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| Retail Research | IPO Note |
| Sector: IT | Price Band (Rs): 752 - 792 |
| 6th November 2023 | Recommendation: Subscribe for Long Term Horizon |

Protean eGOV Technologies Limited

Company Overview:

Protean is one of the key IT-enabled solutions companies in India engaged in conceptualizing, developing and executing nationally critical and population scale greenfield technology solutions. The company has collaborated with the government and has extensive experience in creating digital public infrastructure and developing innovative citizen-centric e-governance solutions. The company was originally setup as a depository in 1995 and created a systemically important national infrastructure for capital market development in India. The company has been the chief architect and implementer for some of the most critical and largescale technology infrastructure projects in India.

Key Highlights:

1. Diversified, granular and annuity based service offerings: The company's diversified service offerings are spread across sectors such as tax administration, pension record keeping solutions, national identity and identity authentication solutions, education and skill financing solutions. The company's offerings cater to multiple target groups and customer segments including businesses and retail consumers apart from the government, ensuring low concentration risk. For example, under business-to-business, the company has implemented e-KYC and e-Sign as a service. While under business-to-consumer services the company has PAN enrolment. Under business-to-government services we have services like TIN and NPS.

2. Large physical infrastructure with pan-India network: The company has developed a pan-India service delivery network across India for various public and other services. It has grown their service network over the years from 33,041 centres as of Mar'21 to 79,374 centres as of June'23. As of 30th June'23, their PAN and TIN facilitation centres network was in over 12,000 PIN codes spread across over 700 districts in India. In addition, as of 30th June'23, they covered over 26,000 nodal offices of the central government, over 263,000 nodal offices of state governments and had over 87,000 points of presence across India for the administration of the NPS. The company's digital touch points include e-Sign, e-KYC, Aadhar Authentication, e-PAN services. The company believes their technology infrastructure is designed to support the growth of their business and helps to ensure reliability of their operations.

3. Pioneer and market leader in universal, citizen centric and population scale e-governance solutions: The company is a market leader in provision of e-governance services such as management of the TIN, PAN processing, NPS and Atal Pension Yojana. The company has demonstrable experience in implementing and managing population scale critical solutions. Since inception and as of June'23, the company has developed and implemented 19 projects across seven ministries across India.

Valuation: The company is valued at FY23PE multiple of 29.9x and EV/EBITDA of 26.0x, at the upper price band on post-issue capital. The company has a unique business model with 98%/100% market share in the NPS/APY. The company has posted constant profitability, positive cash flow over the last three financial years. The company is poised to grow with the rising number of PAN card i.e. expected to allot 50-60mn annually till FY27. We recommend investors to subscribe the issue for a long-term investment horizon.

| Issue Details | |
|-------------------------------|---|
| Date of Opening | 6 th November 23 |
| Date of Closing | 8 th November 23 |
| Price Band (Rs) | 752 – 792 |
| Issue Size (Rs cr) | 465 – 490 |
| No. of shares | 61,91,000 (100% OFS) |
| Face Value (Rs) | 10 |
| Post Issue Market Cap (Rs cr) | 3,041 – 3,203 |
| BRLMs | ICICI Securities, Equirus Capital, IIFL Securities, Nomura Advisory |
| Registrar | Link Intime India Private Limited |
| Bid Lot | 18 shares and in multiple thereof |
| QIB shares | 50% |
| Retail shares | 35% |
| NIB (HNI) shares | 15% |

| Shareholding Pattern | | |
|---------------------------|--------------------|--------------|
| Pre-Issue | No. of Shares | % |
| Promoter & Promoter Group | - | 0.0 |
| Public & Others | 4,04,46,732 | 100.0 |
| Total | 4,04,46,732 | 100.0 |

| Post Issue @Lower Price Band | No. of Shares | % |
|------------------------------|--------------------|--------------|
| Promoter & Promoter Group | - | 0.0 |
| Public & Others | 4,04,46,732 | 100.0 |
| Total | 4,04,46,732 | 100.0 |

| Post Issue @Upper Price Band | No. of Shares | % |
|------------------------------|--------------------|--------------|
| Promoter & Promoter Group | - | 0.0 |
| Public & Others | 4,04,46,732 | 100.0 |
| Total | 4,04,46,732 | 100.0 |

