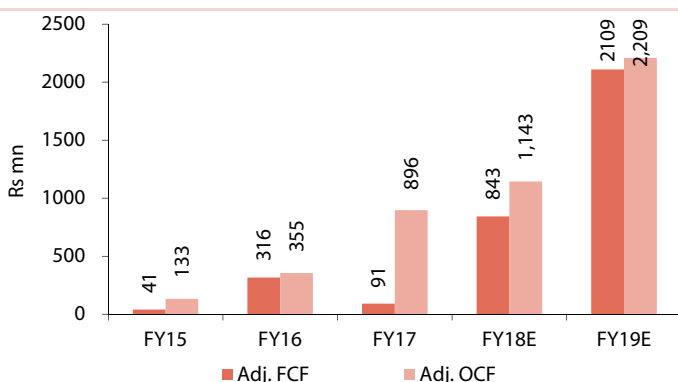
Source: Company, Centrum Research Estimates

### Strong FCF generation

We have modelled in an increase in debtor days from 34 in FY17 to 39 in FY18E as there will be deficiency in transactions in the Punjab contract which will be funded by Punjab government. Hence we have been conservative and have factored in an increase in debtor days. However as transactions increase in Punjab contract, debtor days will come down to 23 in FY19E. We expect creditors to remain stable at 6 days in FY19E vs 7 days in FY17.

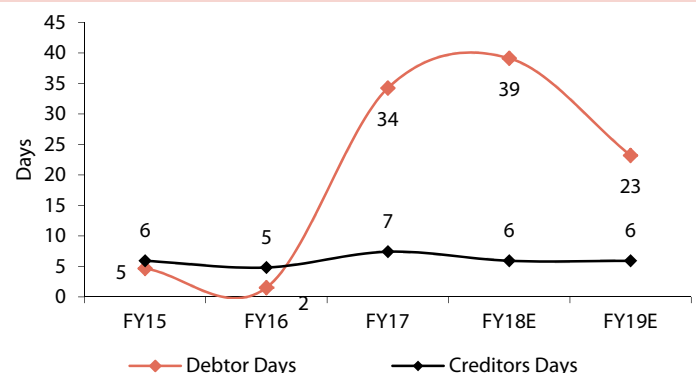
There is no major capex envisaged over the next two years as the company has already completed capex of Rs ~800mn in FY17. Hence high growth in EBITDA would directly translate into high adj. operating cash flow and adj. free cash flow generation. We expect adj. operating cash flow to increase to Rs2.2bn at a CAGR of 57% over FY17-19E while FCF would be Rs2.1bn in FY19E. The company has started paying dividends from FY17 onwards which we believe should increase going forward given strong cash flow generation. However, conservatively we have modelled only ~5% payout ratio for the next two years.

**Exhibit 39: Cash Flow to improve substantially**

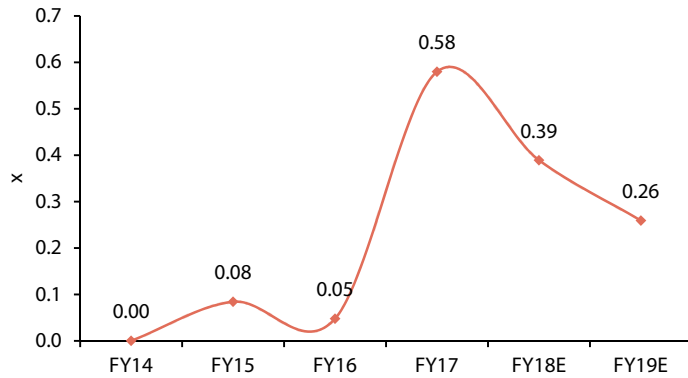


Source: Company, Centrum Research Estimates

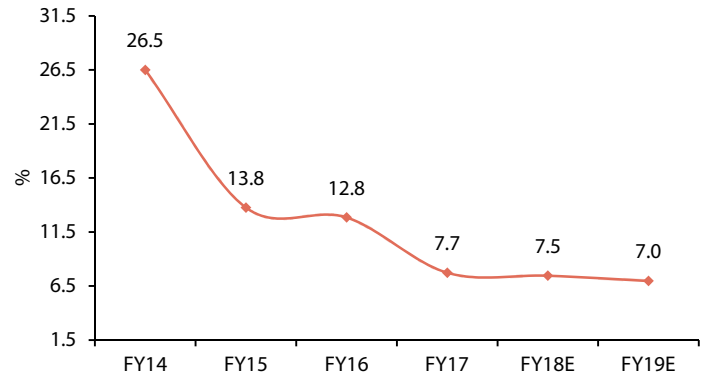
**Exhibit 40: Working capital**



Source: Company, Centrum Research Estimates

**Exhibit 41: DE to reduce substantially**

Source: Company, Centrum Research Estimates

**Exhibit 42: Asset turnover to remain stable**

Source: Company, Centrum Research Estimates

### Rationale for investment of Rs289mn in DSS Gulf Realtors Ltd, Dubai

Dubai, UAE provides a strong base for BLS to foray into Europe as well as Asia. The company's intention is to make offices in major business centres like Dubai, Singapore, London which will aid the company's growth. With this in mind an investment of Rs289mn was made in a land-owning company where office space will be constructed. This land admeasuring ~16K sqft is situated at Jumeriah Village, Dubai with a permissible build-up area of around 1.5 lac sq ft. The company expects to save Rs215mn in annual rentals from FY20. The company for its operations in Dubai currently occupies about 17,000 square feet of office space, and pays an annual rental of Rs 220mn for its office space requirements at about Rs125/sq ft. As per management, savings in office space rentals would translate into compounded annual return in excess of 21% on its original investment of Rs289mn.

## Quarterly financial and Operating Metrics

### Exhibit 43: Quarterly Financials(Consolidated)

Y/E Mar (Rs mn)	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
<b>Total Income</b>	<b>1,371</b>	<b>1,469</b>	<b>1,139</b>	<b>1,242</b>	<b>1,536</b>	<b>1,628</b>	<b>1,944</b>	<b>1,951</b>
COGS	1,121	1,174	959	1,004	1,243	1,139	1,292	1,218
Staff cost	100	77	83	90	97	111	117	119
Admin & other expenses	57	78	42	72	70	97	192	182
Total Expenditure	1,279	1,329	1,084	1,166	1,410	1,348	1,601	1,518
<b>EBITDA</b>	<b>93</b>	<b>140</b>	<b>55</b>	<b>76</b>	<b>125</b>	<b>280</b>	<b>343</b>	<b>433</b>
Depreciation	14	14	13	13	23	55	168	95
EBIT	79	126	42	63	102	225	176	338
Interest	2	0	1	1	8	21	26	28
Other Income	7	2	(14)	11	6	6	2	7
Exceptional Item	0	0	0	0	0	0	0	0
PBT	84	127	27	72	99	209	151	317
Total tax	6	0	(2)	0	9	43	(20)	26
Reported PAT	78	128	29	73	90	167	171	291
<b>Adj PAT</b>	<b>78</b>	<b>128</b>	<b>29</b>	<b>73</b>	<b>90</b>	<b>167</b>	<b>171</b>	<b>291</b>
<b>Growth %</b>								
Revenue	NA	NA	NA	5.3	12.0	10.8	70.7	57.1
EBIDTA	NA	NA	NA	(11.3)	35.0	100.1	528.8	467.8
Adj PAT	NA	NA	NA	10.8	15.9	30.4	482.1	300.9
<b>Margins %</b>								
Gross Margin	18.2	20.1	15.8	19.2	19.1	30.0	33.5	37.6
EBIDTA	6.8	9.5	4.8	6.1	8.2	17.2	17.7	22.2
EBIT	5.7	8.6	3.7	5.1	6.6	13.8	9.0	17.3
Adj PAT	5.7	8.7	2.6	5.8	5.9	10.2	8.8	14.9

Source: Company, Centrum Research

## Valuation

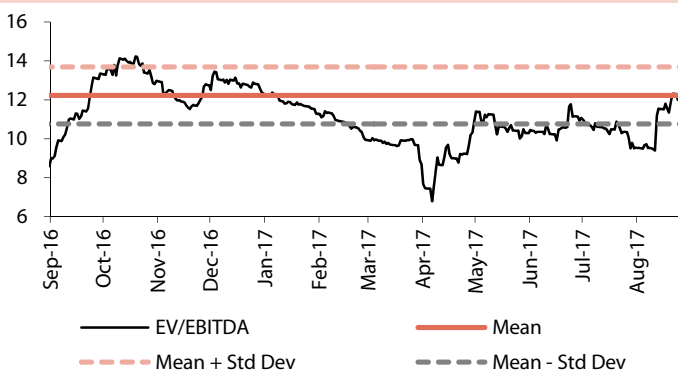
BLS International is one of the top five players in the visa outsourcing industry with 4.3% market share in FY17. Further the €175mn Global Spain Visa contract has moved the company into a new orbit in a highly competitive industry with high entry barriers. We believe the foray into the e-governance space through the PSeGS Rs15bn contract is completely aligned to the management's existing business model, which is asset-light and backed by positive cash flow.

