

Protean eGov reported subdued quarterly numbers for Q1FY25 which was primarily due to higher expected credit loss provisioning impacting the margins & profitability. Among existing businesses, Tax Service was affected due to lower PAN card issuance during the quarter due to elections. However the company has been able to expand its market share from 50% in Q1FY24 to 54% in Q1FY25. Additionally the share of online PAN issuance has also been improving, leading to better margins. Lot of indications from the union budget towards digitisation & building digital Public infrastructure will directly benefit the company going forward. The company has launched various products during the quarter under new verticals that will provide additional revenue streams which are margin accretive.

Key Financials Highlights

- Revenue from Operations at 1,965 Mn, -11% YoY/-12% QoQ
- EBITDA (Excl. OI) reported at 151 Mn, -56% YoY/-31% QoQ
- Adj. EBITDA (Excl OI & ECL) at 262 Mn, -25% YoY/-26% QoQ
- EBITDA Margins (Excl. OI) saw a de-growth of 778 bps YoY & 219 bps QoQ to come at 7.7%
- EPS at 5.21 for Q1FY25 vs 7.97 (-35% YoY)

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net sales	6,909	7,422	8,820	10,339	12,254	14,260
EBITDA	1,238	1,180	894	1,440	1,836	2,533
EBITDA margins	17.9	15.9	10.1	13.9	15.0	17.8
PAT (adj)	1,439	1,070	973	1,383	1,631	2,156
EPS	36	26	24	34	40	53
P/E (x)	49	66	73	51	43	33
P/B (x)	9	8	8	7	6	5
EV/EBITDA (x)	32	40	41	29	25	19
RoE (%)	18	12	11	14	14	16
ROCE (%)	23	16	14	18	19	22
RoIC (%)	15	10	6	9	10	14

Source: Dalal and Broacha

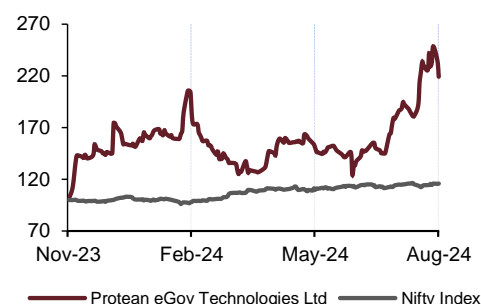
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	1,865	7

Market data

Current price	Rs	1,745
Market Cap (Rs.Bn)	(Rs Bn)	70
Market Cap (US\$ Mn)	(US\$ Mn)	837
Face Value	Rs	10
52 Weeks High/Low	Rs	1987.95 / 775
Average Daily Volume	('000)	1,082
BSE Code		544021
Bloomberg		PROTEAN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

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

Source: BSE

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Segment-wise revenue break-up

Revenue from Op	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
<i>Tax services</i>	980	1380	-29%	1120	-13%
<i>Pension services</i>	660	580	14%	690	-4%
<i>Identity services</i>	280	220	27%	320	-13%
<i>ODE + Others</i>	60	30	100%	90	-33%

KTAs

- Tax service - impacted due to lower PAN issuance. Protean issued ~1cr PAN cards which was equally split between online & offline. Introduction of various government initiatives/welfare schemes requires PAN cards which will drive the growth in the segment. ~70% of the issuance is under fresh issuance and the balance pertains to reprinting, reissuance or making changes. Improved market share from 50% in Q1FY24 to 54% in Q1FY25
- Pension Service - During the quarter, added 2.25Mn new subscribers in APY & 0.29 Mn in NPS. Moreover, finance budget proposed NPS for minors (NPS vatsalya), thereby increasing the NPS coverage to 40cr minors.
- Digital Identity - Robust growth of 27%, significant thrust received during the budget and increasing digital penetration will drive further growth. Company continues to remain the only player in India to provide all 4 facets under one roof & maintains dominant position with large transaction volumes processed daily.
- New business - During the quarter, the company has launched several projects like eSignPro which is built over the esign stack where the company will now provide digital stamping as a solution & ProteanX which supports digitally verifiable credentials.

