



3R MATRIX

	+	=	-
Right Sector (RS)	✓	■	■
Right Quality (RQ)	✓	■	■
Right Valuation (RV)	■	✓	■
	+ Positive	= Neutral	- Negative

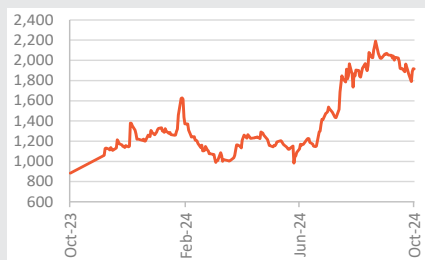
Company details

Market cap:	Rs. 7,749 cr
52-week high/low:	Rs. 2225/775
NSE volume: (No of shares)	6.1 lakh
BSE code:	544021
NSE code:	PROTEAN
Free float: (No of shares)	4.04 cr

Shareholding (%)

Promoters	0.0
FII	8.6
DII	30.1
Others	61.3

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-7.4	24.5	58.3	-
Relative to Sensex	-7.5	22.3	49.6	-

Sharekhan Research, Bloomberg

Protean eGov Technologies
Unique play powering Digital Public Infrastructure

IT Enabled Services	Sharekhan code: PROTEAN	
Reco/View: Positive	CMP: Rs. 1,916	Price Target: Rs. 2,510
↑ Upgrade	↔ Maintain	↓ Downgrade

Summary

- We initiate viewpoint coverage on Protean eGov Technologies with a positive view, assigning a PT of Rs. 2,510, (valued at 47x FY27E EPS). At CMP, the stock trades at 56.5/47/35.8x its FY25/26/27E EPS.
- Protean's dominance in key legacy service lines is bolstered by favorable trends such as workforce formalisation, financial inclusion and significant under-penetration in pension services.
- Protean is well-positioned for robust growth owing to its strategy of diversifying into new verticals and leveraging its digital transformation expertise to develop global infrastructure in developing countries.
- The company expects legacy business to clock a 8-12% CAGR with new business lines expected to grow at 30% CAGR over FY24-27.

Protean eGov Technologies remains instrumental in establishing India's digital public infrastructure, maintaining a strong dominance in its legacy business lines. As a market leader with a 63% share in tax services and nearly complete dominance in pension services, the company is well-positioned to benefit from trends such as workforce formalisation and financial inclusion. Significant under-penetration of India's pension services, with only ~7.6 crore subscribers as compared to ~54 crore Jan Dhan accounts and just a 6% coverage for private sector employees, underscores a vast growth opportunity. Protean is well placed to achieve a strong runway for growth as its diversification into new verticals such as ONDC, Data Stack, Cloud and Infosec services achieve scales along with its plans to leverage its India experience in digital transformation to develop global digital infrastructure particularly focussing on other developing countries. The company expects legacy business to grow at 8-12% CAGR with new business lines expected to grow at 30% CAGR over FY24-27. The company's asset-light model and robust, debt-free balance sheet, bolstered by over Rs 700 crores in cash equivalents, provide a solid foundation for pursuing inorganic growth opportunities. We initiate a positive viewpoint on Protean eGov Technologies, assigning a price target of Rs. 2,510, (valued at 47x FY27E EPS). At CMP, the stock trades at 56.5/47/35.8x its FY25/26/27E eps.

- Strong foothold in legacy business:** Protean's dominant market position in key verticals underscores its strong foothold in its legacy business lines. With a leading 64% market share in tax services the company is well-positioned to benefit from the continued formalization of the workforce and the expanding relevance of PAN cards across various financial and transactional use cases. The robust 15% CAGR in tax service revenues and a 97% market share in pension services over FY21-24 reflect the company's success and growth potential in these sectors. Significant under penetration of the pension system in India, with only ~7.6 crore subscribers compared to ~54 crore Jan Dhan accounts and highlights huge headroom for growth. Aadhar Authentication, Online Pan Verification, eKYC transactions and e-sign transactions have clocked a CAGR of 38%/52%/78% and 64% respectively with revenues from identity services growing at CAGR of 15% over FY21-24. With anticipated growth rates of 8-12% CAGR for legacy businesses over the next few years, the company is poised to continue its strong performance and capitalise on rising demand and evolving market opportunities.
- New business streams to drive growth:** Protean is diversifying from its key legacy business to include 3-4 more verticals such as ONDC, Data Stack, Cloud and Infosec services. The company is further looking to take the entire stack of 6-7 business lines to international markets with a focus on developing markets. The company expects significant scalability in ODE, which would aid growth. By collaboration with key stakeholders and leveraging open networks, Protean aims to create inclusive marketplaces, empower local providers, and drive innovation at scale. The focus on equitable access, seamless data exchange, and technology solutions underscores Protean's role in shaping India's digital landscape. The company is looking to leverage its India experience in digital transformation to develop global digital infrastructure particularly focussing on geographies such as Southeast Asia, Middle east and Africa.
- Healthy balance sheet:** Revenue from operations grew at 13.5% over FY21-24. Currently the three legacy businesses contribute ~95% to revenues with the rest coming from new business initiatives. For FY24 the core EBITDA margin stood at 10.1% The company is debt free with cash equivalents of over 700 crore. Protean expects legacy business to grow at 8-12% CAGR with new business lines growing at 30% CAGR over FY24-27. The company is actively seeking inorganic growth opportunities to better utilise cash and maximize shareholders return.

Our Call

Valuation – Initiate viewpoint with Positive view; price target of Rs 2,510 : Protean's strong market position, diverse business lines, and strategic expansion plans positions it for continued success in the e-governance space. The company's focus on developing markets and its asset-light strategy, profitable business model provides a solid foundation for future growth and sustained profitability. With a significant portion of revenue derived from per-transaction offerings and minimal dependency on government contracts, Protean presents an attractive investment opportunity in the evolving digital infrastructure landscape. We expect sales/PAT CAGR of 18%/31% over FY24-27E. We initiate a positive viewpoint on Protean eGov Technologies, assigning a price target of Rs. 2510, (valued at 47x FY27E EPS). At CMP, the stock trades at 56.5/47/35.8x its FY25/26/27E EPS.

Key Risks

- Changes in government policies, regulations, or compliance requirements related to digital services and financial sectors.
- May face geopolitical risks, currency fluctuations, and differing regulatory environments when expanding to developing countries.
- Cybersecurity threats could compromise its systems and client data.

