

Protean eGov Technologies

Analyst Recommendation: BUY

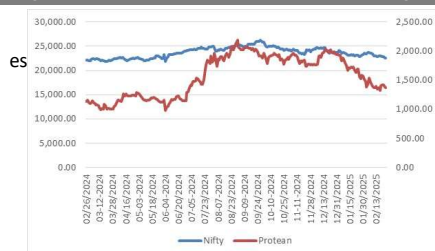
BSE Code: 544021

NSE: PROTEAN

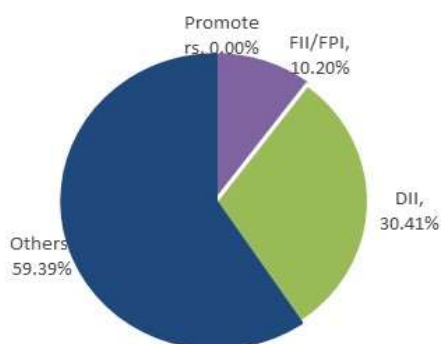
CMP: Rs 1304
2 Year Target - Rs 1850

Face Value	10.0
Market Cap (Rs Cr)	5,626
52 week high/low	2225/930
Dividend Yield	0.71
Shares O/S (Cr)	4.05
Book Value per Share (Rs)	234
Nifty	23,658

1 yr. Price Chart of Stock and Nifty



Shareholding pattern as on Jan 2025



Investor's Rationale

➤ New businesses in early stage to unlock growth opportunities

The company is now advancing further by taking on more impactful projects. After having developed modern tax infrastructure, supported social welfare programs and streamlined identity services, it is building Open Digital Ecosystems (ODEs) to enable India's data-rich economy, while integrating cyber security and cloud services to strengthen the nation's DPI.

➤ Regulatory business is a cash cow, digital documentation is a rising star

Protean eGov Technologies (earlier NSDL e-Governance Infrastructure) specialises in IT solutions in developing digital public infrastructure (DPI) and citizen-centric e-governance services. It will lever its cash-cow businesses of Tax and Pension services to be the service provider of choice in digital identity and DPI.

➤ Monopolistic business and Dominating Market Share

- Protean holds a dominant 64% cumulative market share, with significant expansion in FY24 in Tax Services.
- Protean is India's largest CRA, with a 92% market share in NPS and 100% in APY

Valuation

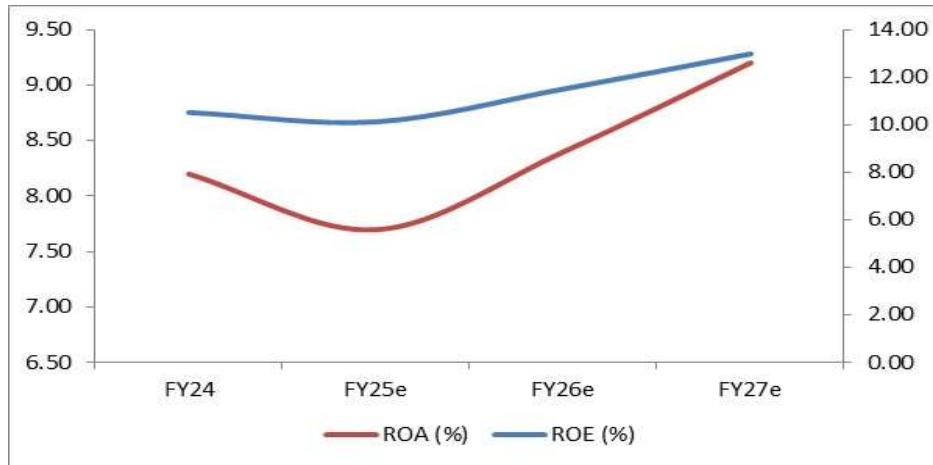
We pencil in a sturdy 15% revenue CAGR over FY25-27e, driving consistent revenue growth. We initiate coverage on it with a target price of Rs1,850 valuing at 50x FY27E EPS

