

IPO Report

Choice

“SUBSCRIBE” to

Protean eGov Technologies Ltd.

Pioneer and leader in people-centric e-governance solutions market



Salient features of the IPO:

- **Protean eGov Technologies Ltd.** (PeTL), formerly known as NSDL E-Governance Infrastructure Ltd., is coming up with an IPO to raise around Rs. 490cr, which opens on 6th Nov. and closes on 8th Nov. 2023. The price band is Rs. 752 - 792 per share.
- The IPO consists only of OFS portion, thus the company will not receive any funds from the issue.
- Couple of financial investors like 360 One Special Opportunities Fund (formerly known as IIFL Special Opportunities Fund), NSE Investments Ltd., HDFC Bank Ltd., AXIS Bank Ltd., Deutsche Bank A.G. and Union Bank of India are participating in the OFS and partially offloading their stake in the company.
- PeTL is professionally managed and thus doesn't have any identifiable promoters. Public shareholders will continue to hold 100% stake in the company.

Key competitive strengths:

- Pioneer and market leader in universal, citizen centric and population scale e-governance solutions
- Secure, scalable and advanced technology infrastructure
- Large physical infrastructure with pan-India network and scale resulting in inclusion
- Diversified, granular and annuity based service offerings
- Track record of healthy financial performance
- Experienced senior management team backed by strong corporate governance standards and supported by marquee investors

Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Huge reliance on government programs
- Difficulty in product/services diversification
- Difficulty in maintaining the profitability
- Competition

Below are the key highlights of the company:

- E-governance is the use of Information & Communications Technology to conduct government business and provide public services. The strategic objective of e-governance is to support and simplify governance for all parties: government, citizens and businesses. The growth will be led by technology and platform up-gradation and e-governance initiatives of the central & state governments. E-governance aims to make interactions between government and citizens, government and business enterprises, and inter-agency relationships more friendly, convenient, transparent, and economical.
- PeTL 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. It collaborates with the government and has extensive experience in creating digital public infrastructure and developing innovative citizen-centric e-governance solutions. In terms of operating income and profitability margins, the company was among the leading domestic companies in the e-governance market in FY23 (Source: RHP).
- Since inception and till 30th Jun. 2023, PeTL has implemented and managed 19 projects spread across seven ministries and autonomous bodies ushering change in public delivery of services. It is primary engaged with Ministry of Finance, Ministry of Information & Broadcasting, Ministry of Skill Development & Entrepreneurship, Ministry of Commerce & Industry, Ministry of Communications, Ministry of Electronics & Information Technology and Ministry of Education.

Issue details

| | |
|---|--|
| Price band | Rs. 752 - 792 per share |
| Face value | Rs. 10 |
| Shares for fresh issue | Nil |
| Shares for OFS | 0.619cr shares |
| Fresh issue size | N/a |
| OFS issue size | Rs. 465.6 - 490.3cr |
| Total issue size | 0.619cr shares (Rs. 465.6 - 490.3cr) |
| Bidding date | 6 th Nov. - 8 th Nov. 2023 |
| Implied MCAP at higher price band | Rs. 3,203cr |
| Implied enterprise value at higher price band | Rs. 3,089cr |

Book running lead manager
ICICI Securities Ltd., Equirus Capital Pvt. Ltd., IIFL Securities Ltd. and Nomura Financial Advisory and Securities (India) Pvt. Ltd.

Registrar
Link Intime India Pvt. Ltd.

Sector
IT-Enabled Services

Promoters
The company is professionally managed and thus doesn't have any identifiable promoters

Issue break-up

| Category | Percent of issue (%) | Number of shares |
|-----------------------------------|----------------------|------------------|
| QIB portion | 50% | 0.302cr shares |
| Non institutional portion (Big) | 10% | 0.06cr shares |
| Non institutional portion (Small) | 5% | 0.03cr shares |
| Retail portion | 35% | 0.211cr shares |

Indicative IPO process time line

| | |
|------------------------------------|----------------------------|
| Finalization of basis of allotment | 13 th Nov. 2023 |
| Unblocking of ASBA account | 15 th Nov. 2023 |
| Credit to demat accounts | 16 th Nov. 2023 |
| Commencement of trading | 17 th Nov. 2023 |

Pre and post - issue shareholding pattern

| | Pre-issue | Post-issue |
|---------------------------|----------------|----------------|
| Promoter & promoter group | 0.00% | 0.00% |
| Public | 100.00% | 100.00% |
| Non-promoter & Non-public | 0.00% | 0.00% |
| Total | 100.00% | 100.00% |