Valuation (Consolidated)

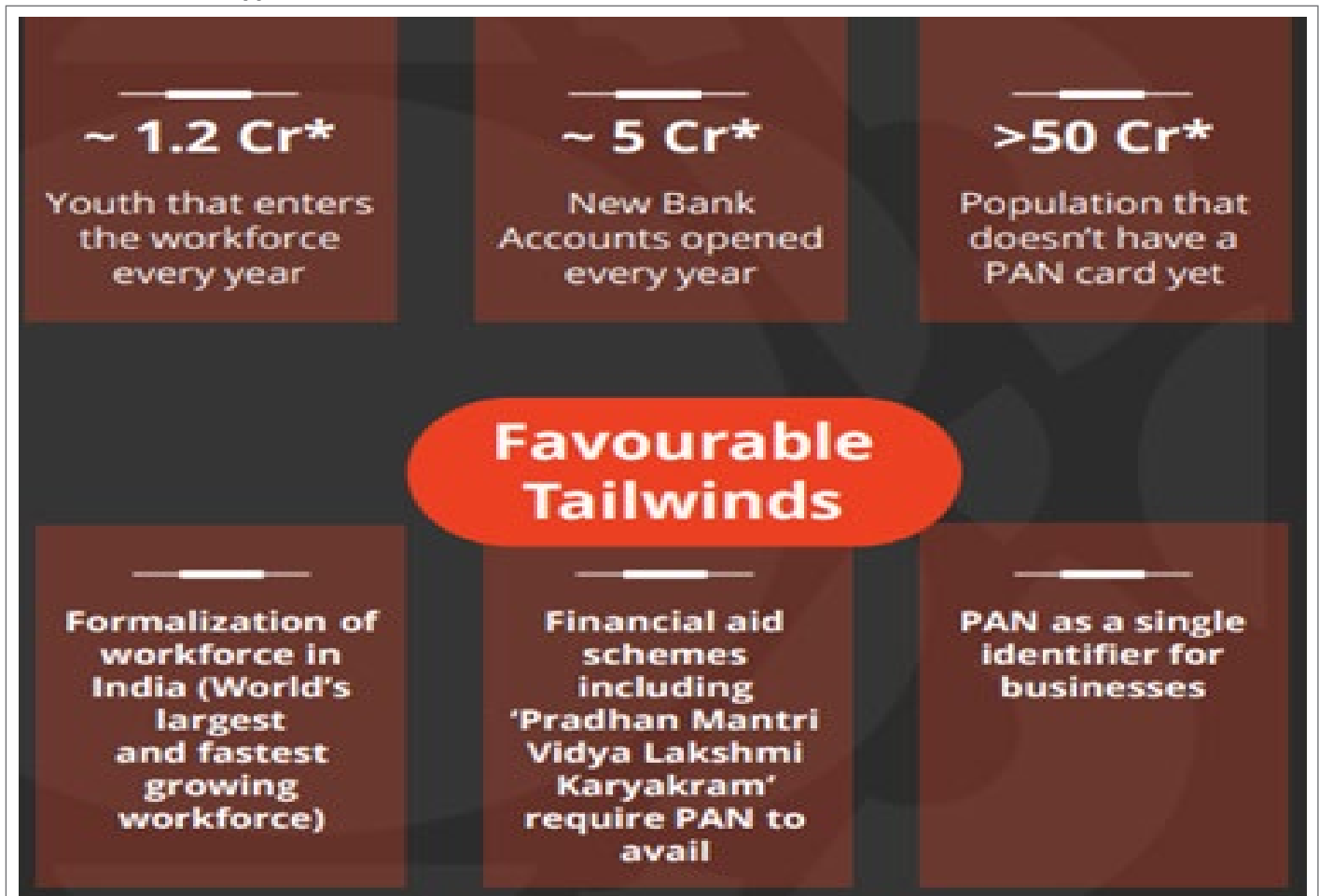
Particulars	FY23	FY24	FY25E	FY26E	FY27E
Total Revenue	742.2	882.0	1,043.8	1,235.9	1,431.1
EBITDA margin %	15.9	10.1	14.6	15.2	17.9
Adjusted Net Profit	107.0	97.3	137.2	164.8	216.4
% YoY growth	-25.6	-9.1	41.0	20.2	31.3
EPS (Rs)	26.5	24.1	33.9	40.7	53.5
PER (x)	72.4	79.7	56.5	47.0	35.8
P/BV (x)	9.0	8.4	7.6	6.8	6.0
EV/EBITDA	52.3	54.9	41.7	33.8	26.4
ROE (%)	13.0	10.9	14.1	15.3	17.9
ROCE (%)	12.1	7.0	12.4	13.9	17.4