(Rs Million)	FY24	FY25e	FY26e	FY27e
Revenue	8,820.0	8,463.0	9,781.0	11,171.0
EBITDA	894.0	882.0	1,166.0	1,565.0
Adj. profit	973.0	999.0	1,215.0	1,496.0
Adj. EPS (Rs.)	24.1	24.7	30.0	37.0
P/E (x)	56.8	52.8	43.4	35.2
ROE (%)	10.50	10.10	11.50	13.00
RoA (%)	8.2	7.7	8.4	9.2

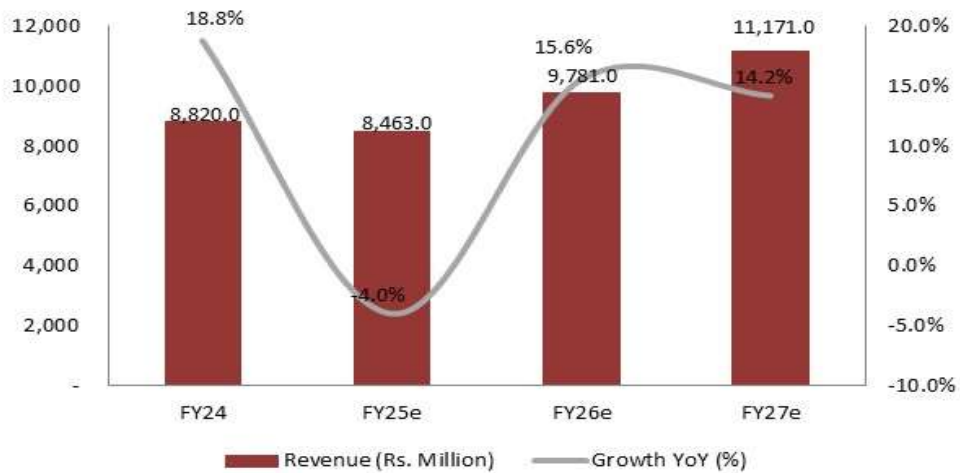
Investment Rationale

- The company operates primarily in three key business verticals: tax services, pension services and identity services. It has a leading, 64%, market share in tax services and 92% in pension services, incl. NPS and APY. Supported by favorable demographics, these categories have turned into cash cows for the company. As the exclusive provider of all four major digital identity services (e-sign, eKYC, Aadhaar authentication, and online PAN verification), it is well-positioned to capitalise on the high growth in the above (a 11% CAGR over FY22-24)
- The company is now advancing further by taking on more impactful projects. After having developed modern tax infrastructure, supported social welfare programs and streamlined identity services, it is building Open Digital Ecosystems (ODEs) to enable India's data-rich economy, while integrating cyber security and cloud services to strengthen the nation's DPI.
- India's DPI, consisting of Digital Identification, Digital Payments and Data Management, has revolutionised the country's economy. Protean sees significant opportunities to replicate this model in southeast Asia, the Middle East and Africa, addressing challenges such as limited accessibility and regulatory gaps. Levering its success in India, the company is focusing on expanding its DPI expertise in areas such as identity, taxation and welfare, forming strategic partnerships and creating open-source solutions to drive digital transformation in these regions
- The number of tax payers in India has recorded a 7% CAGR since 2014. This growth highlights greater tax compliance, better awareness and the formalisation of previously untaxed sectors. Digital initiatives such as the expansion of the e-filing platform, PAN- Aadhaar link, and mobile-based tax-payment systems have simplified compliance for individuals and businesses. Platforms such as Protean eGov Technologies have been instrumental in enabling efficient tax filing and compliance processes.
- In FY24, Protean issued 50m PAN cards, a notable increase from 41m in FY23, generating Rs4,870m revenue, up from Rs4,340m in FY23. It charges Rs91 for new or updated PAN cards and Rs51 for a duplicate card issued. It operates a vast network of 442,000 PAN/TIN facilitation centres and strategic entities across 18,000 locations in 32 states and Union territories.
- Protean eGov Technologies pioneered India's Digital Pension Infrastructure in 2010 and was the sole Central Recordkeeping Agency (CRA) for the National Pension System (NPS) until 2018. It is the largest CRA in India, with a ~92% market share in the NPS and 100% in the Atal Pension Yojana (APY), playing a critical role in strengthening the country's social security framework. As the CRA, it is responsible for developing IT infrastructure, managing operations and providing customer service for all subscribers. It has a combined market share in NPS and APY far ahead of competitors such as KFin Technologies and Computer Age Management Services (CAMS), which have minimal market shares.