Source: RHP, SSL Research

Key Financials

| | FY21 | FY22 | FY23 | 3MFY23 | 3MFY24 |
|--------------------------------|------|------|------|--------|--------|
| Revenue from operation (Rs cr) | 603 | 691 | 742 | 157 | 220 |
| EBITDA (Rs cr) | 85 | 124 | 118 | 22 | 34 |
| Profit (Rs cr) | 92 | 144 | 107 | 21 | 32 |
| EBITDA Margin (%) | 14.1 | 17.9 | 15.9 | 13.8 | 15.5 |
| Profit Margin (%) | 15.3 | 20.8 | 14.4 | 13.6 | 14.6 |
| EPS | 22.8 | 35.6 | 26.5 | 5.3* | 8.0* |
| PE (x)** | 34.7 | 22.2 | 29.9 | 150.5* | 99.4* |
| P/BV (x)*** | 4.8 | 4.1 | 3.7 | 3.9* | 3.6* |
| ROE (%) | 13.8 | 18.3 | 12.5 | 2.6* | 3.6* |
| ROCE (%) | 17.5 | 23.6 | 16.5 | 3.3* | 4.6* |
| Debt / Equity (x) | - | - | - | - | - |

* Not Annualized

** PE(x) is calculated on upper price band

*** P/BV (x) is calculated on upper price band

Source: RHP, SSL Research

Risk Factors

- **Relationship with Gol:** The company is substantially dependent on projects awarded by government entities and agencies and the relationship with Gol entities exposes company to risks inherent in doing business with them, which may adversely affect the business, results of operations and financial condition.
- **Client satisfaction:** The company may not be able to provide business solutions that meet clients' requirements, which could lead to clients discontinuing their work with the company, which in turn could harm the business
- **Dependency on third party for infrastructure:** The company relies on telecommunications and information technology systems, networks and third party infrastructure to operate the business and any interruption or breakdown in such systems, networks or infrastructure of the third parties the company rely on, would adversely effect the business.
- **Technology adaption:** The company's business will suffer if it fails to anticipate and develop new services and enhance existing services in order to keep pace with rapid changes in technology and in the industries on which the company focus.
- **New tech market:** Adoption of disruptive technologies and investment in open source solutions, protocol and networks.

Growth Strategy

- **Diversify offering:** Diversify offerings with a focus on new sectors.
- **Capabilities:** Building capability around data analytics, digital verification and due diligence.
- **Geographic diversification:** Expanding into newer geographies.
- **Research and development:** Continue to invest in R&D infrastructure and capabilities.

Key Statistics

| | FY21 | FY22 | FY23 | 3MFY23 | 3MFY24 |
|--|------------|------------|------------|------------|------------|
| PAN Cards sent to printer (cr) | 3.0 | 3.6 | 3.9 | 0.8 | 1.4 |
| PANs Verified (cr) | 93.7 | 212.3 | 241.3 | 56.2 | 68.4 |
| NPS – New Subscriber Base (cr) | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| NPS – Cumulative Subscriber Base (cr) | 1.4 | 1.5 | 1.6 | 1.5 | 1.7 |
| NPS – AUM (Rs cr) | 5,59,287.1 | 6,94,553.9 | 8,42,123.0 | 6,99,976.9 | 9,08,577.4 |
| Atal Pension Yojana – New Subscriber Base (cr) | 0.7 | 0.8 | 1.0 | 0.2 | 0.2 |
| Atal Pension Yojana –Cumulative Subscriber Base (cr) | 2.8 | 3.6 | 4.6 | 3.8 | 4.8 |
| Atal Pension Yojana – AUM (Rs cr) | 15,687.1 | 20,922.6 | 27,222.7 | 21,450.4 | 29,582.6 |
| Aadhaar Authentication (cr) | 17.9 | 27.5 | 27.7 | 4.5 | 8.9 |
| e-KYC (cr) | 9.1 | 17.4 | 24.6 | 4.4 | 7.3 |
| e-Sign (cr) | 3.6 | 8.2 | 10.1 | 2.2 | 3.2 |

