

Protean eGov's Q2FY25 results missed our topline estimates by approximately 6%, though EBITDA came in line with expectations. Performance was impacted by a decline in the Digital Identity vertical, mainly due to elevated volumes in the previous year driven by the Aadhaar-PAN linkage deadline. Additionally, the Digital Identity segment experienced margin compression, largely from increased competition in the eSign stack, leading to pricing pressures. Despite these challenges, Protean achieved a substantial gain in market share for PAN issuance, rising by nearly 380 basis points year-over-year to 55.4% in Q2FY25. The company is actively engaging with various governments across different geographies to support its international expansion. Following ONDC's entry into financial services, Protean has also launched Open Finance app to enhance its presence in this segment.

Key Financials Highlights

- Revenue from Operations at 2,197 Mn, -7% YoY/+12% QoQ
- EBITDA (Excl. OI) reported at 316 Mn, -13% YoY/+109% QoQ
- Adj. EBITDA (Excl OI & ECL) at 316 Mn, -15% YoY/+21% QoQ
- EBITDA Margins (Excl. OI) saw a de-growth of 109 bps YoY & grew by 671 bps QoQ to come at 14.4%
- EPS at 6.92 for Q2FY25 vs 8.1 (-15% YoY)

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net sales	7,422	8,820	9,332	11,514	13,469
EBITDA	1,180	894	1,271	1,759	2,475
EBITDA margins	15.9	10.1	13.6	15.3	18.4
PAT (adj)	1,070	973	1,250	1,555	2,092
EPS	26	24	31	38	52
P/E (x)	70	77	60	48	36
P/B (x)	9	8	7	7	6
EV/EBITDA (x)	43	44	35	28	21
RoE (%)	12	11	12	14	16
ROCE (%)	16	14	16	18	21
RoIC (%)	10	6	7	10	13

Source: Dalal and Broacha

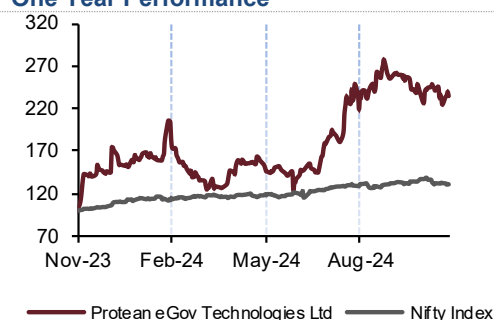
Rating	TP (Rs)	Up/Dn (%)
HOLD	1,810	-2.8

Market data

Current price	Rs	1,862
Market Cap (Rs.Bn)	(Rs Bn)	75
Market Cap (US\$ Mn)	(US\$ Mn)	895
Face Value	Rs	10
52 Weeks High/Low	Rs	2225 / 775
Average Daily Volume	('000)	117
BSE Code		544021
Bloomberg		PROTEAN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	-	-
Public	100	100
Total	100	100

Source: BSE

Dhruv Shah
+91 22 67141414
dhruv.shah@dalal-broacha.com

Segment-wise revenue break-up

Revenue from Op	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
<i>Tax services</i>	1190	1400	-15%	980	21%
<i>Pension services</i>	700	620	13%	660	6%
<i>Identity services</i>	240	280	-14%	280	-14%
<i>ODE + Others</i>	70	60	17%	60	17%

KTAs

- Tax service – Sequential robust growth due to launch of certain govt scheme during election. Protean gained ~380 bps YoY market share to 55.3% in PAN issuance. Company issued 1.2cr PAN cards during Q2. Additionally, mix of online PAN issuance surpassed offline (51% of total issuance) which is cost efficient & provides better margins
- Pension Service – During the quarter added 3.6Mn new subscribers & 826 corporates where Protean commands Dominant market position ~97% on an aggregate basis. NPS Vatsalya launched on 18 September & added more than 25k subscribers, alongside revamped NPS & APY mobile application.
- Digital Identity – Experienced 14% decline on YoY & QoQ basis which was mainly due to high volumes in previous year prompted by Aadhaar-PAN linkage deadline. Moreover, high competitive intensity was observed in eSign which faced pricing pressure affecting the vertical.