We believe BLS International is expected to post revenue/EBIDTA/PAT CAGR of 31%/54%/69% over FY17-19E. Further it would have high RoE of 51% and 42% in FY18E and FY19E respectively. Low capex requirement coupled with low working capital helps the company generate high Adj OCF and FCF over the next few years. It trades at attractive 9.8% Adj OCF/EV yield in FY19E. BLS International is currently trading at 21x and 16.6x FY18E and FY19E PE and 13.4x and 10.8x FY18E and FY19E EV/EBIDTA.

In 2016, Kuoni Group which owns VFS Global was sold to EQT Partners at valuation of USD1.36bn. Since the acquisition of Kuoni Group, EQT partners have sold all the other businesses of the company and retained VFS Global as they feel this business has maximum long term potential. The deal was valued at 13x CY16 Ev/EBIDTA given that some of the other businesses were loss making. Further Teleperformance which owns TLS Contact is trading at 10.8x CY19 (Bloomberg estimates) EV/EBIDTA since TLS Contact contributes merely 3% to the group's revenue.

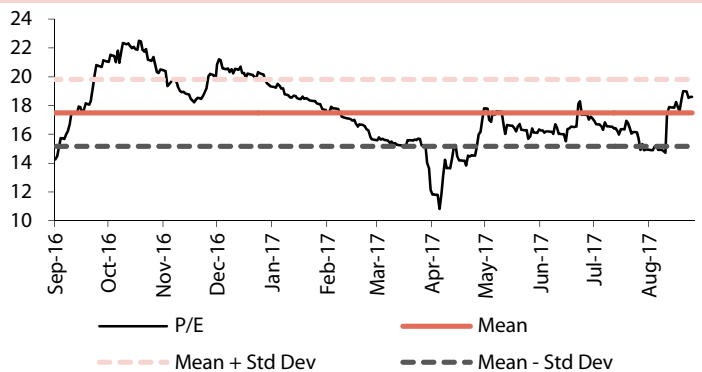
Hence we feel BLS International should trade at steep premium to global averages and at a marginal discount to its Indian peer Vakrangee. Given the niche and unique business model in this high entry barrier industry, global contract wins which would start to translate in revenue and profitability over the next three years, opportunity to win many global visa contracts for which BLS is already qualified offers further upside. E-Governance space continues to remain untapped which is financially attractive since it is asset light and backed by positive cash flows.

**Exhibit 44: One-year forward EV/EBITDA chart**



Source: Bloomberg, Company, Centrum Research Estimates

**Exhibit 45: One-year forward P/E chart**



Source: Bloomberg, Company, Centrum Research Estimates

**Exhibit 46: Comparative Valuations**

Company	Mkt Cap (USD mn)	CAGR FY17-FY19E (%)			EBITDA Margin (%)			PE (x)			EV/EBITDA (x)			RoE (%)			Div Yield (%)		
		Rev.	EBITDA	PAT	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E	FY17	FY18E	FY19E
<b>BLS International*</b>	<b>368</b>	<b>31.2</b>	<b>54.5</b>	<b>68.7</b>	<b>13.0</b>	<b>16.9</b>	<b>18.0</b>	<b>36.2</b>	<b>21.0</b>	<b>16.6</b>	<b>22.2</b>	<b>13.4</b>	<b>10.8</b>	<b>35.3</b>	<b>51.6</b>	<b>42.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
Vakrangee	3,802	27.0	18.5	24.6	23.6	22.4	20.7	23.7	34.1	29.5	12.9	21.1	17.9	29.2	30.5	29.0	0.6	0.6	0.7
Cox & Kings	745	(37.6)	25.0	69.5	9.5	38.1	38.2	22.8	13.6	10.7	7.4	6.6	6.6	5.8	12.8	14.1	0.4	0.4	0.4
CSRA Inc**	5,352	3.3	(2.9)	6.7	17.3	15.6	15.3	14.9	16.6	15.4	8.3	6.7	9.9	154.3	70.5	55.3	1.4	1.2	1.3
Teleperformance**	8,266	11.0	20.9	32.5	14.5	16.8	17.2	24.0	20.4	18.4	12.8	11.6	10.8	11.7	27.8	16.2	1.5	1.4	1.5

Source: Bloomberg consensus, \*Centrum Research Estimates, \*\*December year end



## Key Risks

---

- **Growing use of e-Visa by Governments:** In order to promote tourism, a lot of countries are increasing use of e-Visa for tourists. While e-Visa is still limited to tourists and business visa in select countries, preference towards it can reduce the need for outsourcing visa applications.
- **Terrorist activity:** Terrorist activity in countries where the company has rights to process visas can impact the number of applications as tourists travelling to that country may decline.
- **Deterioration in relationship between countries:** Any deterioration in relations between two countries can impact the number of applications.
- **Data security:** As the nature of the business requires handling of sensitive data, the company has to maintain high security standards to mitigate physical as well as online attacks. Any security breach in data could lead to the company being blacklisted by customers and it would also not be able to bid for future contracts.
- **Attrition Risk:** The nature of the business requires the company to provide utmost confidentiality and security to its clients and customers. Handling such critical work requires the company to impart specialized training to employees which comes at a cost and hence retaining such trained employees is critical.

### Exhibit 47: Shareholding pattern (%)

	Jun-17	Mar-17	Dec-16	Sep-16
Promoter	74.2	74.2	74.2	74.2
FII's	0.0	0.0	0.0	0.0
DII's	0.0	0.0	0.0	0.0
Others	25.8	25.8	25.8	25.8