Source: Company; Sharekhan estimates

Key arguments

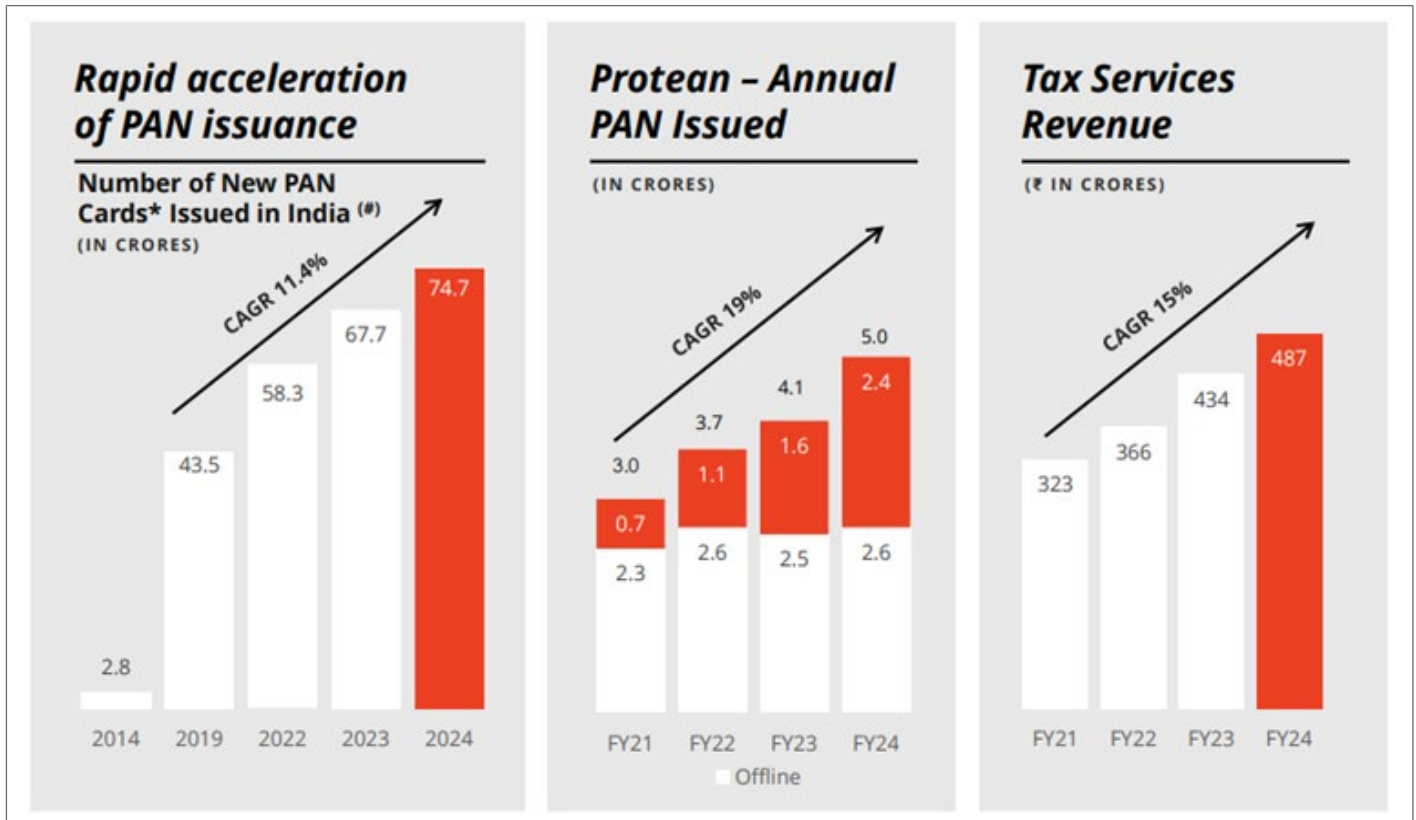
Strong foothold in legacy business: Protean is the market leader in providing e-governance services such as management of the TIN, PAN processing, NPS and the Atal Pension Yojana. It has a cumulative market share of ~64% in tax services. Protean’s annual PAN issuance has grown at CAGR of 19% with revenue from tax services growing at CAGR of 15% over FY21-24. India’s expanding taxpayer base, driven by its youthful demography and accelerating economic growth, presents significant opportunities for increasing the issuance and verification of PAN cards. With over 60% of the population in the working age bracket and a robust growth forecast for individual taxpayers, the number of PAN card holders is expected to rise substantially. The government’s financial inclusion schemes and regulatory changes further amplify this trend, increasing demand for PAN card applications and online verifications. The expanding range of use cases for PAN cards covering digital transaction authentication, investments, credit access, property dealings, government schemes and high-value purchase demonstrates their increasing importance in various financial and personal transactions. This broad utility underscores the growing reliance on PAN cards, suggesting a continued and robust increase in their usage across multiple sectors. Significant under penetration of the pension system in India, with only ~7.6crore subscribers compared to ~54 crore Jan Dhan accounts and highlights huge headroom for growth. Further, there is huge headroom for growth as pension penetration India is just around 6 percent for private sector employees, while in the US almost 70 percent private sector employees are covered under pension. A consistent increase in pension subscribers with a robust CAGR of 26% over 2015-2024 coupled with government push, indicates a promising trajectory for further expansion and increased adoption of these pension schemes. The company is a market leader in pension service vertical with market share of 97% (NPS+SPY) with pension revenues growing at 9% over FY21-24. Protean is the sole provider of four foundational identity services such as E-sign, EKYC, Aadhaar Authentication and Online PAN verification. Aadhar Authentication, Online Pan Verification eKYC transactions and e-sign transactions have grown at CAGR of 38%/52%/78% and 64%, respectively with revenues from identity services growing at CAGR of 15% over FY21-24.