Retail application money at higher cut-off price per lot

| | |
|--------------------------|-------------------------|
| Number of shares per lot | 18 |
| Employee discount | Rs. 75 per equity share |
| Application money | Rs. 14,256per lot |

Key highlights of the company (Contd...):

| Company name | Face value (Rs.) | CMP (Rs.) | MCAP (Rs. cr) | EV (Rs. cr) | Stock return | | | | TTM total operating revenue (Rs. cr) | TTM EBITDA (Rs. cr) | TTM PAT (Rs. cr) | TTM EBITDA margin | TTM PAT margin |
|--|------------------|------------|---------------|--------------|--------------|-------|-------|--------|--------------------------------------|---------------------|------------------|-------------------|----------------|
| | | | | | 1 M | 3 M | 6 M | 1 Y | | | | | |
| Protean eGov Technologies Ltd. | 10 | 792 | 3,203 | 3,089 | | | | | 806 | 130 | 118 | 16.2% | 14.6% |
| Central Depository Services (India) Ltd. | 10 | 1,456 | 15,217 | 14,625 | 7.1% | 18.3% | 44.8% | 19.0% | 565 | 328 | 292 | 58.2% | 51.7% |
| Computer Age Management Services Ltd. | 10 | 2,255 | 11,077 | 10,527 | -10.4% | -4.8% | 9.1% | -11.8% | 997 | 434 | 297 | 43.5% | 29.8% |
| KFin Technologies Ltd. | 10 | 452 | 7,687 | 7,508 | -3.7% | 17.2% | 43.8% | | 733 | 306 | 202 | 41.8% | 27.5% |
| Average | | | | | | | | | | | | 47.8% | 36.3% |

| Company name | 5Y revenue growth (CAGR) | 5Y EBITDA growth (CAGR) | 5Y PAT growth (CAGR) | 5Y average EBITDA margin | 5Y average PAT margin | 5Y capital employed growth (CAGR) | 5Y CFO growth (CAGR) | 5Y average working capital cycle (Days) | 5Y average CFO / EBITDA | 5Y average CFO / Capital employed | 5Y average fixed asset turnover (x) | 5Y average total asset turnover (x) | 5Y average RoE | 5Y average RoIC |
|--|---------------------------------------|-------------------------|----------------------|--------------------------|-----------------------|-----------------------------------|----------------------|---|-------------------------|-----------------------------------|-------------------------------------|-------------------------------------|----------------|-----------------|
| | Protean eGov Technologies Ltd. | -0.4% | -9.6% | -3.5% | 18.4% | 16.8% | 5.6% | 0.2% | 54.0 | 84.7% | 17.0% | 9.1 | 0.7 | 15.9% |
| Central Depository Services (India) Ltd. | 29.7% | 31.3% | 24.9% | 56.3% | 53.9% | 17.7% | 30.5% | 22.2 | 83.2% | 31.0% | 3.2 | 0.3 | 21.1% | 27.3% |
| Computer Age Management Services Ltd. | 8.8% | 17.9% | 20.6% | 40.1% | 26.8% | 11.1% | 18.5% | (6.4) | 78.6% | 86.6% | 2.7 | 0.6 | 36.3% | 28.5% |
| KFin Technologies Ltd. | | | | 41.3% | 9.5% | | | 52.5 | 80.9% | 25.4% | 0.8 | 0.5 | 7.0% | 7.0% |
| Average | 19.2% | 24.6% | 22.8% | 45.9% | 30.1% | 14.4% | 24.5% | 22.8 | 80.9% | 47.6% | 2.3 | 0.4 | 21.5% | 20.9% |