Source: RHP, SSL Research

Market Share

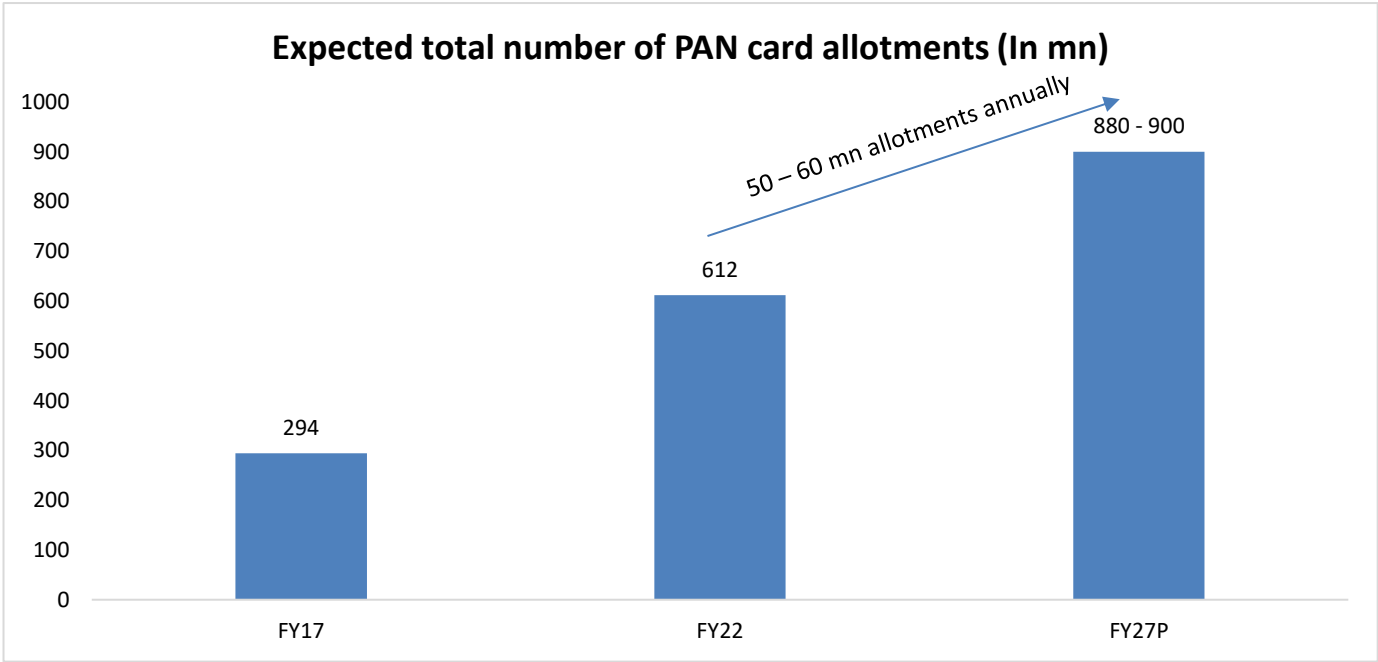
| Services | Major Highlights | Protean's Market Share |
|---|--|------------------------|
| Service vertical: Public Finance Management System and Taxation | | |
| Pan Issuance | Over 446 million PAN issued since commencement | 45% |
| TIN | 2.10 million deductors filed TDS returns electronically through TIN systems in Fiscal 2023 | 58% |
| Service vertical: Social Security (as of June 30, 2023) | | |
| National Pension Scheme | 16.56 million Subscribers | 94% |
| | AUM (₹ million) 90,85,774 | 99% |
| Atal Pension Yojana | 47.75 million Subscribers AUM (₹ million) 2,95,825 | 100% |