Favourable Tailwinds support PAN issuance



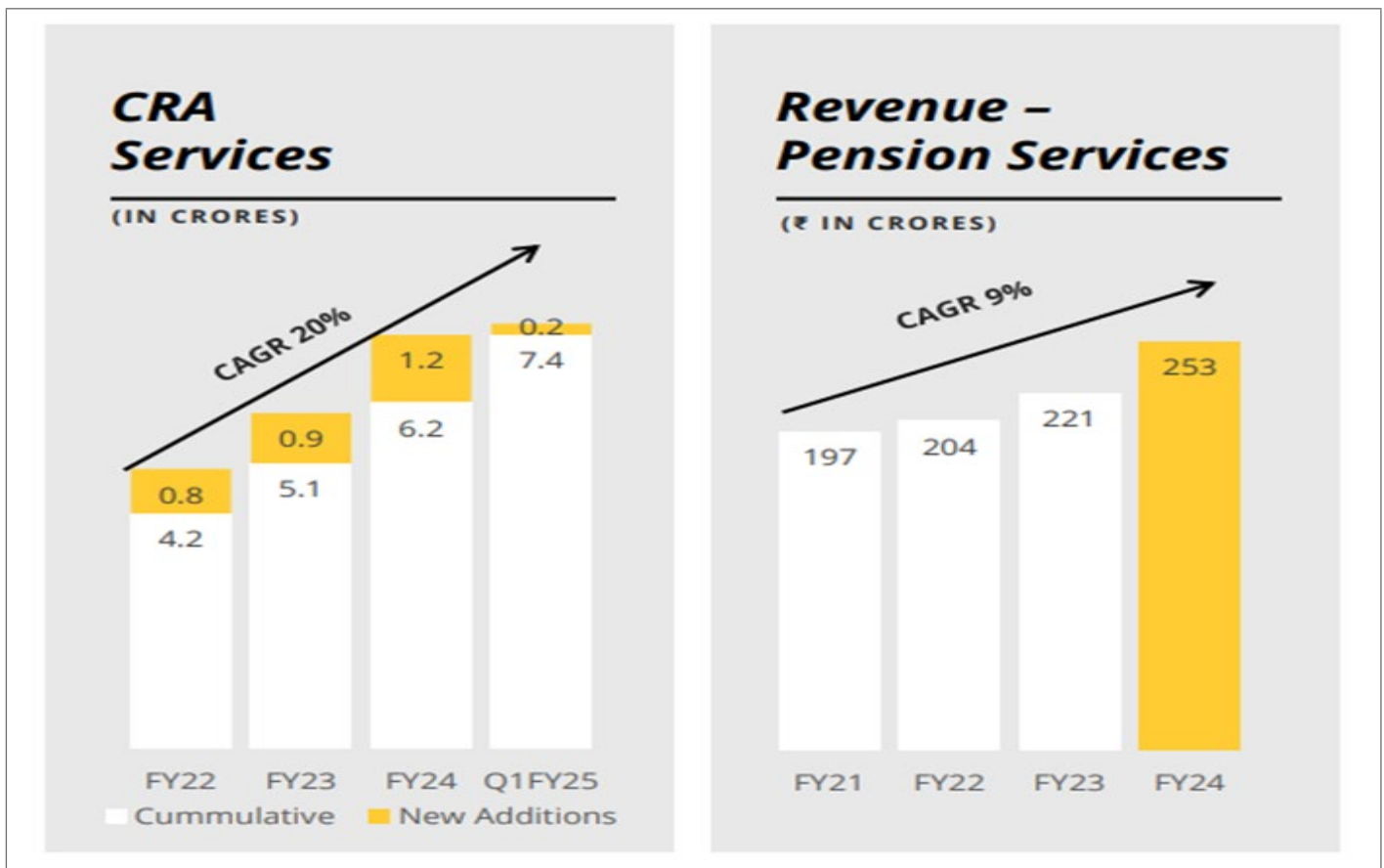
Source: Company, Sharekhan Research

PAN services- Issuance and revenue trends



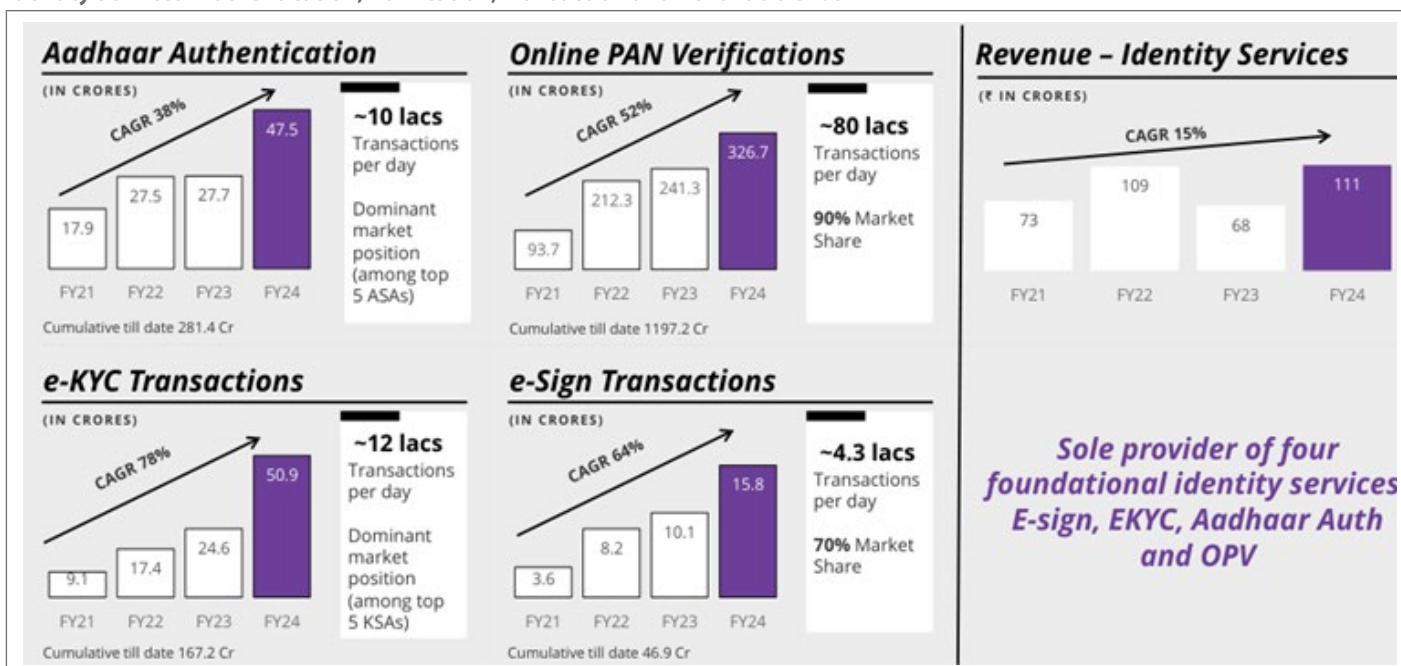
Source: Company, Sharekhan Research

Pension services- Accounts and Revenue trends



Source: Company, Sharekhan Research

Identity Services- Authentication, Verification, Transaction and Revenue trends



Source: Company, Sharekhan Research

New business lines to drive growth: Protean is broadening its focus beyond its traditional core business by venturing into 3-4 additional verticals, such as ONDC, Data Stack, and Cloud and Infosec services. The company is extending its reach across various sectors through an open digital ecosystem that encompasses eCommerce and mobility (ONDC), education and skilling (ONEST), as well as agriculture and health. Protean facilitates ONDC transactions by providing registry and gateway services, for which it is compensated directly by ONDC, as a market institution. The management anticipates earning 8-10 basis points of gross merchandise value (GMV) from these transactions in the future. The company also sees revenue potential in SaaS model, offering technology solutions for buyers and sellers. As ONDC adoption accelerates, the revenue opportunities can be substantial. Protean holds an account aggregator license from the RBI to commence/ carry on the business of non-banking financial institution without accepting public deposits. The company has ventured into new business services such as cybersecurity and cloud services. The company aims to leverage its digital transformation experience in India to build global digital infrastructure, with a particular focus on regions such as Southeast Asia, the Middle East, and Africa.

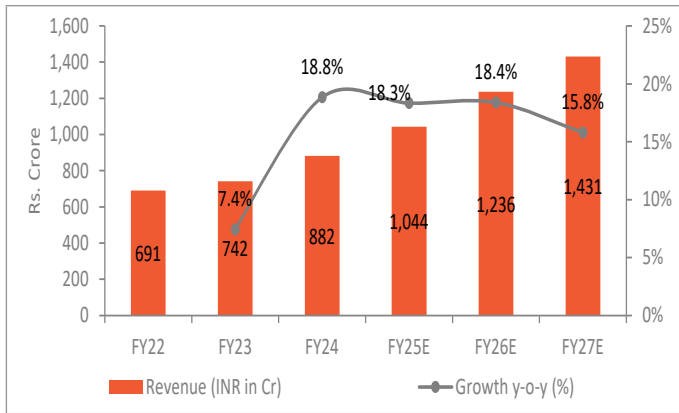
Acceleration in revenue growth -Strong Tailwinds in legacy business along with diversification across new business lines