Source: BSE

## Company Background

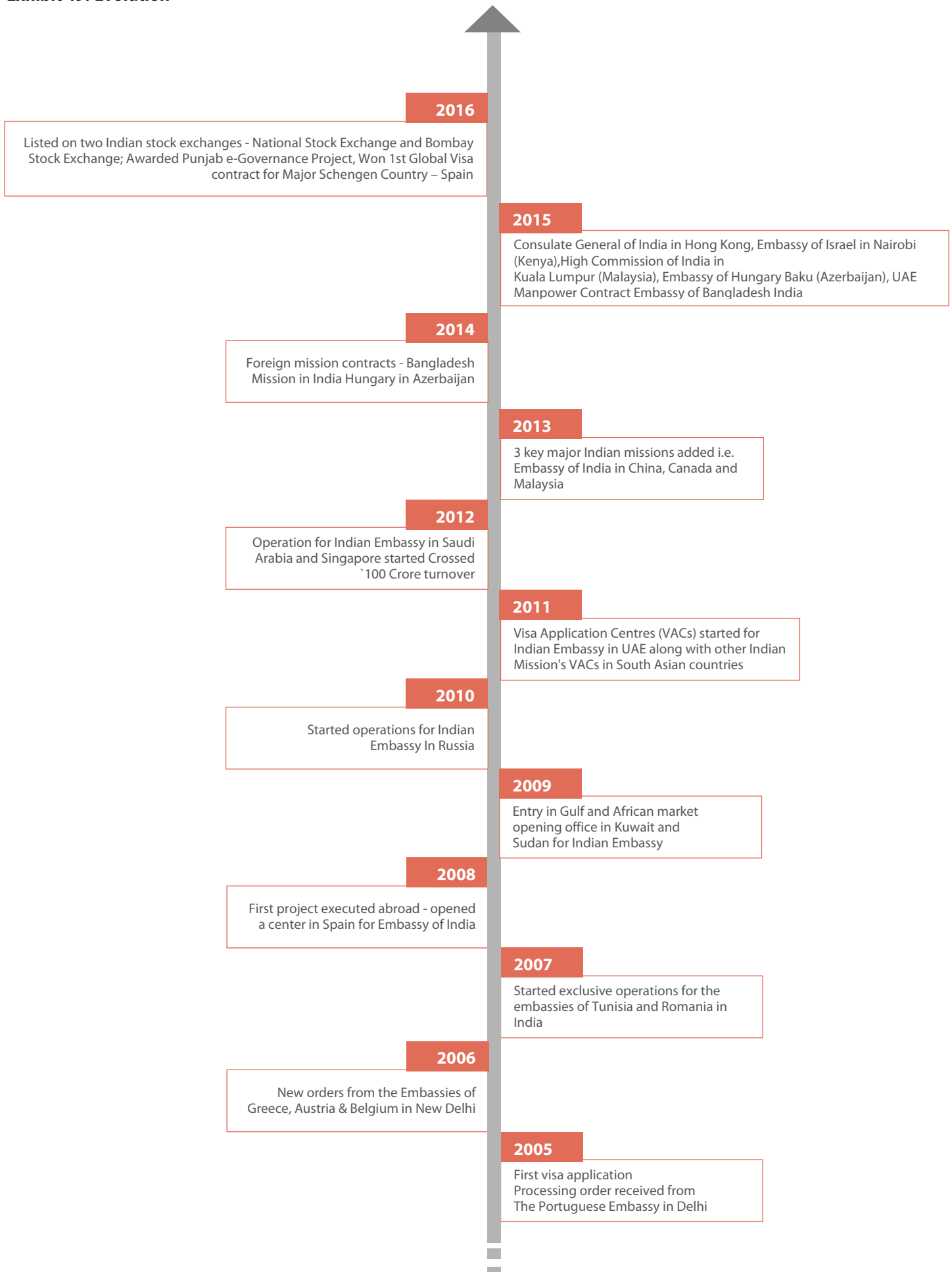
BLS International was incorporated in 1983. It is a specialist in outsourced visa and passport, front end and citizen, consular and passport, verification and attestation and E-Visa services. It manages administrative and non-judgmental tasks related to these services for diplomatic missions, enabling them to focus on key aspects of assessment of visa applications. In the year 2005, it won the first contract for providing visa processing services to the Portuguese Embassy in New Delhi. In a little over a decade, it has rapidly scaled up its operations across 58 nations and 29 client governments. In 2016, BLS expanded its business operations to provide front-end and citizen services to State Governments in India to facilitate the realisation of the goal of transparent and accountable e-governance

### Exhibit 48: Key Management personnel

Name	Designation	Description
Mr. Nikhil Gupta	Managing Director	Mr. Nikhil Gupta is a Chartered Accountant by profession, with over 35 years of experience in audit, consulting, finance and leadership roles in both MNCs and Indian conglomerates. Prior to joining BLS, he served as the Managing Director and CEO of a manufacturing company for over a decade, where he was instrumental in its turnaround and subsequent multifold growth to become an industry leader. He has also been formerly associated with Price Waterhouse Coopers, Novartis India, Raychem RPG and RPG Cables. He has travelled widely across the globe and brings an international perspective to the company. He has an Economics (Hons) degree from Delhi University and is an Associate Member of the Institute of Chartered Accountants of India (Merit List).
Mr. Shikhar Aggarwal	Joint Managing Director	Mr. Shikhar Aggarwal has been associated with the company since 2014 and looks after various verticals of the company. A young, vibrant and dynamic professional, he holds a Bachelor's degree from Delhi University. In a very short span of time, his proactive initiative-taking strategy has helped take the business operations to a new level.
Mr. Karan Aggarwal	Executive Director	Mr. Karan Aggarwal joined the board of the company during FY2016-17. He has a decade long experience across diverse fields including Finance, Management, Administration and Human Resource. He has spearheaded various organizations including BLS Polymers, BLS Ecotech, BLS International and was instrumental in setting up three green field textile projects in group companies of BLS. Further, he also played a significant role in the successful bidding of the Punjab E-Governance project.
Mr. Sarthak Behuria	Independent Director	Mr. Sarthak Behuria has been superannuated from chairmanship of Indian Oil Corporation, India's largest commercial enterprise. Prior to joining Indian Oil, he was Chairman and Managing Director of Bharat Petroleum Corporation Ltd (2002-2005). He was also Chairman (part-time) of Chennai Petroleum Corporation and Bongaigaon Refinery & Petrochemicals. He has also headed Indian Oiltanking Ltd., a joint venture for building and operating terminaling services for petroleum products. He is currently associated with the Adani Group, heading the LNG and LPG business of the Group. He has been conferred the Honorary Fellowship of Energy Institute, UK.
Mr. Ram Prakash Bajpai	Independent Director	Mr. Ram Prakash is currently the Chancellor of Vel Tech Technical University, Chennai. He has been Director/distinguished Scientist at Central Scientific Instrument Organization, Chandigarh. He has experience of more than 50 years in electronics, microelectronics, material science, nanoelectronics and optoelectronics and has held high profile government positions in the past. He holds a Doctorate degree from IIT Delhi and D.S.C. from Hokkaido University, Japan
Mr. Surinder Singh Kohli	Independent Director	Mr. Kohli is highly experienced, holding accredited positions in various organisations of repute. He has been ranked 22nd on the list of India's Best CEOs ranking over the period 1995 to 2011, by the Harvard Business Review. He has been awarded the Wharton-Infosys Ltd. "Enterprises Transaction Award of Technology". He holds a Bachelor's degree in Mechanical Engineering from Banaras Hindu University, CAIIB and Diploma in Industrial Finance from Indian Institute of Bankers.
Ms. Shivani Mishra	Independent Director	Ms. Shivani Mishra has wide experience of more than seven years in the field of Finance & Accounts. She holds a Master's degree in Commerce and Master's in Business Administration.
Mr. Ajay Milhotra	Chief Financial Officer	Mr. Ajay Milhotra has over 25 years of work experience and has worked as a Chief Financial Officer, for various high profile listed and private companies. He specializes in the diverse areas of finance including accounting, strategic planning, investor relations, corporate law, taxation, governance, risk & compliance, audit, etc. Working as a CFO, he managed global funds, while being an integral part of the debt raising and IPO initiatives. He has worked for Indian and globally listed organisations such as Dion in the IT sector, UCP and Homex in the real estate and construction sectors. Most recently, he was the Global CFO of Dion, an Indian listed IT Software Services (Fintech) company. He holds a Bachelor of Commerce (Hons.) from the University of Delhi, is a qualified Chartered Accountant, a qualified Company Secretary, and an MBA from University of Birmingham, UK.
Mr. Jitendra Sahu	Senior Vice President	Mr. Jitendra Sahu is responsible for managing operations and key relationships across geographies, focusing on growth and expansion in new markets. With over 16 years of experience in managing operations and global projects, he has rich international experience in countries like France, UK, Switzerland, Australia, Thailand and India, and has rolled out multiple offices worldwide.
Mr. Merzban Majoo	Senior Vice President - Global Operations	Mr. Merzban Majoo has more than 25 years of experience and is responsible for managing the global operations of the company. With his innovative ideas for enhancing employee productivity and customer satisfaction, BLS has achieved a benchmark in Operational Efficiency. He has a flair for languages and speaks Russian, German, Gujarati, English, Hindi and Arabic with ease.
Ms. Charu Khosla	Senior vice President - Business Development	Mrs Charu is responsible for managing and leading BLS International's business across geographies, focusing on Strategy, Operations, Business Development and managing Key Client and partner relationships. Mrs Charu has been with BLS since 2002 and has handled diversified portfolios in her 16 year long stint. Her domain expertise in consular services has been a key enabler in helping BLS reach its current position of strength. An Economics (Honours) graduate from Delhi University, Mrs Charu also holds a Masters in Business Administration and has a gift for languages.