Quarterly Trend

Particulars (In Mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Revenue from Op	1567.48	1776.6	1758.1	2319.88	2204.1	2356.9	2038.6	2220.8	1965.4	2197
<i>Tax services</i>	860	1090	980	1420	1380	1400	970	1120	980	1190
<i>Pension services</i>	510	540	570	590	580	620	640	690	660	700
<i>Identity services</i>	160	150	160	210	220	280	290	320	280	240
<i>ODE + Others</i>	20	20	40	100	30	60	140	90	60	70

Source: Company, Dalal & Broach Research

Quarterly Financials

Particulars (In Mn)			YoY	QoQ	
	Q2FY25	Q2FY24	(%)	Q1FY25	(%)
Revenue from Operations	2197	2357	-7%	1965	12%
Other Income	136	127	7%	193	-30%
Total Revenue	2333	2484	-6%	2158	8%
Employee benefit exp	469	416	13%	415	13%
Allowance for credit loss	0	8	-100%	111	-100%
Processing charge	917	1163	-21%	765	20%
Repairs & Maintenance	284	198	43%	302	-6%
Other Expense	212	207	2%	222	-5%
Total Expense	1881	1992	-6%	1814	4%
EBITDA (Excl Other Income)	316	365	-13%	151	109%
Adj. EBITDA (Excl OI & ECL prov.)	316	372	-15%	262	21%
Depreciation & Amortization	71	55	30%	68	5%
PBIT	381	437	-13%	276	38%
Interest Expense	5	4	20%	5	-2%
PBT	376	433	-13%	271	39%
Tax Exp	95	105	-9%	60	59%
PAT	280	328	-14%	211	33%
EPS	6.92	8.10	-15%	5.21	33%
Margins (%)	<i>bps</i>			<i>bps</i>	
EBITDA %	14.4%	15.5%	-109	7.7%	671
PAT %	12.0%	13.2%	-118	9.8%	225
As a % of Revenue	<i>bps</i>			<i>bps</i>	
Employee benefit exp	21%	18%	370	21%	21
Allowance of credit loss	0%	0%	-32	6%	-563
Processing charge	42%	49%	-763	39%	281
Repairs & Maintenance	13%	8%	449	15%	-245

Source: Company, Dalal & Broach Research

Other Concall KTAs

- **ONDC:** Showing strong QoQ traction with high double-digit growth. Recently expanded into open finance, offering a variety of financial services, and now operates across 13 categories.
- Under Seller Tech company is engaged in active discussions with multiple banks and is in advanced stages of launching several offerings, with monetization expected from next quarter.
- **Cloud & Infosec:** Collaborating across sectors, focusing on government projects, startups, and MSMEs, with an emphasis on "Make in India" initiatives, including green cloud solutions.
- A targeted revenue split of 75% from core businesses and 25% from new ventures is projected within the next 2-3 years.
- New business typically matures in period of 3-4 years.
- **PAN 2.0 Project:** Aimed at consolidating end-to-end PAN services, with bidding expected to begin around December, potentially boosting PAN issuance growth.
- Under Pension services revenue from addition of new subscribers typically accrues with a one-quarter lag, expected to reflect in Q3FY25.
- eSignPro Launched last quarter and has successfully closed deals with a few clients.
- **International** – actively engaged with multiple countries and have been short-listed in several RFPs.
- Protean earned the title of "**Best Digital Public Infrastructure Company**" at the Global Fintech Fest 2024.

Newly launched projects

- During Q2FY25 company launched **Protean LIFE** || Looking at CSR coming on open network. It is India's first platform where seekers (People, NGO) & providers (Corporations & individual) will be able to discover each other.
- Open finance – launched open finance app that enables connection between borrowers and lenders. Today there is lot of information asymmetry. And as a result, this platform provides a place to find loan. Revenue model → SaaS based model i.e. if loan is getting consumed, a transaction fee & platform fee will be received + revenue for providing services at infrastructure level

Outlook and Valuations

The company anticipates sustained growth in tax and pension services, driven by low PAN penetration and an under-served pension market. New business ventures such as data stack, Open Digital Ecosystems (ODEs), international business, cloud, and infosec are expected to be significant growth drivers over the next 3-5 years.

Margins are expected to sustain current levels and improve gradually through the growing momentum of new businesses and continuous cost optimization and automation within existing operations.

As ONDC matures, company expects its revenue share to increase as well. Revenue from providing seller-tech services is expected to start from next quarter onwards.

The balance sheet of the company continues to remain strong with zero debt and strong cash & cash equivalents of ~Rs 7500 Mn.

Protean eGov technologies ltd at CMP of Rs. 1,862 trades at 36x P/E FY27E; we value the company at 35x FY27 P/E multiple and assign a HOLD rating with a target price of Rs. 1810.