Source: Company, Sharekhan Research

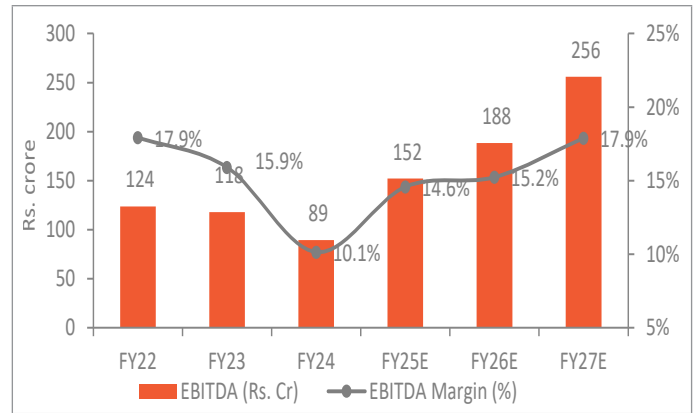
Financials in charts

Revenue trend



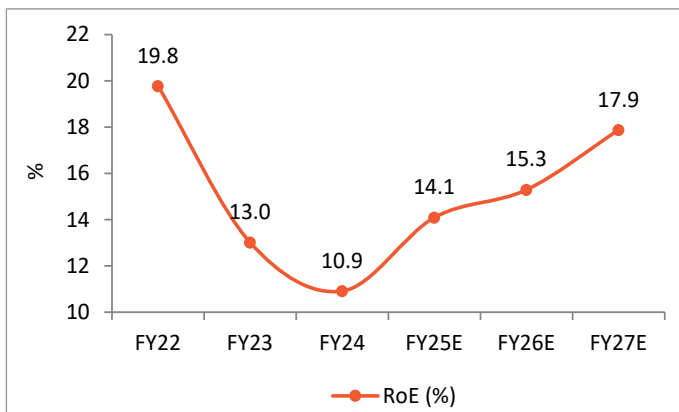
Source: Company, Sharekhan Research

EBITDA & EBITDA margin Trend



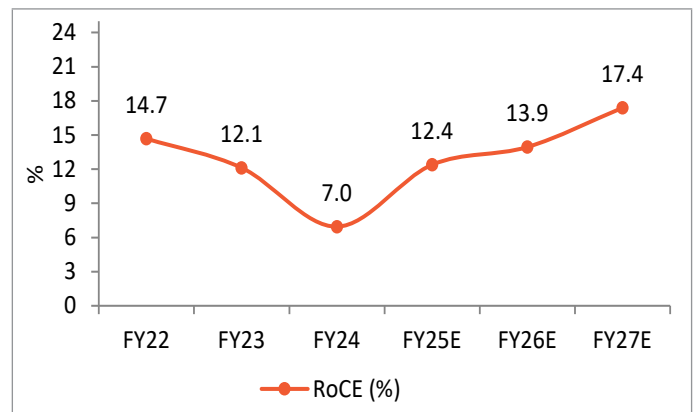
Source: Company, Sharekhan Research

ROE trend



Source: Company, Sharekhan Research

ROCE trend



Source: Company, Sharekhan Research

Key Q1FY25 Result Highlights

- ◆ Revenue from operations fell 12% q-o-q/11% y-o-y to 196.5 crore owing to degrowth in the overall PAN issuances across the industry on account of election activity. However, market share for tax services improved to 54% in Q1FY25 compared to 50% in Q1FY24.
- ◆ Muted revenue was mainly due to a decline in revenue from tax services which fell 27% y-o-y to Rs. 98 crores. Pension services, Identity Services and New business grew 14%/27% and 20%, respectively.
- ◆ Adjusted EBITDA stood at 26.2 crore, down 25% y-o-y with adjusted margin fell 250 basis y-o-y to 13.3%
- ◆ Reported PAT stood at Rs. 211 crore, up 9% q-o-q/35% y-o-y.
- ◆ Balance sheet position continues to remain strong with cash and cash equivalents of more than Rs 700 crore.
- ◆ The company is actively seeking inorganic growth opportunities to better utilise cash and maximise shareholders return.

Q1FY25 Results Summary

Particulars	Rs cr				
	Q1FY25	Q1FY24	Q4FY24	% YoY	% QoQ
Net Sales	197	220	222	-11	-12
Employee benefits expense	42	39	49	6	-16
Allowance for Expected credit loss	11	1	14	1,375	-18
Processing charges	76	102	85	-25	-10
Repairs & maintenance of Computers & Telecom systems	30	26	26	16	18
Other expenses	22	18	27	23	-18
Operating Profit	15	34	22	-56	-31
Depreciation	7	5	11	38	-38
Finance Cost	1	0	1	127	-4
Other Income	19	13	13	51	48
Profit Before Tax	27.1	41.7	23.5	-35	15
Tax Expense	6.0	9.5	4.2	-37	42
Reported PAT	21.1	32.2	19.3	-35	9
Adjusted PAT	21.1	32.2	19.3	-35	9
EPS	5.2	8.0	4.8	-35	9
Margin				Bps	Bps
OPM %	7.7	15.5	9.9	-778	-219
NPM %	10.7	14.6	8.7	-388	204

Source: Company; Sharekhan Research

Company Background

Protean is engaged in conceptualizing, developing, and executing nationally critical and population scale IT-enabled solutions. The company collaborates with the government and has extensive experience in creating digital public infrastructure and developing innovative citizen-centric e-governance solutions. The company was originally set up as a depository in 1995 and created a systemically important national infrastructure for capital market development in India. The company has been at the forefront of India's e-governance movement, developing and executing 19 nationally critical systems and working with seven ministries. The company has been instrumental in establishing public digital infrastructure and creating e-governance interventions impacting multiple sectors of the Indian economy. The company has aided in modernising the direct tax infrastructure in India through projects like Permanent Account Number ("PAN") issuance, the Tax Information Network ("TIN") including Online Tax Accounting Systems ("OLTAS"). The company is instrumental in strengthening the social security system in India by building the IT infrastructure for National Pension System (NPS) and Atal Pension Yojana. They have also enabled the BFSI sector by providing Aadhaar-based identity authentication and e-Sign services, as a licensed certifying authority empanelled by the Controller of Certifying Authorities. The company was appointed as a registrar for enrolling citizens for Aadhaar. The company is contributing to and supporting open digital building blocks such as Open Network for Digital Commerce ("ONDC") for use-cases across sectors like e-commerce, mobility, healthcare, agriculture and education.