Source: Company, Centrum Research

## Exhibit 49: Evolution



## Corporate Governance

### High share of independent directors

Over the last few years, BLS has maintained a healthy share of independent directors. Despite a 74% promoter holding, BLS has been fair to investors by keeping the promoter directorship low. In our view, a larger share of independent directors indicates that a) the independence and freedom of the board is not compromised, b) enhances the credibility and decision-making capacity, and c) assures that decisions are made in the best interest of the company. Further in FY17, the company increased the strength of the board from 5 to 7 members. The board is governed by an Independent Chairman.

#### Exhibit 50: Composition of Board

	FY15	FY16	FY17
Total Strength	5	5	7
Non-Independent Directors (Promoters)	2	2	3
Independent Directors	3	3	4
% share of Non-Independent Directors	40.0	40.0	42.9
% share of Independent Directors	60.0	60.0	57.1

Source: Company, Centrum Research

#### Exhibit 51: Independent Directors

Particulars	Date of Appointment	No. of Directorship in other cos	Some name of listed companies in which Directors on Board	FY17 compensation (Rs mn)	as % of FY17 PBT
Mr. Sarthak Behuria	11-11-2016	5	Adani Ports & Special Economic Zone Ltd, SPML Infra Ltd	0.03	0.006
Mr. Ram Prakash Bajpai	09-06-2015	-	NA	0.06	0.011
Mr. Surinder Singh Kohli	14-02-2017	9	NA	0.02	0.004
Ms. Shivani Mishra	30-06-2015	-	NA	0.03	0.005

Source: Company, Centrum Research

### Key managerial compensation

In our analysis of key managerial compensation, we note that BLS's board has been conservative in giving compensating to the non-independent directors. BLS's compensation to non-independent directors stood at Rs1.4mn (0.3% of PBT) in FY17, which is well below the stated statutory limit. We believe lower compensation is a positive for minority shareholders as it reinforces the management's focus on creating value through the business.

#### Exhibit 52: Directors Compensation

(Rs mn)	FY15	FY16	FY17
Promoter Director	0.1	0.9	0.7
% share of PBT	0.0	0.3	0.1
Other Non-Independent Directors	-	-	0.7
% share of PBT	0.0	0.0	0.1
Total	0.1	0.9	1.4
% share of PBT	0.0	0.3	0.3

Source: Company, Centrum Research

### Contingent Liability

In our analysis of contingent liabilities, we note that bank guarantees given by bank on behalf of the company form almost 49.4% of net worth (FY17) which is high. We note that this number seems to be high as the company has recently won contracts for which guarantees have been issued and also it is in the normal course of business.

#### Exhibit 53: Nature of contingent Liability (Rs Mn)

Particulars	FY15	FY16	FY17
Guarantees issued by bank on behalf of the Company	193	155	812
Labour guarantees issued to Ministry of Labour for getting UAE work permit	5	5	6
<b>Total contingent Liability</b>	<b>198</b>	<b>160</b>	<b>818</b>
<b>as % of Net worth</b>	<b>23.7</b>	<b>13.5</b>	<b>49.7</b>

Source: Company, Centrum Research

### Auditors Pedigree

Recently in January 2017, the company changed its auditors to S S Kothari Mehta & Co. from P. Bholusaria & Co. which heralds another strong corporate governance trait. S S Kothari Mehta & Co. has audited many marquee companies such as Dalmia Bharat, Dwarikesh Sugar, Insecticides India, ISGEC Heavy Engineering, JK Laskhmi Cement, Oriental Carbon & Chemicals and PI Industries among others

#### Exhibit 54: Name of Auditor

Name	Since	Type	Other companies audited by Auditor	Auditor Fees FY17 (Rs mn)	As % of PBT
S S Kothari Mehta & Co.	Jan 2017	Statutory	Dalmia Bharat, Dwarikesh Sugar, Insecticides India, ISGEC Heavy Engineering, JK Laskhmi Cement, Oriental Carbon & Chemicals, PI Industries, etc.	1.35	0.3

Source: Company, Centrum Research

### Related party transactions

The company has been paying salaries and rent to related parties on arm's length basis which has already been disclosed in the annual report. We note that company has given a security deposit of Rs78mn to related parties, which is recoverable.

#### Exhibit 55: Related party transactions (Rs Mn)

Particulars	FY16	FY17
Salary	3.6	5.4
Rent	0.5	0.5
Security Deposit receivable from related party	77.6	77.6

Source: Company, Centrum Research

## Annexure

### Need for Sewa Kendras

At present, Punjab government is providing services to citizens and businesses through five delivery channels – 1) Suwidha Centres; 2) Fard kendras; 3) Saanjh Kendras; 4) Gram Suwidha Centre; and 5) Transport centres. Most of these departments are yet to attain back end computerization and the service delivery model in service centres is primarily based on front end software for receiving applications and receipts of applications are handed over to citizens in return. Applications received are manually transferred to the back offices of departments for further processing. The plan is to integrate all existing facilities that deliver services in order to bring uniformity in terms of a standardized façade, uniform working culture, data sharing, etc. These facilities would be termed as “Sewa Kendras”. It is envisaged that initially 223 citizen services will be rendered through these Sewa Kendras.

### Exhibit 56: Service provided by Punjab Government

#	Centre	Department	Numbers
1	Suwidha Centers	Multiple Departments	161
2	Fard Kendras	Revenue	163
3	Saanjh Kendras	Police	>500
4	Gram Suwidha Centre	Multiple Departments	2112
5	Transport Centres	Transport	22

Source: PSeGS RFP, Centrum Research

### Infrastructure to be provided by BLS for each type of Sewa Kendra

#### Exhibit 57: Units required across Sewa Kendra

S.No	Component	Units required		
		Sewa Kendras	Sewa Kendras	Sewa Kendras
		Type I	Type II	Type III
		Qty	Qty	Qty
1.	Desktops	7	4	1
2.	Printers	7	4	1
3.	Scanners	6	3	1
4.	LAN Switch - 24 Ports PoE with one OFC port	1	1	1
5.	2 TB SATA HDD	1	1	1
6.	Network Rack (with size)	1	1	1
7.	UPS (10/5/3 KVA for Type	1	1	1
8.	CCTV Fixed Camera	2	2	2
9.	NVR	1	1	1
10.	Token Management System	1	1	1
11.	Biometric Attendance	1	1	1
12.	Digital Camera with Tripod	6	3	1
13.	Digital Slate with Digital Pen	6	3	1

Source: PSeGS RFP, Centrum Research

### Manpower requirement and criteria

Under the contract, service operator of Sewa Kendras shall make their own assessment of manpower required. However, the service operator has to have minimum manpower as delineated in the exhibit below. The service operator is also required to maintain a reserve pool of manpower at each district headquarter to maintain uninterrupted operations. We also note that service operators have to take over existing manpower from Suwidha Kendras whose current average salary is Rs9000/ per month. Also, the manpower has to wear uniform as prescribed by Punjab government.

Criteria for manpower qualification have also been laid down by Punjab government. For eg. counter operators who are key for delivery have a minimum criteria of 1) graduate/technical diploma; 2) knowledge of computers; 3) Age between 21-35; 4) writing and communication skills, etc.

