

### Revenue Slowdown continues

Protean eGov's Q3FY25 results were below estimates. Some pressure is being faced on the tax service vertical and digital identity vertical primarily owing to high volume during same period last year because of Aadhar-PAN linkage deadline. Margin compression sequentially because of higher employee cost. However the company has been continuously gaining market share in PAN issuance. During Q3FY25, Protean's market share was 59.2% vs 52.1% YoY & 55.4% sequentially where the industry has been muted. The company has been in active talks with ~19 countries and have been shortlisted by 5, hence it is expected that some deal wins on international front are expected soon. Deadline for PAN 2.0 has been delayed till February hence not enough clarity available as of now. A strong quarter for Pension services. During Q3FY25 the company secured Rs 161 crore mandate.

### Key Financials Highlights

- Revenue from Operations at 2,023 Mn, -1% YoY/-8% QoQ
- EBITDA (Excl. OI) reported at 158 Mn, -50% QoQ
- Adj. EBITDA (Excl OI & ECL) at 158 Mn, -24% YoY/-50% QoQ
- EBITDA Margins (Excl. OI) saw a de-growth of 660 bps sequentially
- EPS at 5.66 for Q3FY25 vs 3.77 (+50% YoY)

### Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net sales	7,422	8,820	8,416	10,427	12,745
EBITDA	1,180	894	882	1,263	2,139
PAT (adj)	1,070	973	978	1,219	1,876
EPS	26	24	24	30	46
P/E (x)	56	61	61	49	32
RoE (%)	12	11	10	11	15
ROCE (%)	16	14	13	15	21
RoIC (%)	10	6	5	6	11

Source: Dalal and Broacha

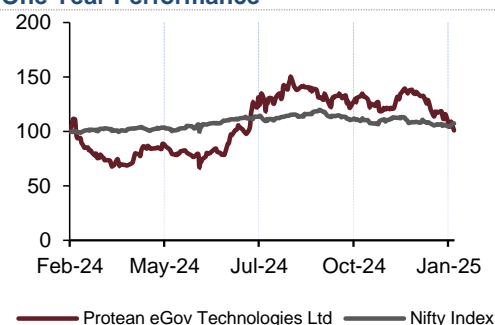
Rating	TP (Rs)	Up/Dn (%)
<b>HOLD</b>	<b>1,623</b>	<b>10</b>

#### Market data

Current price	Rs	1,474
Market Cap (Rs.Bn)	(Rs Bn)	60
Market Cap (US\$ Mn)	(US\$ Mn)	690
Face Value	Rs	10
52 Weeks High/Low	Rs	2225 / 930
Average Daily Volume	('000)	634
BSE Code		544021
Bloomberg		PROTEAN.IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Dec-24	Sep-24
Promoters	-	-
Public	100	100
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

**Dhruv Shah**

+91 22 67141414

dhruv.shah@dalal-broacha.com

## Segment-wise revenue break-up

Revenue from Op	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
<i>Tax services</i>	990	970	2%	1190	-17%
<i>Pension services</i>	720	640	13%	700	3%
<i>Identity services</i>	240	290	-17%	240	0%
<i>ODE + Others</i>	70	140	-50%	70	0%

### KTAs

#### Tax Services

- Market share increased to **59.2%** from **52.1%** (Q3FY24).
- Overall PAN market declined by **22% YoY**, but Protean grew **3%**, driven by market share gains.
- Issued **1 crore PAN cards**, with **52% issued online**.

#### Pension Services

- Strong quarter with **3.05 million new subscribers** added.
- Onboarded **600 new corporates** during the quarter.
- NPS Vaatsalya** gaining popularity, with **32,000+ accounts opened**.

#### Digital Identity

- Saw a **decline in growth** due to high volumes in the same period last year.
- Focus on **value-added services** like **eSignPro** across multiple segments