| Company name | TTM EPS (Rs.) | BVPS (Rs.) | DPS (Rs.) | Debt equity ratio (x) | TTM fixed asset turnover ratio (x) | TTM total asset turnover ratio (x) | TTM RoE | TTM RoCE | TTM P / E (x) | P / B (x) | EV / TTM sales (x) | EV / TTM EBITDA (x) | MCAP / TTM sales (x) | TTM Earning yield |
|--|---------------------------------------|-------------|--------------|-----------------------|------------------------------------|------------------------------------|--------------|--------------|---------------|-------------|--------------------|---------------------|----------------------|-------------------|
| | Protean eGov Technologies Ltd. | 29.2 | 212.2 | 10.0 | 0.0 | 10.8 | 0.7 | 13.7% | 15.2% | 27.2 | 3.7 | 3.8 | 23.7 | 4.0 |
| Central Depository Services (India) Ltd. | 27.9 | 116.1 | 15.0 | 0.0 | 1.9 | 0.3 | 24.0% | 30.2% | 52.2 | 12.5 | 25.9 | 44.5 | 27.0 | 1.9% |
| Computer Age Management Services Ltd. | 60.4 | 159.1 | 37.6 | 0.0 | 2.9 | 0.6 | 38.0% | 100.4% | 37.3 | 14.2 | 10.6 | 24.3 | 11.1 | 2.7% |
| KFin Technologies Ltd. | 11.8 | 51.1 | 0.0 | 0.1 | 1.0 | 0.5 | 23.2% | 34.3% | 38.1 | 8.8 | 10.2 | 24.5 | 10.5 | 2.6% |
| Average | | | 17.5 | 0.0 | 1.9 | 0.4 | 28.4% | 55.0% | 42.5 | 11.8 | 15.6 | 31.1 | 16.2 | 2.4% |

Note: Financials as of FY23 and TTM (with IPO adjustments); Source: Choice Broking Research

- PeTL has been instrumental in establishing public digital infrastructure and creating e-governance interventions impacting multiple sectors of the Indian economy. Some of its key initiatives include: (i) Modernizing 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), (ii) Strengthening the old age security system in the country by building the core IT infrastructure as a Central Recordkeeping Agency (CRA) for the National Pension System (NPS), (iii) Enabling the universal social security system for all Indians, particularly the workers in the unorganized sector by creating technology infrastructure as a CRA for the Atal Pension Yojana (APY), (iv) Contributing to the India Stack, a set of application programming interface used for preparing solutions that are presence-less, paperless and enable cashless service delivery, (v) Enabling the BFSI sector by providing Aadhaar-based identity authentication and e-Sign services, (vi) Contributing to and supporting open digital building blocks such as Open Network for Digital Commerce for use-cases across sectors like e-commerce, mobility, healthcare, agriculture and education, etc.
- Its diversified service offerings are spread across areas like tax administration, pension record keeping solutions, national identity & 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, it has implemented e-KYC and e-Sign as a service. While under business-to-consumer services, it has PAN enrolment. Under business-to-government services the company has services like TIN and NPS.
- PeTL is a leading PAN service provider in India and had market share of around 45% in the new PAN card allotments during 9M FY23. The company processes PAN applications on behalf of the Income Tax Department, Government of India. On an average, it managed 0.1mn PAN applications per day and over 2mn applications per month, which includes new PAN card issuance and PAN card update application. PeTL has also incubated and pioneered Aadhaar e-KYC based paperless PAN application facility with issuance of PAN within two hours.
- Further, acting as a CRA for NPS, the company had a market share of 98% in terms of NPS subscribers and 99% in terms of NPS AUM. Currently, it is the provider of NPS services to the Central and State Governments including their autonomous bodies and public sector banks. Moreover, PeTL has been recently awarded a perpetual license for operating as a CRA for the NPS in India. Additionally, the company is the only CRA managing the infrastructure of the APY in India.

Key highlights of the company (Contd...):