Quarterly Trend

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

Quarterly Financials

Particulars	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Revenue from Operations	1965	2204	-11%	2221	-12%
Other Income	193	128	51%	130	48%
Total Revenue	2158	2332	-7%	2351	-8%
Employee benefit exp	415	393	6%	494	-16%
Allowance for credit loss	111	8	1375%	135	-18%
Processing charge	765	1022	-25%	848	-10%
Repairs & Maintenance	302	261	16%	255	18%
Other Expense	222	180	23%	269	-18%
Total Expense	1814	1863	-3%	2002	-9%
EBITDA (Excl Other Income)	151	341	-56%	219	-31%
Adj. EBITDA (Excl OI & ECL prov.)	262	349	-25%	354	-26%
Depreciation & Amortization	68	49	38%	109	-38%
PBIT	276	419	-34%	240	15%
Interest Expense	5	2	127%	5	-4%
PBT	271	417	-35%	235	15%
Tax Exp	60	95	-37%	42	42%
PAT	211	322	-35%	193	9%
EPS	5.21	7.97	-35%	4.77	9%
Margins (%)			<i>bps</i>		<i>bps</i>
EBITDA %	7.7%	15.5%	-778	9.9%	-219
PAT %	9.8%	13.8%	-404	8.2%	157
As a % of Revenue			<i>bps</i>		<i>bps</i>
Employee benefit exp	21%	18%	331	22%	-109
Allowance of credit loss	6%	0%	529	6%	-46
Processing charge	39%	46%	-745	38%	71
Repairs & Maintenance	15%	12%	351	11%	386

Source: Company, Dalal & Broach Research

Other Concall KTAs

- Company has provided ECL provisioning of ~Rs 11cr during the quarter & the net exposure as on date stands at Rs 17cr which will be provided for in FY26.
- In order to expand its global footprint, Protean has expanded engagement with more countries now. Company has been actively engaging with 12 countries with 18 active opportunities & have been shortlisted in 2 of these geographies. Usually, it's a long cycle to get the order which is causing the delay in order confirmation.
- Agristack - The company has received mandate from central government to build core agristack. This was also explicitly emphasized during the union budget. Close to 13 state government are in the process to get onboarded. Current revenue structure will be primarily towards infrastructure development of the stack which will be reimbursed by government.
- ONDC - Current revenue structure is towards infra & tech development of the gateway which is being reimbursed by ONDC. Going forward, after reaching a certain benchmark in terms of volume, there will be a change in revenue structure to SaaS based (Transaction based).
- Other various DPI provides close to 8/10bps to the network provider. The inflection point for a change in revenue structure will be determined by ONDC.
- Balance sheet strength continue to remain strong with over Rs 700cr of cash & cash equivalents and zero debt status.
- To reduce cash drag and better utilize the cash balance, the company is actively seeking opportunities for inorganic growth.

Change in Management

Appointed Mr. Sandeep Mantri as CFO

- Background - Qualifications - Alumni of UC Berkeley (USA), IIM Calcutta, CA, CPA (USA).
- Past Experience - EVP & CFO at Datamatics Global Services Ltd. for past 8 years. Also worked with Network18 Media & Investment Ltd, Syntel group & Clariant India.

Newly launched projects

- eSignPro - a vertically integrated offering built over esign. A digital signature and stamping product which will be catered to multiple segments such as BFSI, real estate, healthcare, education etc. Some use cases include customer onboarding (Bank accounts, Demat/MFs), Insurance issuance. Additionally, company will be providing digital stamping solution which can be used for various legal documents.

Pricing model - transactional in nature (SaaS based).

- ProteanX - Enables individuals & corporates to create, verify & store credentials. For eg: - today in order to get scholarship, one needs to provide educational qualifications which cannot be authenticated by universities. ProteanX will provide these digitally verifiable certificates. (Similar to Cowin certificates which were embedded with QR code that could authenticate whether the person was vaccinated.

Outlook and Valuations

Management continues to remain optimistic about the future growth of business across all segments. Strong budgetary intent for digitalization across various sectors such as building agristack, land digitization & support from the government will directly benefit Protean.

Its dominant market position in the existing business verticals provides stable revenue for the company. Additionally, new schemes introduced by the government under the head of pension (NPS vatsalya) will further expand the addressable market for the company.

Protean eGov technologies ltd at CMP of Rs. 1,745 trades at 33x P/E FY27E; we value the company at 35x FY27 P/E multiple and assign a BUY ON DIPS rating with a target price of Rs. 1865, implying an upside of 6.9%.