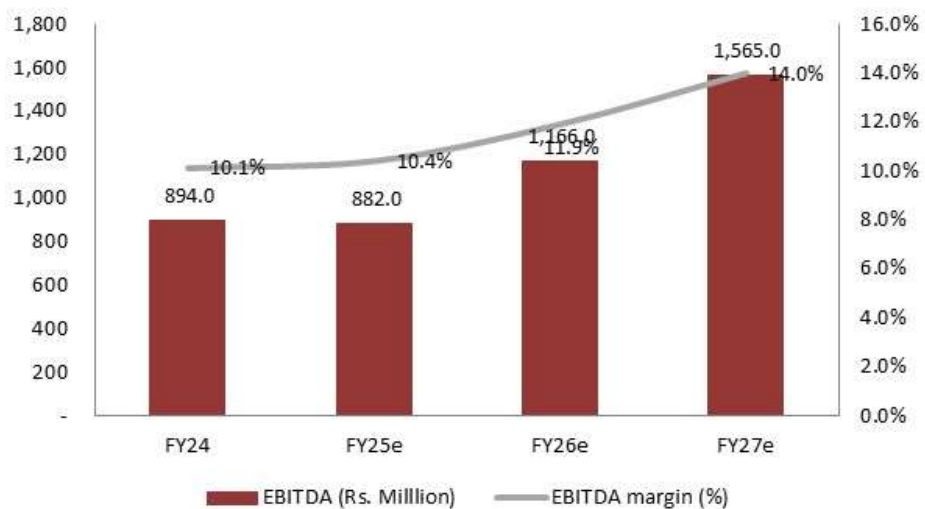
Return ratios



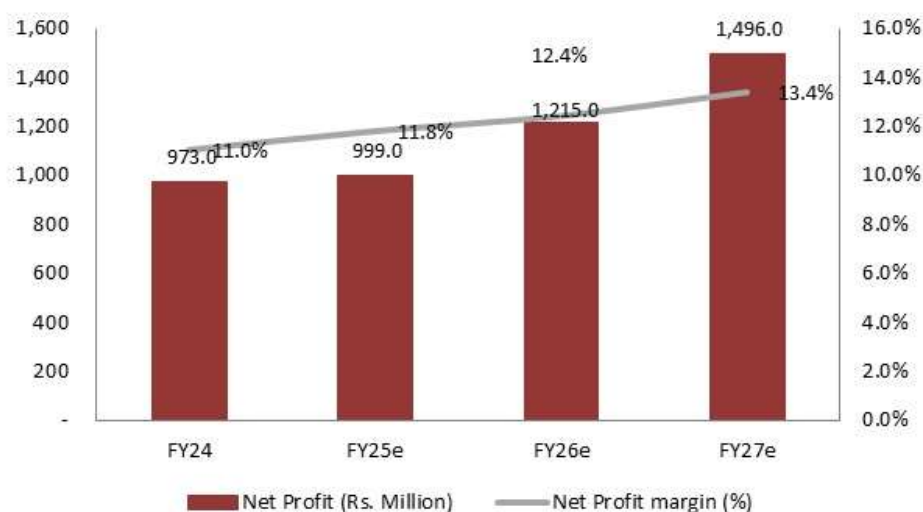
Revenue growth will be strong



EBITDA will maintain strong growth



Net profit will maintain strong growth



Outlook and Valuation

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Company Overview

Incorporated in December 1995, Protean eGov Technologies Limited was previously known as NSDL e-Governance Infrastructure Ltd and is engaged in the business of developing citizen-centric and population-scale e-governance solutions.