Business Verticals

Tax Services

India's Income Tax Department has entrusted entities such as Protean eGov Technologies Limited Infrastructure and UTI Infrastructure Technology Services Limited (UTIITSL) to be the service providers for the application, processing, collecting and verifying documents, printing PAN cards and handle other processes related to PAN card. The company has established PAN service centres and TIN facilitation centres at various locations across India. The Company has modernised the direct tax infrastructure in India through projects like Permanent Account Number ("PAN") issuance, the Tax Information Network ("TIN") including Online Tax Accounting Systems ("OLTAS"). They also offer the option of submitting applications through their service centres or online. In addition to allotment of new PAN, the company also engages in reprint of PAN or/and changes or corrections in PAN data. The company has also entered into partnerships with distribution networks to expand the last mile geographical reach. India's young demography is expected to expand the taxpayer base. Central and State Government focus on introduction and saturation of various government initiatives and welfare schemes will result in higher PAN issuance in near to medium term.

Tax service charges

Service	Particulars	Charges per transaction
PAN Service	New PAN issuance	91
	PAN Reprint	42
	e-PAN Download	7
TIN	e-TDS return filing charges	Up to 100 deductees -Rs.25 101 to 1000 deductees -Rs.150 More than 1000 deductees Rs.500
TAN	TAN Application	Rs 65
Online Pan Verification	PAN Verification	Rs 0.05-Rs 0.30

Source: Company; Sharekhan Research

Pension services

Protean was appointed as CRA by Pension Fund Regulatory and Development Authority ("PFRDA") to establish the IT infrastructure to handle administration and customer service functions for all subscribers of the NPS. The company is the provider of NPS services to the Central and State governments including their autonomous bodies and public sector banks.

Further, to address the longevity risks of workers in the unorganised sector and to encourage them to voluntarily save for their retirement, the Indian government announced a new scheme called Atal Pension Yojana (APY) in the Union Budget 2015 –2016. APY is administered by the PFRDA through the NPS architecture. The company is the only CRA managing the infrastructure of the APY in India

Pension service charges

Service	Particulars	Charges (Rs.)
Account Opening	Govt NPS	40
	Pvt NPS	40
	APY	15
Account Maintenance Charges	Govt NPS	69
	Pvt NPS	69
	APY	20
Transaction Charges (Rs)	Govt NPS	3.75
	Pvt NPS	3.75
	APY	0

Source: Company; Sharekhan Research

Identity services

The company engages in verification of PAN allotted by the Income Tax Department for availing various financial services and government services. This verification helps prevent financial fraud, supports compliance with regulations, and ensures the accuracy of financial transactions and records

This provides multiple revenue opportunities across all its businesses in the space of tax administration and governance such as PAN issuance, online PAN verification and TDS filings. As a part of the Aadhaar enablement ecosystem, the company also functions as an authentication agency and provides comprehensive e-KYC services based on Aadhaar. The company has been empanelled by the Controller of Certifying Authorities of India as a licensed 'Certifying Authority' and e-Sign Service provider. The Aadhaar card with bank accounts, driving license and mobile phone linked, is the most important identification card in the country and the usage of the same is expected to increase in the coming years.

Revenue Mix

Nearly 80% of Protean's revenue in FY24 was generated from offerings that were based on a per-transaction basis and the remaining 20% of revenue was annuity-like. Although Protean collaborates with the government in establishing DPI, only 13% of total revenue in FY24 came from the government.

Revenue Mix



Source: Company, Sharekhan research

Multisectoral Open Digital Ecosystems

Open Digital Ecosystems: The company is engaged in contributing to and supporting open digital building blocks such as Open Network for Digital Commerce (ONDC) for use-cases across sectors like e-commerce, mobility, healthcare, agriculture and education. The company is one of the key and early contributors to the open-source community and protocols that are powering ONDC. ONDC represents a groundbreaking shift in the digital commerce landscape, offering a collaborative and inclusive ecosystem that empowers merchants and enhances consumer value. By prioritising open networks and interoperability, ONDC redefines the traditional platform-based models, enabling independent business operations and seamless transactions for both buyers and sellers. The comprehensive suite of tools and services provided by ONDC's Technology Service Provider further streamlines the onboarding process and accelerates business growth on the network. With its buyer-seller applications, marketplace operations, and value-added services, ONDC opens up new avenues for businesses to expand their digital presence and thrive in the evolving ecommerce landscape ONDC has onboarded about 5.8 lakh sellers/service providers across the country with 114 network participants at the end of Q1FY25.

Agri stack: Agri Stack aims to make it easier for farmers to get easier access to cheaper credit, higher-quality farm inputs, localised and specific advice, and more informed and convenient access to markets. Agri Stack also aims to make it easier for governments to plan and implement various farmer and agriculture-focused benefit schemes.

ONEST- ONEST is an innovative and decentralized network providing learners with an extensive range of educational content and skill development opportunities. It is dedicated to ensuring equitable access to learning, empowering individuals to reach their full potential and secure promising livelihood opportunities. This network has been carefully crafted to address the challenges within the fragmented educational landscape, with a primary focus on establishing secure connections between educational providers and individuals seeking to access these resources. Protean's Vidyasaarathi platform addresses educational finance disparities by providing an online platform for scholarships, promoting educational opportunities and socioeconomic mobility for students across India. Vidyalakshmi, developed under government guidance and facilitated by Protean, revolutionizes education finance by empowering students to apply for and track education loans, fostering higher education access and skill development.

Cloud & Infosec

Protean is committed to promoting a connected digital ecosystem in India, notably through its cloud-based solutions. These solutions support various sectors, including E-commerce, Aggregators, SaaS Vendors, Manufacturing, and the public sector, offering features like live migrations, performance dashboards, and flexible resource configuration. They are designed to provide middle-market businesses, small enterprises, and startups with the agility and scalability of cloud-hosted infrastructure.

Infrastructure as a Service (IaaS): The company provides virtualized computing resources, including servers, storage, and networking, enabling businesses to adjust their resources according to their needs.

Storage as a Service (SaaS): The company offers scalable and flexible block, object, and file storage solutions accessible via the Internet.

DaaS & Virtual Office: The company offers cloud-powered virtual desktops including windows, MS office, security and centralized manageability which is ideal for contracted and distributed staff. This allows for companies to protect sensitive data and ensure compliance & regulation.

Security Architecture: The company offers wide range of security solutions to mitigate at different levels such as data, application, and network level, allowing them to cater to a wide range of customer requirements.

Management security services: The company offers OS management, middleware management and security management among other offerings.

Data Stack

Data stack consists of various technologies for collecting, storing, processing, analyzing, and visualizing data. Protean is working to develop data economy by integrating AI, customizable data visualization, API integration, and digital authentication to improve lending policies and create a more efficient system for data management and identity verification.