Source: RHP, SSL Research

Industry Overview

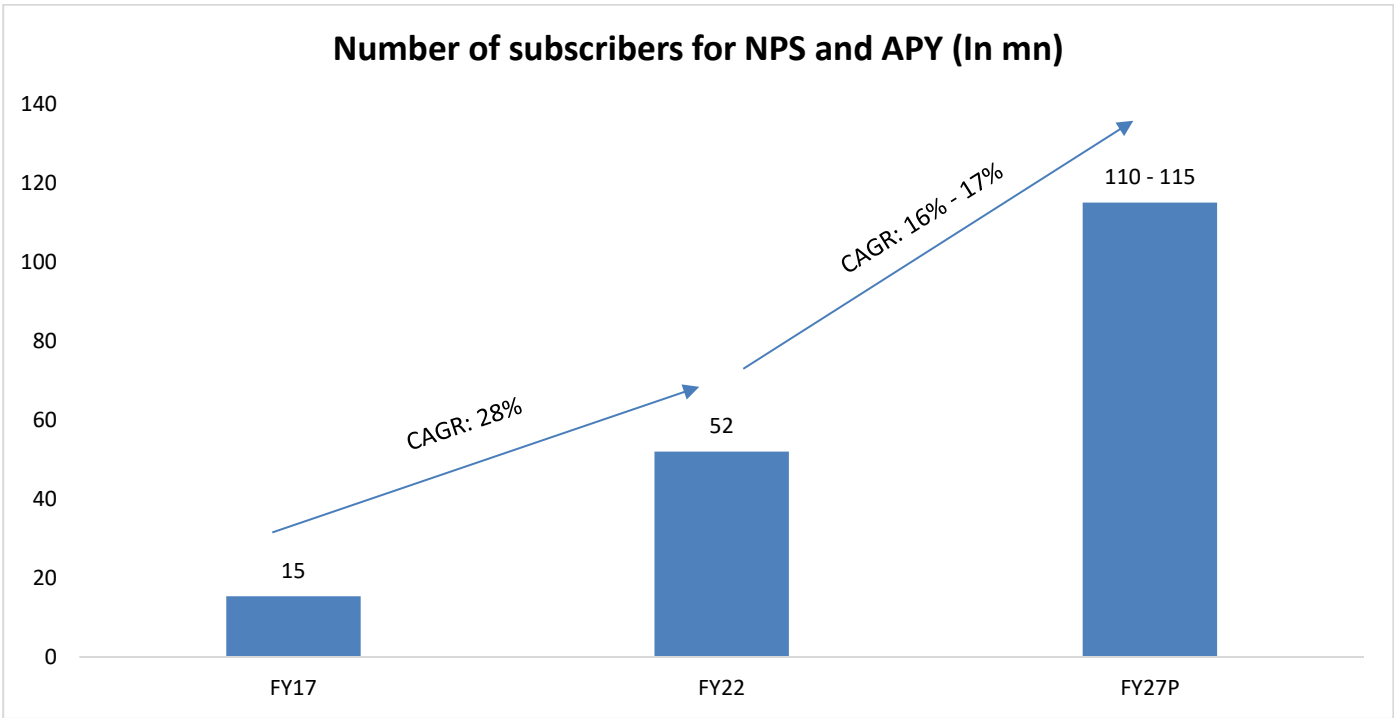
Expected total number of PAN card allotments

PAN card allotment is expected to be driven by expansion in taxpayer base, growth in financial inclusion, thereby mandating the usage of PAN cards, working age population, GDP growth, and increasing contribution of the formal economy. Considering the past growth trend in the number of allotments and the demographic and economic scenario of India, total PAN card allotment is expected to reach 880-900 mn by FY27.