### Exhibit 58: Manpower requirement

S.No	Component	Minimum Manpower Requirement		
		Sewa Kendras	Sewa Kendras	Sewa Kendras
		Type 1	Type 2	Type 3
1.	Zone Project Coordinator		1 for each zone	
2.	District Program Manager		1 in each District	
3.	Assistant District Program		1 in each District	
4.	Operators for Counter	6	3	1
5.	Center Coordinator cum Facilitator	1	1	0
6.	Attendant cum Helper cum Runner	1 per Kendra	1 per 5 Kendras	1 per 5 Kendras
7.	Security Guard	1	1	-

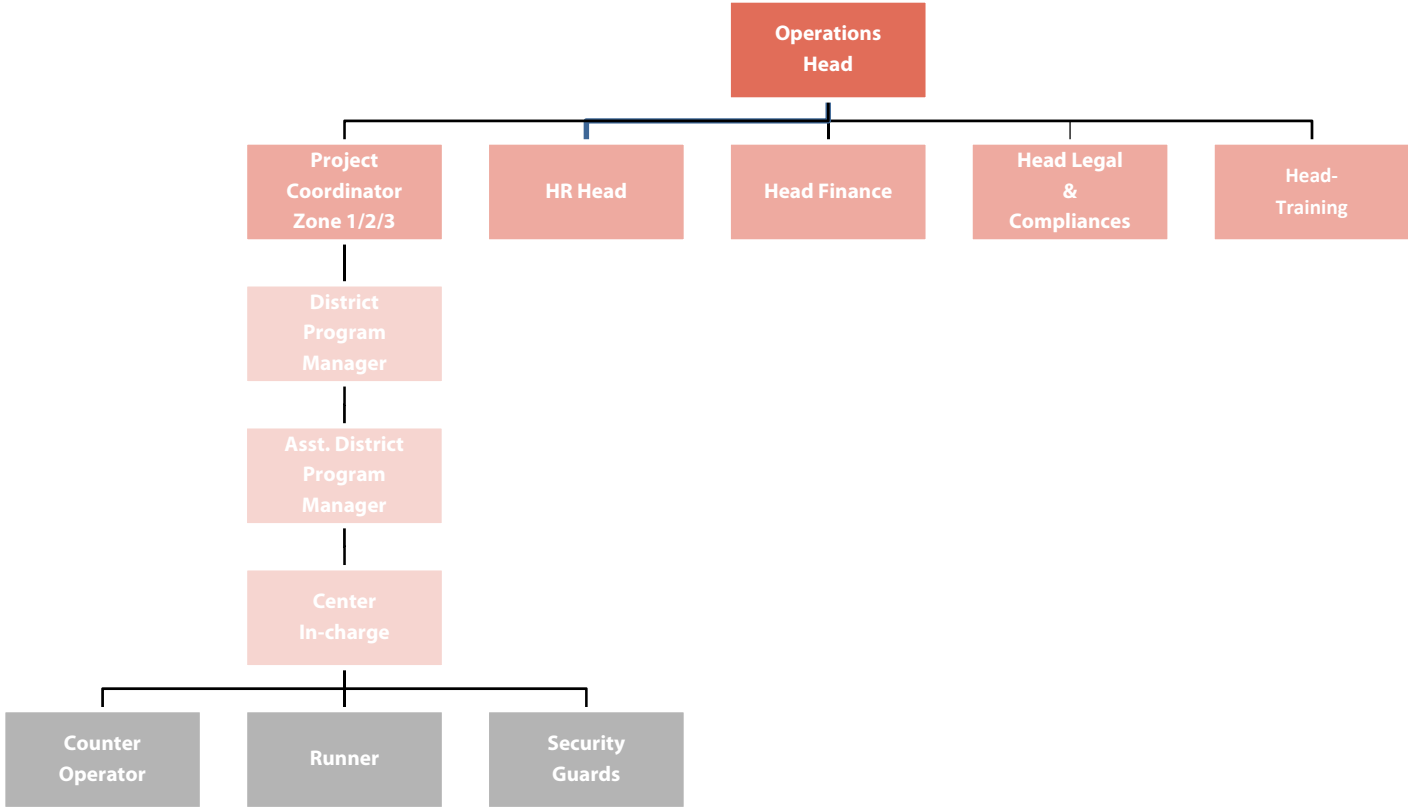
Source: PSeGS RFP, Centrum Research

### Exhibit 59: Qualification criteria for manpower

Sr No	Position	Qualification & Skill	Experience
1	Counter Operator	<ul style="list-style-type: none"> <li>○ Preferably Graduates/3 year Technical Diploma in any field from a recognized university/board with working knowledge of computers</li> <li>OR</li> <li>10+2 pass in any stream with 1 year certificate course in computers from a recognized institute/university</li> <li>OR</li> <li>0+2 pass in any stream with minimum 1 year experience in the relevant field</li> <li>○ Age – 21 to 35 years</li> <li>○ Typing speed of minimum 20 WPM on computer terminal.</li> <li>○ Should be conversant with the Punjabi language and should be able to read, write &amp; speak in Punjabi, Hindi and English with good communication skills.</li> </ul>	
2	Attendant cum Helper cum Runner	<ul style="list-style-type: none"> <li>○ Minimum 10+2 in any discipline</li> <li>○ Age 21 to 35 years as on date of deployment</li> <li>○ Should be able to read, write and speak Punjabi</li> </ul>	<ul style="list-style-type: none"> <li>○ 6 months working experience desirable</li> </ul>
3	Center Coordinator Cum Facilitator	<ul style="list-style-type: none"> <li>○ Minimum Graduate in any discipline</li> <li>○ Fluent in Punjabi, Hindi and English</li> <li>○ Working knowledge of computers</li> <li>○ Age – 25 to 50 years</li> </ul>	<ul style="list-style-type: none"> <li>○ Minimum 4 years of experience in providing services to customers/citizens</li> <li>○ 1 year of experience as supervisor/team lead</li> </ul>
4	District Program Manager	<ul style="list-style-type: none"> <li>○ Minimum Post Graduate in any discipline</li> <li>○ Fluent in Punjabi, Hindi and English</li> <li>○ Working knowledge of computers</li> <li>○ Age – 30 to 50 years</li> </ul>	<ul style="list-style-type: none"> <li>○ Minimum 7 years of relevant experience</li> </ul>
5	Assistant District Program Manager	<ul style="list-style-type: none"> <li>○ Minimum Post Graduate in any discipline</li> <li>○ Fluent in Punjabi, Hindi and English</li> <li>○ Working knowledge of computers</li> <li>○ Age – 30 to 50 years</li> </ul>	<ul style="list-style-type: none"> <li>○ Minimum 5 years of relevant experience</li> </ul>
6	Zone Project Coordinator	<ul style="list-style-type: none"> <li>○ Minimum MBA Fluent in Punjabi, Hindi and English</li> <li>○ Working knowledge of computers</li> <li>○ Age – 30 to 50 years</li> </ul>	<ul style="list-style-type: none"> <li>○ Minimum 10 years of experience in Project/Program Management out of which minimum 4 years of experience should be as Team Leader in a multi locational project</li> </ul>

Source: PSeGS RFP, Centrum Research

**Exhibit 60: Human Resources For E-Gov Business**



Source: PSeGS RFP, Centrum Research



## Bidding process for PSeGS

### Prequalification Criteria

Service operators have to satisfy the pre-qualification criteria as given in the exhibit below. Some of the key pre-qualification criteria for bidding for three zones includes 1) average annual turnover of Rs 100cr in the last three years, 2) past experience of minimum two projects of Rs25cr each, 3) total 700 manpower with minimum 100 on bidder's own payroll, etc. After the service provider meets the criteria, technical evaluation would be done. Bidders have to make a presentation to the evaluation committee as per the technical evaluation criteria.