**Quarterly Financials**

Particulars (In Mn)			YoY	QoQ	
	Q3FY25	Q3FY24	(%)	Q2FY25	(%)
Revenue from Operations	2023	2039	-1%	2197	-8%
Other Income	188	291	-35%	136	39%
<b>Total Revenue</b>	<b>2211</b>	<b>2330</b>	<b>-5%</b>	<b>2333</b>	<b>-5%</b>
Employee benefit exp	501	448	12%	469	7%
Allowance for credit loss	0	239		0	
Processing charge	868	794	9%	917	-5%
Repairs & Maintenance	257	347	-26%	284	-9%
Other Expense	239	242	-1%	212	13%
<b>Total Expense</b>	<b>1865</b>	<b>2069</b>	<b>-10%</b>	<b>1881</b>	<b>-1%</b>
<b>EBITDA (Excl Other Income)</b>	<b>158</b>	<b>-31</b>		<b>316</b>	<b>-50%</b>
<b>Adj. EBITDA (Excl OI &amp; ECL prov.)</b>	<b>158</b>	<b>208</b>	<b>-24%</b>	<b>316</b>	<b>-50%</b>
Depreciation & Amortization	58	62	-6%	71	-19%
PBIT	288	199	45%	381	-24%
Interest Expense	3	5	-50%	5	-47%
PBT	285	194	47%	376	-24%
Tax Exp	56	41	36%	95	-41%
<b>PAT</b>	<b>229</b>	<b>152</b>	<b>51%</b>	<b>280</b>	<b>-18%</b>
<b>EPS</b>	<b>5.66</b>	<b>3.77</b>	<b>50%</b>	<b>6.92</b>	<b>-18%</b>
<b>Margins (%)</b>			<i>bps</i>		<i>bps</i>
EBITDA %	7.8%	-1.5%	931	14.4%	-660
PAT %	10.4%	6.5%	383	12.0%	-165
<b>As a % of Revenue</b>			<i>bps</i>		<i>bps</i>
Employee benefit exp	25%	22%	277	21%	343
Allowance of credit loss	0%	12%	-1170	0%	2
Processing charge	43%	39%	394	42%	116
Repairs & Maintenance	13%	17%	-427	13%	-19

Source: Company, Dalal &amp; Broacah Research

## Other Concall KTAs

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- Share of online PAN issuance increasing, which is margin-accretive and cost-efficient.
- **Vertical Integration Focus:** Expansion into services like eSignPro and Rise with Protean.
- Normalized PAT margins at 10.2% vs 9.5% YoY (+89 bps YoY).
- **Balance Sheet Strength:** Cash & Cash Equivalents of ₹750+ crore, with zero debt.
- Employee Headcount: No increase in employee headcount YTD.

## ONDC Updates

- Network traffic increasing, with buyer & seller transactions happening but still in the early stages.
- SaaS-based model, with current earnings including one-time revenue for technology creation & deployment.
- **Future revenue potential:** Transaction-based revenue is starting to grow, with significant potential ahead.
- **Difficult to predict when transaction-based revenue will fully scale.**

## eSignPro Adoption Challenges

- Migration of eSign customers to eSignPro requires integration with corporate workflows.
- Live customers contribute to monthly volumes, but **integration takes time.**
- Company **working on reducing integration time**, with a healthy customer pipeline.

## PAN 2.0 Developments

- ₹1,435 crore project.
- No clarity on additional operational charges.
- Turnkey project, with no further cost breakdown yet provided.
- **PAN 2.0 RFP bid deadline extended to February.**

## Financial & Business Outlook

- Margin compression due to higher employee costs as a % of sales (leadership hiring & salary increments in the last 2-3 quarters).
- New business contribution expected to increase, with an estimated revenue split of 75% core / 25% new business.
- QoQ growth expected in the Data Stack segment.

## ***Agristack***

- Protean's role: Building core agricultural data stack for data exchange & consent framework between states.
- Multiple players involved, but some scope of work will be exclusive to that player.

## ***International Expansion***

- At an advanced stage in a few international deals.
- Currently engaged with 19 countries and shortlisted in 5 bids.

## **Newly Partnership/deal wins**

- **Partnered with prasar Bharati**, India's state owned public broadcaster, recently forayed into OTT space through Waves app. Along with streaming, this app allows user to shop. This was powered by Protean.
- **Won CKYCRR 2.0 Mandate** - Secured Rs 161 cr mandate from CERSAI. Aim to revolutionize customer onboarding by creating customer central database which currently has database of over 94 cr KYC records. This Mandate secured is to upgrade the central KYC record registry.

## Outlook and Valuations

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Protean eGov Technologies Ltd faced revenue growth challenges due to a slowdown in tax services and digital identity but is poised for recovery. New ventures like Rise with Protean, eSignPro, and buyer-seller tech are gaining traction, supported by government-led digitization. Early entry into segments like Agristack adds a competitive edge.

Margins are set to improve with business scaling, cost optimization, and automation. A shift from one-time to per-transaction revenue will further boost profitability. The company maintains a strong balance sheet with zero debt and cash equivalents of ₹7,500 million.