Source: RHP, SSL Research

Outlook for National Pension System and Atal Pension Yojana



Source: RHP, SSL Research

Financial Snapshot

| INCOME STATEMENT | | | |
|--------------------------|--------|--------|--------|
| (Rs cr) | FY21 | FY22 | FY23 |
| Revenue from Operations | 603 | 691 | 742 |
| % YoY growth | - | 14.6% | 7.4% |
| Gross Profit | 603 | 691 | 742 |
| Gross margins | 100.0% | 100.0% | 100.0% |
| Employee Cost | 75 | 79 | 123 |
| Other Operating Expenses | 443 | 488 | 501 |
| EBITDA | 85 | 124 | 118 |
| EBITDA margins | 14.1% | 17.9% | 15.9% |
| Other Income | 49 | 79 | 42 |
| Net Interest Exp. | 1 | 0 | 1 |
| Depreciation | 17 | 17 | 18 |
| PBT | 116 | 186 | 140 |
| Tax | 24 | 42 | 33 |
| Adj PAT | 92 | 144 | 107 |
| PAT margin (%) | 15.3% | 20.8% | 14.4% |
| Adj. EPS | 22.8 | 35.6 | 26.5 |

| BALANCE SHEET | | | |
|---|------------|------------|------------|
| (Rs cr) | FY21 | FY22 | FY23 |
| Assets | | | |
| Net Block | 55 | 63 | 60 |
| Capital WIP | 1 | 1 | 0 |
| Intangible Assets under development | 1 | 5 | 15 |
| Other Non current Assets | 416 | 378 | 622 |
| Current Assets | | | |
| Current Investment | 11 | 55 | 5 |
| Trade receivables | 208 | 200 | 209 |
| Cash and Bank Balances | 115 | 234 | 138 |
| Other Current Assets | 55 | 52 | 56 |
| Total Current Assets | 389 | 542 | 408 |
| Current Liabilities & Provisions | | | |
| Trade payables | 99 | 96 | 132 |
| Other current liabilities | 65 | 71 | 86 |
| Short-term provisions | 8 | 9 | 10 |
| Total Current Liabilities | 172 | 176 | 228 |
| Net Current Assets | 217 | 366 | 180 |
| Total Assets | 691 | 812 | 876 |
| Liabilities | | | |
| Share Capital | 40 | 40 | 40 |
| Reserves and Surplus | 628 | 748 | 817 |
| Total Shareholders Funds | 668 | 788 | 857 |
| Total Debt | - | - | - |
| Long Term Provisions | 20 | 15 | 15 |
| Other Long Term Liabilities | 3 | 9 | 4 |
| Total Liabilities | 691 | 812 | 876 |

| CASH FLOW (Rs cr) | FY21 | FY22 | FY23 |
|-------------------------------------|-------|------|--------|
| Cash flow from Operating Activities | 100.1 | 94.3 | 137.0 |
| Cash flow from Investing Activities | 115.7 | 72.6 | -282.3 |
| Cash flow from Financing Activities | 183.4 | 33.6 | 44.3 |
| Free Cash Flow | 92.4 | 77.0 | 124.8 |

| RATIOS | | | |
|---------------------------------|-------|-------|-------|
| | FY21 | FY22 | FY23 |
| Profitability | | | |
| Return on Assets (%) | 10.7 | 14.6 | 9.7 |
| Return on Capital (%) | 17.5 | 23.6 | 16.5 |
| Return on Equity (%) | 13.8 | 18.3 | 12.5 |
| Margin Analysis | | | |
| EBITDA Margin (%) | 14.1 | 17.9 | 15.9 |
| Net Income Margin (%) | 15.3 | 20.8 | 14.4 |
| Short-Term Liquidity | | | |
| Current Ratio (x) | 2.3 | 3.1 | 1.8 |
| Quick Ratio (x) | 2.3 | 3.1 | 1.8 |
| Avg. Days Sales Outstanding | 126 | 106 | 103 |
| Avg. Days Inventory Outstanding | – | – | – |
| Avg. Days Payables | 60 | 51 | 65 |
| Fixed asset turnover (x) | 10.9 | 11.0 | 12.4 |
| Debt-service coverage (x) | 89.8 | 256.4 | 127.3 |
| Long-Term Solvency | | | |
| Debt / Equity (x) | – | – | – |
| Interest coverage (x) | 123.8 | 385.3 | 152.5 |
| Valuation Ratios | | | |
| EV/EBITDA (x) | 36.4 | 24.0 | 26.0 |
| PE (x) | 34.7 | 22.2 | 29.9 |
| P/BV (x) | 4.8 | 4.1 | 3.7 |

Source: RHP, SSL Research

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