#### Exhibit 61: Pre-Qualification Criteria

No.	Parameter	Pre-qualification Criteria
a.	<b>Legal Entity</b>	In case the bidding entity is from India The Bidder needs to be registered as an entity in India under the applicable laws. In case the Bidder is from a country other than India. Should be in business operation for more than 3 (three) years as on date of submission of the Bid.
b.	<b>Turnover</b> (Average Annual Turnover during the last 3 Financial Years ending 31.03.2015)	<input type="radio"/> INR 100 Crores (Rupees One Hundred Crores Only) in case Bid is submitted for all 3 Zones <input type="radio"/> INR 80 Crores (Rupees Eighty Crores Only) in case Bid is submitted for any 2 Zones <input type="radio"/> INR 40 Crores (Rupees Forty Crores Only) in case Bid is submitted for 1 Zone
c.	Profit-Making entity	Should be an operating profit making entity in at least 1 out of each of last 3 Financial Years ending on 31.03.2015
d.	Net Worth	The Net Worth/Cash flow of the Bidder must be positive for each of the last 3 (three) Financial Year ending 31st March 2015.
e.	<b>Relevant Past Experience</b> Should have undertaken similar projects in any or all of the following areas of: a) Delivery of multi locational, across the counter citizen service delivery b) Turn-key implementation of computerized system and O&M support in last 5 years as on the Bid submission Date. c) Operation and Maintenance of citizen service centers as on the Bid Submission Date.	<input type="radio"/> In case Bid is submitted for all 3 Zones <ul style="list-style-type: none"> <li>• Minimum 2 Projects of INR 25 Crores each.</li> <li style="text-align: center;">OR</li> <li>• Minimum 4 Projects of INR 12.50 Crores each</li> </ul> <input type="radio"/> In case Bid is submitted for any 2 Zones <ul style="list-style-type: none"> <li>• Minimum 1 Project of INR 25 Crores each.</li> <li style="text-align: center;">OR</li> <li>• Minimum 3 Projects of INR 12.50 Crores each</li> </ul> <input type="radio"/> In case Bid is submitted for 1 Zone <ul style="list-style-type: none"> <li>• Minimum 2 Projects of INR 12.5 Crores each.</li> </ul>
f.	<b>Manpower Strength</b> (Average of last 3 Financial years i.e. 2012-13, 2013- 14 & 2014-15) a) Total Deployed on Projects including on-roll + contractual + outsourced. b. On-Roll	<input type="radio"/> In case Bid is submitted for all 3 Zones <ul style="list-style-type: none"> <li>• Total Deployed on Projects including on-roll + contractual + outsourced -700</li> <li>• On-Roll - 100</li> </ul> <input type="radio"/> In case Bid is submitted for any 2 Zones <ul style="list-style-type: none"> <li>• Total Deployed on Projects including on-roll + contractual + outsourced -500</li> <li>• On-Roll - 100</li> </ul> <input type="radio"/> In case Bid is submitted for 1 Zone <ul style="list-style-type: none"> <li>• Total Deployed on Projects including on-roll + contractual + outsourced –300</li> <li>• On-Roll - 100</li> </ul>
g.	<b>Blacklisting</b>	Bidders must not have been declared ineligible or blacklisted by any entity of Govt. of India / Govt. of Punjab / other State Govt. / Govt.
H	<b>Breach of Contract</b>	Bidders must not have been involved in a breach of general or specific instructions for bidding, general and special conditions of contract with Government of Punjab or any of its agencies during the past 3 years as on Bid Submission Date.

Source: PSeGS RFP, Centrum Research

### Technical Qualification Criteria

Consequent upon the evaluation as per technical evaluation criteria, each Technical Proposal will be assigned a Technical Score out of a maximum of 100 marks. Bidders who score 65 marks or more out of 100 qualify for the evaluation of their Financial Proposal for the respective zones. These 100 marks are divided into three broad categories 1) Profile of the company (45 marks); 2) Experience of the company (20 marks); and 3) Method and strategy for implementation of project (35 Marks). Profile of the company includes criteria like average turnover, manpower, etc. Method and strategy include strategy for implementation of project, operational methodology, plan to meet service level agreements, quality assurance, service delivery assurance, etc.

## Financial Proposal

The final price quoted in the Financial Proposal will be inclusive of all taxes and expenses. We note that in case of change in taxes during the course of the Project, the price shall be adjusted accordingly. The lowest bidder would be allocated the contract.

### Exhibit 62: In case of Bidder is Bidding for All the 3 Zones – Technical Qualification

Sr No	Parameter Description	Evaluation Parameter	Evaluation Criteria	Evaluation Criteria				
				Range 1	Marks 1	Range2	Marks2	Marks3 (Max.)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
<b>I Company Profile</b>								
1	Be in business for last more than 3years	No. of Years	>=3 &<5	5	>5 &<8	8	>=9	10
2	Average turnover during the last 3 Financial Years ending 31.03.2015	Turnover-Average last three years (INR) in Crores	>=100 &<=200	5	>200 &<=300	8	>300 Crore	10
3	Manpower deployed at various projects including on-roll + contractual + outsourced. (Average of last 3 years)	No. of manpower	>=700 &<=800	5	>800 &<=1100	10	>1100	15
4	Total Manpower on pay roll (Average of last 3 years)	No. of Manpower	>=100 &<=150	5	>150 &<=200	8	>200	10
<b>Sub Total (Company Profile)</b>								<b>45</b>
<b>II Relevant Past Experience</b>								
1	Similar projects of value more than INR 25 Crores in any or all of the following areas of: a) Delivery of multi-locational, across the counter citizen service delivery b) Turn-key implementation of computerized system and O&M in last 5 years as on the Bid Submission Date. c) Operation and Maintenance of citizen service centers	No. of projects	2 Projects of INR 25 Crores each. OR 4 Projects of INR 12.5 Crores each	15	3 Projects of INR 25 Crores each. OR 5 to 6 Projects of INR 12.5 Crores each	20	-	-
<b>Sub Total (Relevant Past Experience)</b>								<b>20</b>
<b>III Approach and Methodology</b>								
1	Strategy for Implementation of Project	The overall project management approach to be adopted by the responding Bidder through detailed Project Plan including day wise, week wise activities with Work Breakdown Structures, Project estimates, milestones & Project review mechanism etc. to implement the project to meet the timelines as well.						10
2	Operational methodology	Understanding the scope & spirit of the project model. The overall program management strategy to be adopted by the responding Bidder through detailed management model to operate the Project in the desired outcomes. Breakdown of work practices & its continual improvement plan for bringing transformation by using innovative ideas & global best practices & process re-engineering. Strategy to run the project in a cost effective manner. Business continuity plan for uninterrupted operation of the Sewa Kendras.						7
3	Plan for meeting the SLA norms and Fault Management along with the use of appropriate SLA tools.	Explain the understanding of the project requirements, SLA management methodology, and methodology for carrying out the activities for expected output. Detail of proposed tools to be deployed for SLA monitoring. Proposed Inventory Control management. Proposed Resource back up plan.						7
4	Highlight the associated risks / problems and plans for mitigation	Highlight the associated risks / problems and plans for mitigation and explain the technical approach it would adopt to address them.						5
5	Quality assurance plan of manpower, service delivery etc.	Detailed plan to maintain & improve the Quality Assurance level of manpower deployed & overall service delivery. Number & Quality of training Programmed planned etc.						6
<b>Sub Total (Approach and Methodology)</b>								<b>35</b>
<b>Total</b>								<b>100</b>