RISE with Protean: RISE with Protean is its proprietary digital API marketplace designed to simplify the discovery and use of APIs, micro-services, and user journeys for businesses in India. Featuring over 300 APIs and services with sandbox capabilities for testing, the platform supports continuous growth and serves various industries, including Finance, Health, e-Commerce, Gaming, Agriculture, Education, and Skilling.

ProteanX: ProteanX is a future-ready solution, enabling signatures across a host of processes such as account opening, E-KYC, lending and any contract execution. It provides a superior experience with features like workflow management, user-friendly dashboards and universal access through WhatsApp, SMS, and email. It is designed to give faster turnarounds, reduced costs and enhanced risk control to organisations and their customers.

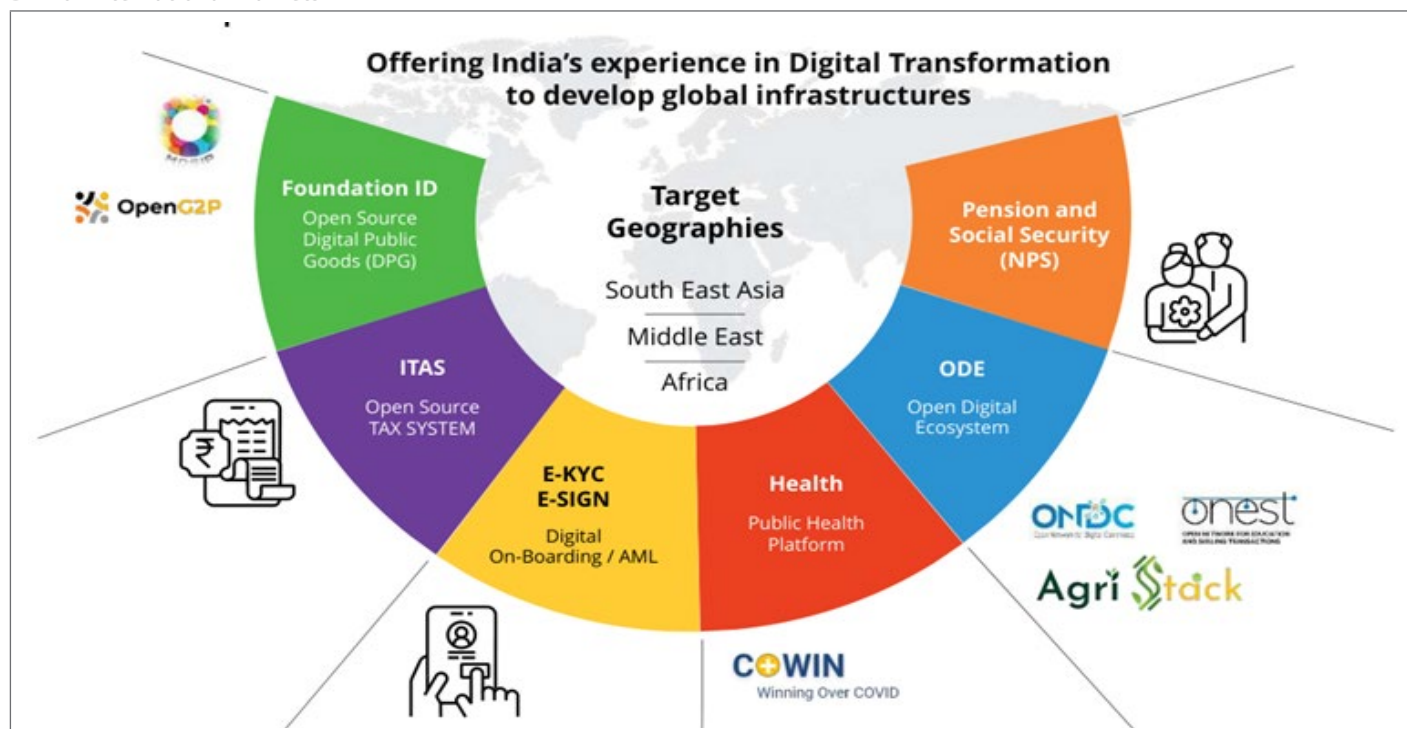
Digital onboarding and credit verification: Protean has created a robust regulatory tech stack to help financial institutions minimize risk, streamline customer onboarding, enhance data accuracy, and deliver seamless digital experiences. This solution complements their other offerings, optimizing the lending process and supporting a more data-driven approach to digital financing.

Account Aggregator (AA): Protean is licensed by RBI to operate as an Account Aggregator. As an AA, Protean facilitates the sharing of financial data between accounts and institutions like banks and insurance companies with user consent. This system speeds up data access for lenders, streamlines the lending process, and enhances financial inclusion by transitioning from asset-based to credit-based lending.

Diversifying into new geographies

The company plans to take its Indian experience in developing Digital Public Infrastructure (DPI) to international markets. It is targeting geographies such as Southeast Asia, Middle east Asia.

DPI for International markets



Source: Company, Sharekhan research

Budget Push

The Union Budget for FY25 demonstrated the government's ongoing commitment to developing population-scale Digital Public Infrastructure (DPI) across various sectors. The Budget introduced the National Pension System (NPS) for minors, significantly expanding its coverage to around 40 crore minors. Additionally, the employer contribution limit for private sector employees was increased by 40%, from 10% to 14%, making NPS a more attractive savings option. These developments are expected to enhance pension penetration in the country, benefiting Protean. The government also aims to utilize DPI in the agriculture sector. The Union Budget proposed a digital crop survey for the Kharif season in 400 districts this year. Furthermore, details for 6 crore farmers and their land are set to be integrated into farmer and land registries.

FINANCIALS

Income Statement (Consolidated)

	Rs cr					
Particulars	FY2023	FY2024	FY2025E	FY2026E	FY2027E	
Net Sales	742	882	1,044	1,236	1,431	
y-o-y %	7%	19%	18%	18%	16%	
Employee benefits expense	123	175	210	231	254	
Allowance for Expected credit loss	18	39	15	15	0	
Processing charges	326	383	412	486	536	
Other expenses	158	196	255	316	385	
Operating Profit	118	89	152	188	256	
OPM %	15.9%	10.1%	14.6%	15.2%	17.9%	
Depreciation	18	27	32	38	46	
Finance Cost	1	2	2	2	2	
Other Income	42	68	64	71	80	
Profit Before Tax	140	128	183	220	289	
Tax Expense	33.4	30.6	45.7	54.9	72.1	
Reported PAT	107.0	97.3	137.2	164.8	216.4	
Exceptional item	0.0	0.0	0.0	0.0	0.0	
Adjusted PAT	107.0	97.3	137.2	164.8	216.4	
y-o-y %	-26%	-9%	41%	20%	31%	
NPM %	14.4%	11.0%	13.1%	13.3%	15.1%	