- The company has developed scalable platforms by adopting differentiated technology-centric approach focusing on increasing security and risk mitigation. Its platforms require limited capital expenditure to scale i.e. when it add new offerings or when volumes increase, the company is able to offer seamless and efficient services to users. PeTL's up-time percentage, which measures the amount of time that a service is available and operational, has exceeded 99% in the last three fiscals and during 3M FY24.
- A significant portion of PeTL's revenue is generated from offerings, which are based on per-transaction basis leading to substantial granularity and consequent stability in revenues. In FY23, it carried out over 276.8mn Aadhaar authentications and over 246mn e-KYC transactions, which grew by 1.9% and 24.9% CAGR over FY19-23. Its NPS subscribers increased by 7.3% CAGR to 16.3mn in FY23. Under the APY, the number of subscribers increased by 32.4% CAGR to 46mn.
- PeTL has developed a pan-India service delivery network across India. Its service network has grown by around 43% CAGR to 74,435 centers in FY23 and further to 79,374 centers by 30th Jun. 2023. The company's PAN and TIN facilitation centers network covered over 12,000 PIN codes spread across over 700 districts in India. Additionally, it covered over 26,000 nodal offices of the central government, over 263,000 nodal offices of state governments and over 87,000 points of presence across India for the administration of the NPS. To further expand its last-mile geographical reach, it has entered into partnerships with distribution networks such as Nearby Technologies Pvt. Ltd., Fino Payments Bank Ltd., Vakrangee Ltd. and Payworld Digital Services Pvt. Ltd. among others.
- PeTL is professionally managed and thus doesn't have any identifiable promoters. Public shareholders are and will continue to hold 100% stake in the company. Public shareholders includes financial institutions such as NSE Investments Ltd., 360 ONE Special Opportunities Fund (formerly known as IIFL Special Opportunities Fund), SUUTI, Citicorp Finance India Ltd. and certain public & private sector banks such as State Bank of India, Punjab National Bank, Union Bank of India, Bank of Baroda, Canara Bank, HDFC Bank Ltd., Axis Bank Ltd., Deutsche Bank A.G., The Hong Kong and Shanghai Banking Corporation Ltd., Standard Chartered Bank, etc.
- On the back of scalable technology driven operations, PeTL has established a track-record of strong and consistent financial performance. Since FY98, the company is debt free, while funding its operations through internal accruals. Its business model is profitable since FY99 and has consistently paid dividend since FY01.
- Over FY19-23, the company has reported flat business growth, mainly due to higher base in FY19 (arising from the higher issuance of PANs, especially post-demonetization of currency). Consolidated operating revenue stood at Rs. 742.2cr in FY23. Transaction fees, which contributed around an average 80% to the top-line, declined by 1.9% CAGR, while Accounts maintenance fees (contributing an average 20% to the top-line) increased by 7.5% CAGR. Total operating expenditure increased by 1.9% CAGR (a rate higher than top-line growth), resulting in a 9.6% CAGR fall in consolidated EBITDA of Rs. 118cr. EBITDA margin contracted by 754bps during the period to 15.9% in FY23. Depreciation charges and finance costs declined by 9.8% and 19.3% CAGR, respectively. Further with 5.8% CAGR rise in other income and relatively lower effective tax rate, reported PAT declined by 3.5% CAGR to Rs. 107cr. PAT margin contracted by 194bps to 14.4% in FY23. PeTL reported positive operating cash flows during the period, however, it was flat over FY19-23. Average operating cash flow stood at Rs. 104.2cr. Total financial liabilities declined by 5.9% CAGR. Average pre-issue RoIC and RoE stood at 24.9% and 15.9%, respectively.
- During Q1 FY24, mainly on the back of 47.5% and 18.6% Y-o-Y growth in the Transaction fees and Accounts maintenance fees, respectively, the company reported a 40.6% Y-o-Y growth in consolidated top-line to Rs. 805.9cr. Lower cost of revenue, mainly led to an EBITDA margin of 15.5% (164bps Y-o-Y expansion), while a PAT margin of 14.6% (104bps Y-o-Y expansion). On TTM basis, consolidated top-line stood at 805.9cr, with an EBITDA and PAT margin of 16.2% and 14.6%, respectively.
- Based on our quick conservative forecast over FY23-25E, top-line is anticipated to increase by 9.5% CAGR to Rs. 890.5cr in FY25E (mainly due to 10.2% and 7% CAGR higher Transaction fees and Accounts maintenance fees). EBITDA and PAT margins are likely to contract by 61bps and 117bps, respectively. Post-issue RoIC and RoE is expected at 26% and 13.1% in FY25E, compared to 29.7% and 12.5%, respectively, in FY23.

Peer comparison and valuation: There are no comparable peers having product profile and business model to PeTL. The above peers are only considered to benchmark the valuation demanded by the company. At higher price band, PeTL is demanding a TTM P/E multiple of 27.2x (to its TTM earning per share of Rs. 29.2), which is at discount to the peer average of 42.5x.

Considering the dominant position in the domestic e-governance market, its capabilities to roll-out nationally critical and population scale greenfield technology solutions and attractive demanded valuations, we assign a **"SUBSCRIBE"** rating for the issue.