Source: PSeGS RFP, Centrum Research

**Exhibit 63: Department wise detailed list of finalised facilitation charges**

Sr. No	Department Name	Service Sr. No	Service No	Facilitation Charges		
				Across the counter	Online	Form Fee
1	Department of Social Security and Women & Child Development Department	1	Senior Citizen Identity Card	10	10	0
2	Department of SC BC Welfare	2	Application for Caste Certificate SC	50	40	0
		3	Application for Caste Certificate BC	50	40	0
3	Department of Health & Family Welfare	4	Issuance of Birth Certificate (Rural)	50	40	0
		5	Issuance of Death Certificate (Rural)	50	40	0
		6	Addition of Name of child in Birth Certificate	35	30	0
		7	Correction in Birth/Death Certificate	35	30	0
		8	Correction in Birth/Death Certificate	Birth – Rs 60	Birth – Rs 45	0
				Death – Rs 70	Death – Rs 55	0
		9	Issuance of Birth Certificate (Urban)	50	40	0
		10	Issuance of Death Certificate (Urban)	50	40	0
4	Department of Home	11	Issuance of Marriageability Certificate (Under The Special Marriage Act, 1954)	830	765	0
		12	Solemnization of Marriage (Under The Special Marriage Act, 1954)	1160	910	0
		13	Registration of Marriage Under The Punjab Compulsory Registration of Marriage Act, 2012	1200	950	0
		14	Issuance of new Arms License	1950	1325	0
		15	Issuance of Duplicate Arms License	370	335	0
		16	Renewal of Arms License	370	335	0
		17	Entry of Weapon	370	335	0
		18	Addition/Deletion of Weapon	Addition:930 Deletion:370	Addition: 615; Deletion: 335	0
		19	NOC for Sale of Weapon	400	350	0
		20	Permission to Carry the Weapon	400	350	0
		21	Application of Extension of Jurisdiction	370	335	0
		22	Cancellation of Arm License	400	350	0
		23	Change of Address			
		24	Addition/Deletion of Retainer	400	350	0
		25	Change of Bore	400	350	0
		26	Permission for Deposit of weapon in death Case	400	350	0
		27	Permission for sale / transfer Weapon in Death Case	400	350	0
		28	Extension of Cartridges	300	300	0
5	Department of Food and Civil Supplies	29	Issuance of Ration Card	40	30	0
		30	Add, Change and Deletion of name in Ration card	40	30	0
		31	Issuance of Surrender Certificate	20	20	0
		32	Issuance of Duplicate Ration Card	25	23	0
		33	Rural Area Certificate	50	40	0
6	Department of Personnel	34	Issuance of Residence Certificate	50	40	0
7	Department of Agriculture	35	Issuance and renewal of license for sale of seeds /fertilizers /insecticides	170	160	0
		36	Addition of Godown in seeds/fertilizers licenses	170	160	0
		37	Issuance of Duplicate agricultural license of seeds/fertilizers/insecticides	170	160	0
		38	Addition of item in license for Seeds/fertilizers/insecticides	170	160	0
8	Department of Revenue	39	Countersigning of Documents	200	175	0
		40	Copying documents	30	30	0
		41	Attestation of Document	30	30	0

Source: PSeGS RFP, Centrum Research

## Financials (Consolidated)

### Exhibit 64: Income Statement

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
<b>Revenue</b>	<b>4,500</b>	<b>5,050</b>	<b>6,350</b>	<b>10,212</b>	<b>10,936</b>
Employee Cost	351	329	417	667	721
% of revenue	7.8	6.5	6.6	6.5	6.6
Cost of Services	3670	4125	4678	6632	6951
% of revenue	81.5	81.7	73.7	64.9	63.6
Other expenses	192	228	431	1,189	1,298
% of revenue	4.3	4.5	6.8	11.6	11.9
<b>EBIDTA</b>	<b>287</b>	<b>367</b>	<b>824</b>	<b>1,725</b>	<b>1,966</b>
EBIDTA Margins (%)	6.4	7.3	13.0	16.9	18.0
Depreciation & Amortization	51	55	260	383	267
<b>EBIT</b>	<b>236</b>	<b>312</b>	<b>564</b>	<b>1,341</b>	<b>1,699</b>
Interest expenses	1	3	55	120	135
<b>PBT for operations</b>	<b>235</b>	<b>309</b>	<b>509</b>	<b>1,221</b>	<b>1,564</b>
Other income	4	5	23	28	33
Exceptional item	-	-	-	-	-
<b>PBT</b>	<b>239</b>	<b>314</b>	<b>532</b>	<b>1,249</b>	<b>1,597</b>
Taxes	3	5	32	125	176
Effective tax rate (%)	1.4	1.5	6.0	10.0	11.0
<b>Net Profit</b>	<b>236</b>	<b>309</b>	<b>500</b>	<b>1,124</b>	<b>1,422</b>

Source: Company, Centrum Research Estimates

### Exhibit 65: Key Ratios

Y/E March	FY15	FY16	FY17	FY18E	FY19E
<b>Growth ratios (%)</b>					
Revenues	16.7	12.2	25.7	60.8	7.1
EBIDTA	16.9	27.8	124.3	109.4	14.0
Adj Net Profit	15.2	31.0	61.8	124.9	26.4
<b>Margin ratios (%)</b>					
EBIDTA Margins	6.4	7.3	13.0	16.9	18.0
PBT from operations Margins	5.2	6.1	8.0	12.0	14.3
PAT Margins	5.2	6.1	7.9	11.0	13.0
<b>Return Ratios (%)</b>					
ROCE	26.1	25.2	21.1	32.6	30.0
RoE	33.4	30.5	35.3	51.6	42.0
RoIC	31.5	40.1	27.6	52.7	88.6
<b>Turnover Ratios (Days)</b>					
Gross block turnover ratio(x)	13.8	12.8	7.7	7.5	7.0
Inventory					
Debtors	5	2	34	39	23
Creditors	6	5	7	6	6
Cash conversion cycle	-1	-3	27	33	17
<b>Solvency Ratio</b>					
Debt-equity	0.1	0.0	0.6	0.4	0.3
Net Debt-equity	(0.1)	(0.4)	0.2	(0.2)	(0.6)
Current ratio	6.2	8.8	5.3	9.5	12.9
Interest coverage ratio	268.5	91.4	10.3	11.2	12.6
Gross debt/EBITDA	0.2	0.2	1.2	0.6	0.5
<b>Per Share (Rs)</b>					
FDEPS (Adjusted)	2.3	3.0	4.9	11.0	13.9
CEPS	2.8	3.6	7.4	14.7	16.5
Book Value	8.2	11.6	16.1	26.4	39.7
Dividend	0.0	0.0	0.4	0.5	0.5
Dividend Payout (%)	0.0	0.0	8.3	5.5	4.3
<b>Valuations (x)</b>					
PER	74.3	56.7	36.2	21.0	16.6
P/BV	21.0	14.8	11.0	8.7	5.8
EV/EBIDTA	59.5	46.6	22.2	13.4	10.8
Dividend yield(%)	0.0	0.0	0.2	0.2	0.2
5 Yr Avg AOCF/EV yield %	0.6	1.1	1.9	2.1	4.2

Source: Company, Centrum Research Estimates

### Exhibit 66: Balance Sheet

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
Share Capital	102	102	102	102	102
Reserves & Surplus	733	1,085	1,543	2,605	3,965
<b>Total Shareholders Funds</b>	<b>835</b>	<b>1,187</b>	<b>1,645</b>	<b>2,708</b>	<b>4,067</b>
Loan Funds	70	57	954	1054	1054
Minority Interest	1	1	1	2	2
Deferred Tax Liabilities	0	-4	14	14	14
<b>Total Liabilities</b>	<b>906</b>	<b>1,241</b>	<b>2,614</b>	<b>3,777</b>	<b>5,137</b>
Gross Block	363	423	1,219	1,519	1,619
Less:- Accumulated Depreciation	120	181	435	818	1,085
Net Block	242	242	784	701	534
Capital WIP	-	-	-	-	-
<b>Net Fixed assets</b>	<b>242</b>	<b>242</b>	<b>784</b>	<b>701</b>	<b>534</b>
Investments	79	17	305	305	305
Inventory	-	-	-	-	-
Debtors	59	22	597	1,097	697
Loans & advances	495	613	463	463	463
Other Assets	-	-	153	153	153
Cash & bank balances	159	473	665	1,454	3,400
<b>Total current assets</b>	<b>712</b>	<b>1,109</b>	<b>1,878</b>	<b>3,168</b>	<b>4,713</b>
Trade payables	74	68	130	168	180
Other liabilities	40	43	202	206	210
provisions	14	16	21	23	26
<b>Net current assets</b>	<b>584</b>	<b>983</b>	<b>1,525</b>	<b>2,771</b>	<b>4,298</b>
<b>Total</b>	<b>906</b>	<b>1,241</b>	<b>2,614</b>	<b>3,777</b>	<b>5,137</b>