Source: Company; Sharekhan Research

Consolidated Balance Sheet

	Rs cr					
Particulars	FY2022	FY2023	FY2024	FY2025E	FY2026E	FY2027E
Share Capital	40.4	40.4	40.5	40.5	40.5	40.5
Reserves & Surplus	747.6	816.5	885.5	979.9	1094.6	1245.2
Non-Controlling Interest	0.2	0.2	0.2	0.2	0.2	0.2
Networth	788.0	856.9	926.0	1020.4	1135.1	1285.7
Trade Payables	95.7	131.8	119.9	82.2	98.8	113.5
Other Liabilities	105.0	115.3	139.4	146.0	154.4	163.4
Total Liabilities	988.8	1104.1	1185.2	1248.5	1388.3	1562.6
Cash & Cash Equivalents	233.5	137.5	150.8	185.0	187.3	208.9
Investments	363.6	528.5	550.4	604.0	692.5	794.3
Trade Receivables	199.8	208.9	189.3	143.0	169.3	196.0
Fixed Assets	69.0	74.7	99.1	112.5	126.1	140.2
Other Assets	122.8	154.5	195.7	204.0	213.1	223.1
Total Assets	988.8	1104.1	1185.2	1248.5	1388.3	1562.6

Source: Company; Sharekhan Research

Consolidated Cash Flows Statement

	Rs cr				
Particulars	FY2023	FY2024	FY2025E	FY2026E	FY2027E
Cash flow from operating activities	137	58	111	121	168
Cash flow from investing activities	-282	19	-35	-69	-82
Cash flow from financing activities	-44	-47	-42	-49	-65
Net change in cash and cash equivalents	-190	29	34	2	22
Opening cash balance	207	17	46	80	82
Closing cash balance	17	46	80	82	104

Source: Company; Sharekhan Research

Key Ratios

	Rs cr				
Particulars	FY2023	FY2024	FY2025E	FY2026E	FY2027E
Margins & tax rates (%)					
OPM	15.9	10.1	14.6	15.2	17.9
NPM	14.4	11.0	13.1	13.3	15.1
Tax rate	23.8	23.9	25.0	25.0	25.0
Growth ratios (y-o-y %)					
Revenue	7.4	18.8	18.3	18.4	15.8
Operating profit	-4.7	-24.2	70.2	23.7	36.0
PAT	-25.6	-9.1	41.0	20.2	31.3
Per share (Rs.)					
Adjusted EPS	26.5	24.1	33.9	40.7	53.5
Book value (BVPS)	212.0	228.9	252.3	280.6	317.8
Valuation ratios (x)					
P/E	72.4	79.7	56.5	47.0	35.8
Price / Book value (BV)	9.0	8.4	7.6	6.8	6.0
EV / EBITDA	52.3	54.9	41.7	33.8	26.4
Market cap / Sales (x)	10.4	8.8	7.4	6.3	5.4
Return ratios					
RoE (%)	13.0	10.9	14.1	15.3	17.9
RoCE (%)	12.1	7.0	12.4	13.9	17.4

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector Outlook – IT-enabled services sector positioned for strong growth

IT-enabled services sector is positioned for strong growth, driven by technological advancements, evolving business needs, and a commitment to digital transformation across various sectors. The government is looking to leverage IT solutions to streamline processes, improve service delivery, and promote transparency. The push for e-governance is creating significant opportunities for IT-enabled service providers.

■ Company Outlook – Well positioned to deliver robust growth

Protean is well-positioned for sustained success in the e-governance sector, driven by its strong market presence, diverse business portfolio, and strategic focus on developing markets. With an asset-light, profitable model and a dominant position in key service lines, the company stands to benefit from favourable trends in workforce formalisation and financial inclusion. By diversifying into new verticals and leveraging its expertise in digital transformation, Protean is poised for robust growth in Indian and developing markets.

■ Valuation – Initiate viewpoint with Positive view; assigning price target of Rs. 2,510

Protean's strong market position, diverse business lines, and strategic expansion plans positions it for continued success in the e-governance space. The company's focus on developing markets and its asset-light strategy, profitable business model provides a solid foundation for future growth and sustained profitability. With a significant portion of revenue derived from per-transaction offerings and minimal dependency on government contracts, Protean presents an attractive investment opportunity in the evolving digital infrastructure landscape. We expect sales/PAT CAGR of 18%/31% over FY24-27E. We initiate a positive viewpoint on Protean eGov Technologies, assigning a price target of Rs. 2510, (valued at 47x FY27E EPS). At CMP, the stock trades at 56.5/47/35.8x its FY25/26/27E EPS.

About the company

Protean eGov Technologies Limited, formerly known as NSDL e-Governance Infrastructure Limited, is a leading provider of digital governance solutions in India. The company specializes in various areas, including tax services, pension services, identity services, and digital infrastructure, playing a crucial role in enhancing e-governance.

Investment theme

Protean has been instrumental in establishing the DPI (digital public infrastructure), in collaboration with the government. It continues to be a market leader in the provision of e-governance services in taxation-related infrastructure and social security welfare projects, such as the National Pension Scheme (NPS) and the Atal Pension Yojana. Protean is well-positioned for significant growth through its strong market presence in legacy services, vast opportunities in under-penetrated pension services, and strategic diversification into new verticals, supported by a robust financial position. The company expects legacy business to grow at 8-12% CAGR with new business lines expected to grow at 30% CAGR over FY24-27

Key Risks

- ◆ Change in government policies, regulations, or compliance requirements related to digital services and financial sectors.
- ◆ May face geopolitical risks, currency fluctuations, and differing regulatory environments when expanding to developing countries.
- ◆ Cybersecurity threats could compromise its systems and client data.

Additional Data

Key management personnel

Suresh Sethi	MD & CEO
Jayesh Sule	Whole time Director & COO
Sandeep Mantri	Chief Financial Officer
Dattaram Mhadgut	Chief Technology Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	NSE Investments Ltd	20.35
2	Unit Trust of India	6.01
3	State Bank of India	4.94
4	Aditya Birla Sun Life Insurance Co	3.73
5	Nippon Life India Asset Management	3.72
6	Axis Bank Ltd	3.18
7	HSBC Holdings PLC	3.09
8	Citicorp Finance India Ltd/Old	3.09
9	Standard Chartered PLC	3.09
10	Punjab National Bank	2.26

Source: Bloomberg

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

Sharekhan

by BNP PARIBAS

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