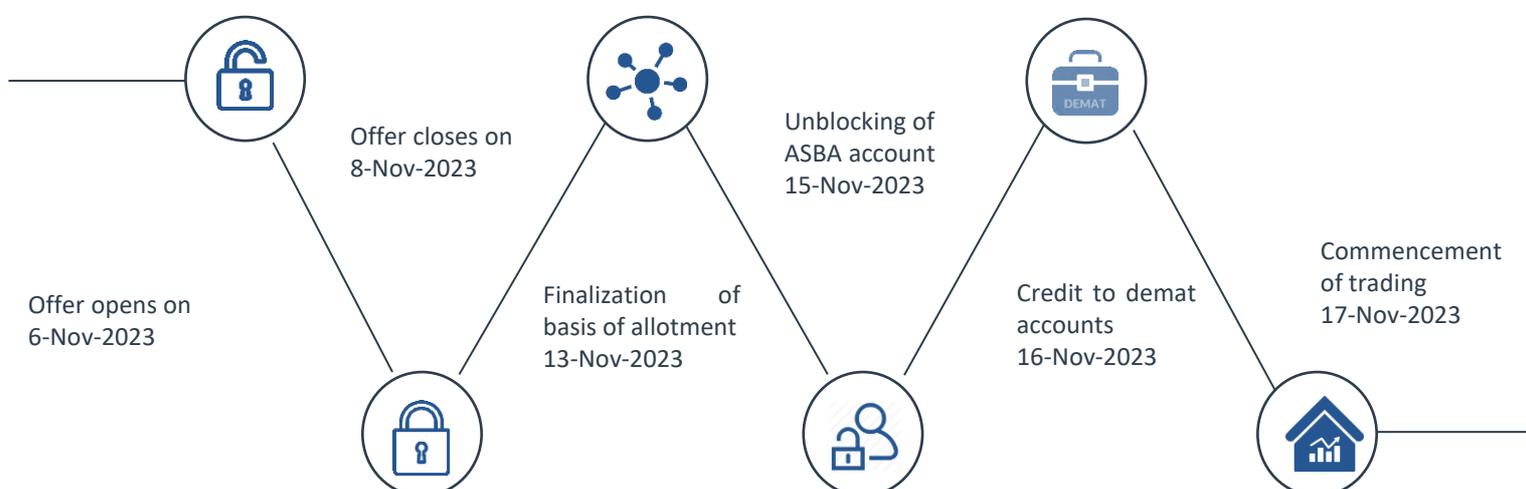
About the issue:

- PeTL is coming up with an IPO with 0.619cr shares (fresh issue: nil; OFS shares: 0.619cr shares) in offering. This offer represents 15.31% of the post-issue paid-up equity shares of the company. Total IPO size is Rs. 465.6 - 490.3cr.
- The issue is through book building process with a price band of Rs. 752 - 792 per share.
- Lot size comprises of 18 equity shares and in multiple of 18 shares thereafter.
- The issue will open on 6th Nov. 2023 and close on 8th Nov. 2023.
- 0.015cr shares are reserved for employees and the company is offering a discount of Rs. 75 per equity share.
- The net issue size is Rs. 454.3 - 478.4cr.
- The IPO consists only of OFS portion, thus the company will not receive any funds from the issue.
- Couple of financial investors like 360 One Special Opportunities Fund (formerly known as IIFL Special Opportunities Fund), NSE Investments Ltd., HDFC Bank Ltd., AXIS Bank Ltd., Deutsche Bank A.G. and Union Bank of India are participating in the OFS and partially offloading their stake in the company.
- 50% of the net issue is reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- PeTL is professionally managed and thus doesn't have any identifiable promoters. Public shareholders will continue to hold 100% stake in the company.

| Pre and post-issue shareholding pattern (%) | | |
|---|-----------|-----------------------------------|
| | Pre-issue | Post-issue (at higher price band) |
| Promoter & promoter group | 0.00% | 0.00% |
| Public | 100.00% | 100.00% |
| Non-promoter & Non-public | 0.00% | 0.00% |

Source: Choice Equity Broking

Indicative IPO process time line:



Pre-issue financial performance:

Performance over FY19-23: On the back of scalable technology driven operations, PeTL has established a track-record of strong and consistent financial performance. Since FY98, the company is debt free, while funding its operations through internal accruals. Its business model is profitable since FY99 and has consistently paid dividend since FY01.

Over FY19-23, the company has reported almost flat business growth, mainly due to higher base in FY19 (arising from the higher issuance of PANs, especially post-demonetization of currency). Consolidated operating revenue stood at Rs. 742.2cr in FY23. Transaction fees, which contributed around an average 80% to the top-line, declined by 1.9% CAGR, while Accounts maintenance fees (contributing an average 20% to the top-line) increased by 7.5% CAGR.

