

PROTEAN eGOV TECHNOLOGIES LTD

06-11-2023 to 08-11-2023

Industry: Information Technology Solution
Recommendation: Subscribe with Risk

Price Band: ₹ 752- 792
Post Implied Market Cap: ₹ 3,042 - 3,203 Cr

Key Data

Issue Size (₹ Cr)	490.33
Fresh (₹)	-
OFS (₹)	490.33
No of shares offered	61,91,000
Face Value (₹ /share)	10
Bid Lot	18

About the Company

Protean eGov Technologies Limited ("protean"), originally known as "National Securities Depository Ltd" since 1995, initially played a crucial role in building essential infrastructure for India's capital markets. It has since evolved into a prominent IT-enabled solutions provider, specializing in designing and executing large-scale technology projects, particularly in the public sector. Protean is known for collaborating with the government to create digital public infrastructure and innovative citizen-centric e-governance solutions. They have successfully managed 19 projects across multiple ministries and autonomous bodies, significantly improving the delivery of public services in India.

Investment Rationale

- Pioneer and market leader in universal, citizen centric and population scale e-governance solutions:** Protean stands out as a distinguished player in the field of e-governance, with a strong track record in implementing and managing large-scale, population-critical solutions. From its inception up to June 30, 2023, Protean has successfully executed 19 projects across 7 key ministries in India. The company is amongst the few private players in India in e-governance space working towards the achievement of Digital India initiative.
- Secure, scalable and advanced technology infrastructure:** Protean has strategically invested in technology platforms that enhance their competitive edge, operational efficiency, scalability, and innovation. These investments have allowed them to offer tailored services to clients and introduce market-first innovations in areas like taxation and GST infrastructure. Notably, their ONDC platform is expanding rapidly, with a presence in many cities. They've focused on security and risk mitigation, handling a growing volume of transactions in projects like TIN, PAN, NPS, Aadhaar authentication, and e-KYC. These services are ISO/IEC 27001:2013 certified, and their CRA - Subscriber Services and Systems Infrastructure Workgroup has achieved CMMI Maturity Level-5. Additionally, their data center in Pune is Tier III certified, further demonstrating their commitment to excellence and reliability in technology solutions.
- Large physical infrastructure with Pan-India network and scale resulting in inclusion:** Protean has established an extensive service delivery network across India for various public and private services. Their network has shown impressive growth, expanding from 33,041 centers in March 2021 to 74,435 centers by March 2023 and further to 79,374 centers by June 2023. They've also created a wide-reaching PAN TIN facilitation network, spanning 12,000+ PIN codes and over 700 districts in India. Additionally, they serve over 26,000 central government nodal offices, more than 263,000 state government nodal offices, and have over 87,000 points of presence for NPS administration. Protean operates 7,121 TIN facilitation centers across 1,652 locations, accepting various taxpayer statements. They've expanded their TIN network from 5,956 centers in March 2021 to 6,988 centers by March 2023. Their digital services include e-Sign, e-KYC, Aadhaar Authentication, and e-PAN services, handling a substantial volume of transactions, including 10.11 cr e-Sign transactions in a single day in Fiscal 2021 and 27.63 crore cumulative e-Sign transactions by Fiscal 2023. They also generated 3.65 cr e-PANs in Fiscal 2023.
- Diversified, granular and annuity based service offerings:** Protean offers a wide range of services to various customer segments including businesses, retail consumers, and government agencies reducing concentration risk. Their diversified offerings span sectors like tax administration, pension record-keeping, identity authentication, education, and skill financing. Much of their revenue is derived from per-transaction fees providing revenue stability. In Fiscal 2023, they performed over 27.68 crore Aadhaar authentications and 24.60 crore e-KYC transactions. They also expanded their subscriber base in NPS to 1.63 crore and had 4.78 crore subscribers in APY as of June 30, 2023. This highlights their extensive reach and impact across multiple sectors and services.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	13-11-2023
Refunds/Unblocking ASBA Fund	15-11-2023
Credit of equity shares to DP A/c	16-11-2023
Trading commences	17-11-2023

Shareholding (No. of shares)

Pre-Issue	4,04,46,732
Post Issue (Lower price band)	4,04,46,732
Post Issue (Higher price band)	4,04,46,732

Shareholding Pattern

	%
Promoters & Promoter Group:	
Pre Issue	0.00%
Post Issue	0.00%
Public - Selling Shareholders:	
Pre Issue	74.58%
Post Issue	59.27%
Public - Others:	
Pre Issue	25.42%
Post Issue	40.73%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Risk

- High dependency on government agencies for projects.

MView

We believe the Protean eGov Technologies Limited ("protean") IPO offers an opportunity to investors to invest in the unique eGovernance business model. The company has made investments in technology platforms that in its experience, has strengthened its competitive advantage, increased its operating leverage, ensured scalability, and improved functionality while driving innovation. We think with the substantial physical infrastructure and pan India service delivery network presence company is poised to capitalize on India's growing digital governance and public service delivery needs. We believe company's diversified customer segment and service offering across sectors would not only reduces concentration risk but also provide revenue stability. On valuation parse at upper band of ₹792/- and based on annualized earnings and fully diluted post-IPO paid-up capital, the issue is asking for a Market Cap of ₹ 3203 Cr with the PE of 24.86x which seems the issue is fully priced in by looking at revenue/pat growth. Given the company's leadership position in e-governance solutions and offers focused on new sectors like health, education and skills, agriculture with the expansion plans to reach neighbouring countries for eGovernance opportunities, we recommend only long term investors to "SUBSCRIBE with Risk" this IPO

Other Details

BRLMs: ICICI Securities, Equirus Capital, IIFL Securities, Nomura Financial Advisors
Registrar: Link Intime India Pvt. Ltd.
Listing: BSE & NSE

Research Analyst

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CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Jun' 30		As at March' 31		
	2023 (03)	2022 (03)	2023	2022	2021
Equity Share Capital	40.42	40.38	40.42	40.38	40.14
Reserve	847.87	771.57	816.72	747.81	627.51
Net worth as stated	888.10	811.77	856.94	788.00	667.46
Revenue from Operations	220.40	156.75	742.21	690.91	603.13
Revenue Growth %	40.6%	-	7.4%	14.6%	-
Adj EBITDA as stated	34.09	21.68	117.96	123.83	84.85
Adj EBITDA (%) as stated	15.47%	13.83%	15.89%	17.92%	14.07%
Profit Before Tax	41.72	27.16	140.42	185.62	116
Net Profit for the Period	32.21	21.27	107.04	143.94	92.19
Net Profit (%) as stated	14.61%	13.57%	14.42%	20.83%	15.28%
EPS (₹)	7.97	5.27	26.5	35.78	23.02
ROE (%)	3.63%	2.62%	12.49%	18.27%	13.81%
ROCE%	4.60%	3.90%	16.13%	22.91%	16.93%
NAV (₹)	219.71	201.01	212	195.13	166.29

Source: Company RHP



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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