**Given uncertainties around business model transitions and potential policy impacts, we revise our estimates. At a CMP of ₹1,474, the stock trades at 32x FY27E P/E. We value it at 35x, assigning a HOLD rating with a target price of ₹1,623, implying a 10.1% upside.**

**Financials**

<b>P&amp;L (Rs mn)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Net Sales	7,422	8,820	8,416	10,427	12,745
Employee Cost	1,229	1,751	1,876	2,157	2,449
Allowance for Credit loss	175	389	111	170	-
Processing charge	3,257	3,827	3,497	4,380	5,353
Repairs & Maintenance	895	1,061	1,122	1,311	1,529
Other Expenses	685	898	929	1,147	1,274
<b>Operating Profit</b>	<b>1,180</b>	<b>894</b>	<b>882</b>	<b>1,263</b>	<b>2,139</b>
Depreciation	-183	-275	-270	-364	-435
PBIT	997	620	612	899	1,705
Other income	417	676	679	747	821
Net Interest (Exp)/Inc	-9	-17	-16	-21	-25
Profit before tax	1,404	1,279	1,275	1,625	2,501
Provision for tax	-334	-306	-297	-406	-625
Reported PAT	1,070	973	978	1,219	1,876

<b>Balance Sheet (Rs mn)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25E</b>	<b>FY26E</b>	<b>FY27E</b>
Equity capital	404	404	404	404	404
Reserves	8,167	8,857	9,431	10,245	11,716
<b>Net worth</b>	<b>8,571</b>	<b>9,262</b>	<b>9,835</b>	<b>10,649</b>	<b>12,121</b>
<b>Non Current Liabilites</b>	<b>194</b>	<b>355</b>	<b>355</b>	<b>355</b>	<b>355</b>
<b>Current Liabilites</b>	<b>2,278</b>	<b>2,238</b>	<b>2,120</b>	<b>2,542</b>	<b>3,028</b>
<b>Non Current Assets</b>	<b>6,965</b>	<b>7,485</b>	<b>8,820</b>	<b>9,807</b>	<b>10,590</b>
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
<b>Current Assets</b>	<b>4,076</b>	<b>4,368</b>	<b>3,488</b>	<b>3,737</b>	<b>4,912</b>
Current investments	51	140	489	514	539
Trade Receivables	2,089	1,893	1,775	2,228	2,724
Cash and Bank Balances	1,375	1,508	254	-91	429
Other Financial Assets	245	370	426	489	563
Other Current Assets	316	458	543	597	657
Assets held for sale	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>11,041</b>	<b>11,852</b>	<b>12,308</b>	<b>13,544</b>	<b>15,501</b>

Cashflow (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	1,404	1,279	1,275	1,625	2,501
Depreciation	183	275	270	364	435
Net Chg in WC	276	76	72	-177	-178
Interest Expense	9	17	16	21	25
Taxes	-334	-306	-297	-406	-625
Others	-169	-765	-294	-102	-121
<b>CFO</b>	<b>1,370</b>	<b>575</b>	<b>1,041</b>	<b>1,324</b>	<b>2,037</b>
Capex	-239	-317	-980	-574	-331
Net Investments made	-1,668	-99	-618	-306	-321
Others	-917	603	-158	-	-
<b>CFI</b>	<b>-2,823</b>	<b>187</b>	<b>-1,755</b>	<b>-880</b>	<b>-652</b>
Change in Share capital	8	12	-270	-364	-435
Change in Debts	-38	-66	-14	-	-
Div. & Div Tax	-404	-405	-404	-404	-404
Interest on lease liability paid	-9	-17	-16	-21	-25
<b>CFF</b>	<b>-443</b>	<b>-475</b>	<b>-704</b>	<b>-789</b>	<b>-865</b>
<b>Total Cash Generated</b>	<b>-1,896</b>	<b>288</b>	<b>-1,418</b>	<b>-346</b>	<b>520</b>
<b>Cash Opening Balance</b>	<b>2,067</b>	<b>171</b>	<b>1,508</b>	<b>89</b>	<b>-256</b>
<b>Cash Closing Balance</b>	<b>171</b>	<b>459</b>	<b>89</b>	<b>-256</b>	<b>264</b>



Ratios	FY23	FY24	FY25E	FY26E	FY27E
OPM	15.9	10.1	10.5	12.1	16.8
NPM	13.7	10.2	10.8	10.9	13.8
<b>Growth Ratios (%)</b>					
Net Sales	7.4	18.8	-4.6	23.9	22.2
PAT	-25.6	-9.1	0.5	24.6	53.9
<b>Per Share (Rs.)</b>					
Net Earnings (EPS)	26	24	24	30	46
Cash Earnings (CPS)	31	31	31	39	57
Dividend	404	404	404	404	404
Book Value	212	229	243	263	300
Free Cash Flow	32	25	9	21	45
<b>Valuation Ratios</b>					
P/E(x)	56	61	61	49	32
P/B(x)	7	6	6	6	5
EV/EBIDTA(x)	33	34	34	27	18
Div. Yield(%)	27	27	27	27	27
FCF Yield(%)	2	2	1	1	3
<b>Return Ratios (%)</b>					
ROE	12%	11%	10%	11%	15%
ROCE	16%	14%	13%	15%	21%
RoIC	10%	6%	5%	6%	11%

Source: Company, Dalal & Broacah Research

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

Tel: 91-22- 2282 2992 | E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)