Financials

P&L (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	6,909	7,422	8,820	10,339	12,254	14,260
Employee Cost	787	1,229	1,751	2,016	2,258	2,529
Allowance for Credit loss	304	175	389	111	170	-
Processing charge	3,363	3,257	3,827	4,498	5,330	6,203
Repairs & Maintenance	661	895	1,061	1,241	1,470	1,668
Other Expenses	556	685	898	1,034	1,189	1,326
Operating Profit	1,238	1,180	894	1,440	1,836	2,533
Depreciation	-170	-183	-275	-315	-380	-451
PBIT	1,068	997	620	1,125	1,456	2,082
Other income	793	417	676	736	735	809
Net Interest (Exp)/Inc	-5	-9	-17	-17	-17	-17
Profit before tax	1,856	1,404	1,279	1,845	2,174	2,874
Provision for tax	-417	-334	-306	-461	-544	-719
Reported PAT	1,439	1,070	973	1,383	1,631	2,156

Balance Sheet (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	404	404	404	404	404	404
Reserves	7,478	8,167	8,857	9,836	11,063	12,814
Net worth	7,882	8,571	9,262	10,241	11,467	13,218
MI	-2	-2	-2	-2	-2	-2
Non Current Liabilities	245	194	355	355	355	355
Current Liabilities	1,757	2,278	2,238	2,495	2,901	3,335
Total Equity & Liabilities	9,881	11,041	11,852	13,088	14,720	16,907
Non Current Assets	4,466	6,965	7,485	8,824	9,764	10,488
Fixed Assets	569	668	787	1,777	2,341	2,662
Right of Use Assets	122	79	205	205	205	205
Financial Assets	3,259	5,696	5,907	6,257	6,632	7,036
Deferred Tax Asset	199	208	215	215	215	215
Income Tax Asset	270	313	366	366	366	366
Other Non Current Assets	48	2	5	5	5	5
Current Assets	5,416	4,076	4,368	4,264	4,956	6,418
Current investments	553	51	140	147	154	162
Trade Receivables	2,004	2,089	1,893	2,210	2,619	3,047
Cash and Bank Balances	2,335	1,375	1,508	979	1,140	2,037
Other Financial Assets	156	245	370	426	489	563
Other Current Assets	367	316	458	503	554	609
Assets held for sale	-	-	-	-	-	-
TOTAL ASSETS	9,881	11,041	11,852	13,088	14,720	16,907

Cashflow (Rs mn)	FY22	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,856	1,404	1,279	1,845	2,174	2,874
Depreciation	170	183	275	315	380	451
Net Chg in WC	40	276	76	-99	-147	-154
Interest Expense	5	9	17	17	17	17
Taxes	-417	-334	-306	-461	-544	-719
Others	-712	-169	-765	-144	-64	-76
CFO	943	1,370	575	1,473	1,816	2,393
Capex	1,130	-239	-317	-990	-565	-320
Net Investments made	-805	-1,668	-99	-275	-289	-303
Others	401	-917	603	-	-	-
CFI	726	-2,823	187	-1,265	-854	-624
Change in Share capital	76	8	12	-315	-380	-451
Change in Debts	-45	-38	-66	-	-	-
Div. & Div Tax	-363	-404	-405	-404	-404	-404
Interest on lease liability paid	-5	-9	-17	-17	-17	-17
CFF	-336	-443	-475	-736	-801	-872
Total Cash Generated	1,333	-1,896	288	-529	162	897
Cash Opening Balance	735	2,067	171	1,508	979	1,140
Cash Closing Balance	2,067	171	459	979	1,140	2,037

Ratios	FY22	FY23	FY24	FY25E	FY26E	FY27E
OPM	17.9	15.9	10.1	13.9	15.0	17.8
NPM	18.7	13.7	10.2	12.5	12.6	14.3
Tax rate	22.5	23.8	23.9	25.0	25.0	25.0
Growth Ratios (%)						
Net Sales	14.6	7.4	18.8	17.2	18.5	16.4
Operating Profit	46.0	-4.7	-24.2	61.0	27.5	38.0
PBIT	57.0	-6.7	-37.8	81.6	29.5	43.0
PAT	56.1	-25.6	-9.1	42.2	17.9	32.2
Per Share (Rs.)						
Net Earnings (EPS)	36	26	24	34	40	53
Cash Earnings (CPS)	40	31	31	42	50	64
Dividend	362	404	404	404	404	404
Book Value	195	212	229	253	284	327
Free Cash Flow	69	32	25	15	32	53
Valuation Ratios						
P/E(x)	49	66	73	51	43	33
P/B(x)	9	8	8	7	6	5
EV/EBIDTA(x)	32	40	41	29	25	19
Div. Yield(%)	21	23	23	23	23	23
FCF Yield(%)	4	2	1	1	2	3
Return Ratios (%)						
ROE	18%	12%	11%	14%	14%	16%
ROCE	23%	16%	14%	18%	19%	22%
RoIC	15%	10%	6%	9%	10%	14%

Source: Company, Dalal & Broacah Research

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