Source: Company, Centrum Research Estimates

### Exhibit 67: Cash Flow

Y/E March (Rs mn)	FY15	FY16	FY17	FY18E	FY19E
<b>CF before WC changes</b>	<b>304</b>	<b>405</b>	<b>811</b>	<b>1,725</b>	<b>1,966</b>
Working capital changes	(168)	(43)	95	(456)	418
<b>Cash from Operations</b>	<b>133</b>	<b>355</b>	<b>896</b>	<b>1,143</b>	<b>2,209</b>
Adj. OCF (OCF-Interest)	132	352	841	1,023	2,074
Change in Fixed assets	(65)	(47)	(805)	(300)	(100)
Adj. FCF (AOCF-Capex)	67	305	36	724	1,974
<b>Cash from investing</b>	<b>(109)</b>	<b>(69)</b>	<b>(1,082)</b>	<b>(272)</b>	<b>(67)</b>
<b>Cash from financing</b>	<b>55</b>	<b>(19)</b>	<b>386</b>	<b>(81)</b>	<b>(196)</b>
<b>Net change in cash</b>	<b>79</b>	<b>267</b>	<b>200</b>	<b>790</b>	<b>1,945</b>

Source: Company, Centrum Research Estimates

## Appendix A

### Disclaimer

Centrum Broking Limited ("Centrum") is a full-service, Stock Broking Company and a member of The Stock Exchange, Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE). Our holding company, Centrum Capital Ltd, is an investment banker and an underwriter of securities. As a group Centrum has Investment Banking, Advisory and other business relationships with a significant percentage of the companies covered by our Research Group. Our research professionals provide important inputs into the Group's Investment Banking and other business selection processes.

Recipients of this report should assume that our Group is seeking or may seek or will seek Investment Banking, advisory, project finance or other businesses and may receive commission, brokerage, fees or other compensation from the company or companies that are the subject of this material/report. Our Company and Group companies and their officers, directors and employees, including the analysts and others involved in the preparation or issuance of this material and their dependants, may on the date of this report or from, time to time have "long" or "short" positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. Centrum or its affiliates do not own 1 or more in the equity of this company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or differed herein in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We and our Group may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of Centrum. Centrum or its affiliates do not make a market in the security of the company for which this report or any report was written. Further, Centrum or its affiliates did not make a market in the subject company's securities at the time that the research report was published.

This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients of Centrum. Though disseminated to clients simultaneously, not all clients may receive this report at the same time. Centrum will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. The countries in which the companies mentioned in this report are organized may have restrictions on investments, voting rights or dealings in securities by nationals of other countries. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. Any such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document.

The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by or on behalf of the Company, Centrum, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts.

The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Centrum does not provide tax advice to its clients, and all investors are strongly advised to consult regarding any potential investment. Centrum and its affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Foreign currencies denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies effectively assume currency risk. Certain transactions including those involving futures, options, and other derivatives as well as non-investment-grade securities give rise to substantial risk and are not suitable for all investors. Please ensure that you have read and understood the current risk disclosure documents before entering into any derivative transactions.

This report/document has been prepared by Centrum, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. Centrum has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change.

This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of Centrum. This report or any portion hereof may not be printed, sold or distributed without the written consent of Centrum.

The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Neither Centrum nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The distribution of this report in other jurisdictions may be restricted by law and persons into whose possession this report comes should inform themselves about, and observe any such restrictions. By accepting this report, you agree to be bound by the foregoing limitations. No representation is made that this report is accurate or complete.

The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of Centrum Broking and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection.

This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith.

Centrum and its affiliates have not managed or co-managed a public offering for the subject company in the preceding twelve months. Centrum and affiliates have not received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for service in respect of public offerings, corporate finance, debt restructuring, investment banking or other advisory services in a merger/acquisition or some other sort of specific transaction.

As per the declarations given by them, Mr. Ankit Kedia and Mr. Varshit Shah, research analyst and and/or any of their family members do not serve as an officer, director or any way connected to the company/companies mentioned in this report. Further, as declared by them, they have not received any compensation from the above companies in the preceding twelve months. They does not hold any shares by them or through their relatives or in case if holds the shares then will not to do any transactions in the said scrip for 30 days from the date of release such report. Our entire research professionals are our employees and are paid a salary. They do not have any other material conflict of interest of the research analyst or member of which the research analyst knows of has reason to know at the time of publication of the research report or at the time of the public appearance.

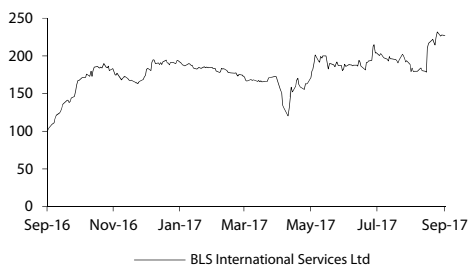
While we would endeavour to update the information herein on a reasonable basis, Centrum, its associated companies, their directors and employees are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent Centrum from doing so.

Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or Centrum policies, in circumstances where Centrum is acting in an advisory capacity to this company, or any certain other circumstances.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Centrum Broking Limited or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market.

### BLS International price chart



Source: Bloomberg, Centrum Research

**Disclosure of Interest Statement**

1	Business activities of Centrum Broking Limited (CBL)	Centrum Broking Limited (hereinafter referred to as "CBL") is a registered member of NSE (Cash, F&O and Currency Derivatives Segments), MCX-SX (Currency Derivatives Segment) and BSE (Cash segment), Depository Participant of CDSL and a SEBI registered Portfolio Manager.
2	Details of Disciplinary History of CBL	CBL has not been debarred/ suspended by SEBI or any other regulatory authority from accessing /dealing in securities market.
3	Registration status of CBL:	CBL is registered with SEBI as a Research Analyst (SEBI Registration No. INH000001469)

		<b>BLS International</b>
4	Whether Research analyst's or relatives' have any financial interest in the subject company and nature of such financial interest	No
5	Whether Research analyst or relatives have actual / beneficial ownership of 1 or more in securities of the subject company at the end of the month immediately preceding the date of publication of the document.	No
6	Whether the research analyst or his relatives has any other material conflict of interest	No
7	Whether research analyst has received any compensation from the subject company in the past 12 months and nature of products / services for which such compensation is received	No
8	Whether the Research Analyst has received any compensation or any other benefits from the subject company or third party in connection with the research report	No
9	Whether Research Analysts has served as an officer, director or employee of the subject company	No
10	Whether the Research Analyst has been engaged in market making activity of the subject company.	No

**Rating Criteria**

Rating	Market cap < Rs20bn	Market cap > Rs20bn but < 100bn	Market cap > Rs100bn
<b>Buy</b>	Upside > 20	Upside > 15	Upside > 10
<b>Hold</b>	Upside between -20 to +20	Upside between -15 to +15	Upside between -10 to +10
<b>Sell</b>	Downside > 20	Downside > 15	Downside > 10

**Member (NSE and BSE)**

**Regn No.:**

CAPITAL MARKET SEBI REGN. NO.: BSE: INB011454239  
 CAPITAL MARKET SEBI REGN. NO.: NSE: INB231454233  
 DERIVATIVES SEBI REGN. NO.: NSE: INF231454233  
 (TRADING & CLEARING MEMBER)  
 CURRENCY DERIVATIVES: MCX-SX INE261454230  
 CURRENCY DERIVATIVES:NSE (TM & SCM) – NSE 231454233

**Depository Participant (DP)**

CDSL DP ID: 120 – 12200  
 SEBI REGD NO.: CDSL : IN-DP-CDSL-661-2012

PORTFOLIO MANAGER

SEBI REGN NO.: INP000004383

**Website:** www.centrum.co.in

**Investor Grievance Email ID:** investor.grievances@centrum.co.in

**Compliance Officer Details:**

Kavita Ravichandran  
 (022) 4215 9842; Email ID: Compliance@centrum.co.in

**Centrum Broking Ltd. (CIN :U67120MH1994PLC078125)**

Registered Office Address	Corporate Office & Correspondence Address
Bombay Mutual Building , 2nd Floor, Dr. D. N. Road, Fort, Mumbai - 400 001	Centrum House 6th Floor, CST Road, Near VidyaNagariMarg, Kalina, Santacruz (E), Mumbai 400 098. Tel: (022) 4215 9000