Financials

P&L (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	7,422	8,820	9,332	11,514	13,469
Employee Cost	1,229	1,751	1,978	2,216	2,482
Allowance for Credit loss	175	389	111	170	-
Processing charge	3,257	3,827	3,873	4,836	5,617
Repairs & Maintenance	895	1,061	1,120	1,382	1,549
Other Expenses	685	898	980	1,151	1,347
Operating Profit	1,180	894	1,271	1,759	2,475
Depreciation	-183	-275	-299	-364	-435
PBIT	997	620	971	1,395	2,040
Other income	417	676	711	695	765
Net Interest (Exp)/Inc	-9	-17	-17	-17	-17
Profit before tax	1,404	1,279	1,666	2,074	2,789
Provision for tax	-334	-306	-417	-518	-697
Reported PAT	1,070	973	1,250	1,555	2,092
(excl Exceptionals)	1,070	973	1,250	1,555	2,092

Balance Sheet (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	404	404	404	404	404
Reserves	8,167	8,857	9,702	10,853	12,540
Net worth	8,571	9,262	10,107	11,258	12,945
MI	-2	-2	-2	-2	-2
Non Current Liabilities	194	355	355	355	355
Current Liabilities	2,278	2,238	2,270	2,720	3,147
Total Equity & Liabilities	11,041	11,852	12,730	14,330	16,444
Non Current Assets	6,965	7,485	8,820	9,807	10,590
Fixed Assets	668	787	1,780	2,355	2,685
Right of Use Assets	79	205	191	191	191
Financial Assets	5,696	5,907	6,284	6,696	7,148
Deferred Tax Asset	208	215	194	194	194
Income Tax Asset	313	366	366	366	366
Other Non Current Assets	2	5	5	5	5
Current Assets	4,076	4,368	3,909	4,524	5,854
Current investments	51	140	489	514	539
Trade Receivables	2,089	1,893	1,969	2,461	2,878
Cash and Bank Balances	1,375	1,508	483	463	1,217
Other Financial Assets	245	370	426	489	563
Other Current Assets	316	458	543	597	657
Assets held for sale	-	-	-	-	-
TOTAL ASSETS	11,041	11,852	12,730	14,330	16,444

Cashflow (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,404	1,279	1,666	2,074	2,789
Depreciation	183	275	299	364	435
Net Chg in WC	276	76	4	-193	-150
Interest Expense	9	17	17	17	17
Taxes	-334	-306	-417	-518	-697
Others	-169	-765	-269	-97	-131
CFO	1,370	575	1,300	1,645	2,262
Capex	-239	-317	-980	-574	-331
Net Investments made	-1,668	-99	-618	-306	-321
Others	-917	603	-158	-	-
CFI	-2,823	187	-1,755	-880	-652
Change in Share capital	8	12	-299	-364	-435
Change in Debts	-38	-66	-14	-	-
Div. & Div Tax	-404	-405	-404	-404	-404
Interest on lease liability paid	-9	-17	-17	-17	-17
CFF	-443	-475	-735	-785	-856
Total Cash Generated	-1,896	288	-1,190	-20	754
Cash Opening Balance	2,067	171	1,508	318	298
Cash Closing Balance	171	459	318	298	1,052

Ratios	FY23	FY24	FY25E	FY26E	FY27E
OPM	15.9	10.1	13.6	15.3	18.4
NPM	13.7	10.2	12.4	12.7	14.7
Tax rate	23.8	23.9	25.0	25.0	25.0

Growth Ratios (%)

Net Sales	7.4	18.8	5.8	23.4	17.0
Operating Profit	-4.7	-24.2	42.1	38.5	40.7
PBIT	-6.7	-37.8	56.8	43.6	46.2
PAT	-25.6	-9.1	28.4	24.5	34.5

Per Share (Rs.)

Net Earnings (EPS)	26	24	31	38	52
Cash Earnings (CPS)	31	31	38	47	62
Dividend	404	404	404	404	404
Book Value	212	229	250	278	320
Free Cash Flow	32	25	14	29	51

Valuation Ratios

P/E(x)	70	77	60	48	36
P/B(x)	9	8	7	7	6
EV/EBIDTA(x)	43	44	35	28	21
Div. Yield(%)	22	22	22	22	22
FCF Yield(%)	2	1	1	2	3

Return Ratios (%)

ROE	12%	11%	12%	14%	16%
ROCE	16%	14%	16%	18%	21%
RoIC	10%	6%	7%	10%	13%

Source: Company, Dalal & Broacah Research

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, 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 may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. 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 D&B 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. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any

copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. 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. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992 | E-mail: equity.research@dalal-broacha.com