Business Verticals

- 1) PAN Services (61% in H1 FY25 vs 53% in FY22)
- 2) Central Recordkeeping (26% in H1 FY25 vs 30% in FY22): The company acts as the Central Recordkeeping Agency (CRA) for the National Pension System (NPS) and the Atal Pension Yojana (APY). It has built India's first digital pension Infrastructure and is India's largest CRA for NPS and APY with a combined market share of more than 97%.
- 3) Identity Services (11% in H1 FY25 vs 9% in FY22): The company is the sole provider of four foundational identity services including Aadhaar authentication, Online PAN Verifications, e-KYC and e-Sign services in India
- 4) Others (2% in H1 FY25 vs 8% in FY22): The company operates multiple Open Digital Ecosystems (ODEs), such as ONDC, Onest, Agristack, etc.



Equity Research

Balance sheet (Consolidated)

Balance sheet (Rs m)	FY24	FY25e	FY26e	FY27e
Share Capital	405	405	405	405
Other Equity	8857	9457	10186	11083
Net Worth	9260	9859	10588	11486
Financial Liabilities	1081	1763	2327	2935
Total Liabilities	10341	11622	12915	14421
Plant Property & Equipment	447	537	628	729
Non Current Investments	5364	5793	6122	6493
Other Non Current Assets	1130	1413	1766	2208
Trade Receivables	1893	2177	2503	2879
Cash and Cash Equivalents	459	528	581	639
Bank Balance	1048	1174	1315	1473
Total Assets	10341	11622	12915	14421

Profit & Loss Account (Consolidated)

Rs In Million	FY24	FY25e	FY26e	FY27e
Revenue from Operations	8820	8463	9781	11171
Growth (%)	18.8	-4.1	15.6	14.2
Employee and Processing Expenses	5578	5381	6072	6813
Other expenses	2348	2200	2543	2793
EBITDA	894	882	1166	1565
EBITDA Margin (%)	10.1	10.4	11.9	14
Other income	676	724	769	808
Profit Before Tax	1279	1315	1598	1969
Tax	306	316	384	473
Profit after tax	973	999	1215	1496

Cash Flow (Consolidated)

Rs In Million	FY24	FY25e	FY26e	FY27e
PBT	1278	1315	1598	1969
+ Non-cash items	349	-99	-79	-174
Operating profit before WC changes	1628	1216	1520	1795
- Incr./ (decr.) in WC	-748	339	140	97
Others including taxes	-305	-316	-384	-473
Operating cash-flow	574	1239	1276	1420
- Capex (tangible + Intangible)	-317	-136	-190	-255
Others	504	-421	-585	-554
Investing Cashflow	187	-557	-775	-809
- Dividend (including buyback & taxes)	-404	-400	-486	-599
Others	-70	-214	37	45
Financing Cashflow	-475	-614	-449	-553
Net inc/(dec) in cash	286	69	53	58
Opening Cash	171	459	528	581
Closing Cash	458	528	581	639

Key Ratios & Valuations (Consolidated)

Year to March	FY24	FY25e	FY26e	FY27e
EBIT Margin (%)	7	7.2	8.7	10.6
PAT Margin (%)	11	11.8	12.4	13.4
BPVS	229	243.8	261.8	284
EPS	24.1	24.7	30	37
RoE (%)	10.5	10.1	11.5	13
RoA (%)	8.2	7.7	8.4	9.2
P/E (x)	56.8	52.8	43.4	35.2

Large Cap.	Return	Mid/Small Cap.	Return
Buy	More than equal to 10%	Buy	More than equal to 15%
Hold	Between 10% & -5%	Accumulate*	Upside between 10% & 15%
Reduce	Less than -5%	Hold	Between 0% & 10%
		Reduce/sell	Less than 0%

* To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.



Member: BSE, NSE, MCX, MCX-SX, CDSL

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