Total operating expenditure increased by 1.9% CAGR (a rate higher than top-line growth), resulting in a 9.6% CAGR fall in consolidated EBITDA of Rs. 118cr. EBITDA margin contracted by 754bps during the period to 15.9% in FY23.

Depreciation charges and finance costs declined by 9.8% and 19.3% CAGR, respectively. Further with 5.8% CAGR rise in other income and relatively lower effective tax rate, reported PAT declined by 3.5% CAGR to Rs. 107cr. PAT margin contracted by 194bps to 14.4% in FY23.

PeTL reported positive operating cash flows during the period, however, it was flat over FY19-23. Average operating cash flow stood at Rs. 104.2cr. Total financial liabilities declined by 5.9% CAGR. Average pre-issue RoIC and RoE stood at 24.9% and 15.9%, respectively.

Performance during Q1 FY24: Mainly of the back of 47.5% and 18.6% Y-o-Y growth in the Transaction fees and Accounts maintenance fees, respectively, the company reported a 40.6% Y-o-Y growth in consolidated top-line to Rs. 805.9cr. Lower cost of revenue, mainly led to an EBITDA margin of 15.5% (164bps Y-o-Y expansion), while a PAT margin of 14.6% (104bps Y-o-Y expansion).

On TTM basis, consolidated top-line stood at 805.9cr, with an EBITDA and PAT margin of 16.2% and 14.6%, respectively.

| Pre-issue consolidated financial snapshot (Rs. cr) | FY19 | FY20 | FY21 | FY22 | FY23 | TTM | CAGR over FY19-23 | Y-o-Y (FY23 annual) |
|--|--------|--------|---------|---------|---------|---------|-------------------|---------------------|
| Transaction fees | 630.5 | 569.6 | 452.7 | 550.5 | 583.9 | 640.8 | -1.9% | 6.1% |
| Accounts maintenance fees | 117.4 | 141.8 | 149.3 | 139.1 | 157.0 | 163.8 | 7.5% | 12.9% |
| Other operational income | 7.3 | 4.8 | 1.1 | 1.3 | 1.3 | 1.3 | -34.9% | -1.1% |
| Revenue from operations | 755.2 | 716.1 | 603.1 | 690.9 | 742.2 | 805.9 | -0.4% | 7.4% |
| EBITDA | 177.0 | 147.8 | 84.8 | 123.8 | 118.0 | 130.4 | -9.6% | -4.7% |
| Reported PAT | 123.6 | 121.9 | 92.2 | 143.9 | 107.0 | 118.0 | -3.5% | -25.6% |
| Restated reported EPS | 30.6 | 30.1 | 22.8 | 35.6 | 26.5 | 29.2 | -3.5% | -25.6% |
| Cash flow from operating activities | 135.9 | 53.5 | 100.1 | 94.3 | 137.0 | 118.2 | 0.2% | 45.4% |
| NOPLAT | 102.3 | 93.3 | 54.1 | 82.8 | 76.0 | 84.8 | -7.2% | -8.3% |
| FCF | | (6.2) | 26.1 | 14.5 | 256.5 | | | 1671.3% |
| RoIC (%) | 32.5% | 28.1% | 15.1% | 19.0% | 29.9% | 27.3% | (260) bps | 1,081 bps |
| Revenue growth rate | | -5.2% | -15.8% | 14.6% | 7.4% | | | |
| EBITDA growth rate | | -16.5% | -42.6% | 46.0% | -4.7% | | | |
| EBITDA margin | 23.4% | 20.6% | 14.1% | 17.9% | 15.9% | 16.2% | (754) bps | (203) bps |
| EBIT growth rate | | -19.2% | -43.6% | 57.0% | -6.7% | | | |
| EBIT margin | 19.8% | 16.9% | 11.3% | 15.5% | 13.4% | 13.8% | (635) bps | (203) bps |
| Restated reported PAT growth rate | | -1.4% | -24.4% | 56.1% | -25.6% | | | |
| Restated reported PAT margin | 16.4% | 17.0% | 15.3% | 20.8% | 14.4% | 14.6% | (194) bps | (641) bps |
| Debtor days | 87.9 | 100.0 | 126.6 | 107.8 | 100.6 | 99.4 | 3.4% | -6.6% |
| Payable days | (43.5) | (45.5) | (56.7) | (51.4) | (56.0) | (60.5) | 6.5% | 8.9% |
| Cash conversion cycle | 44.4 | 54.5 | 69.8 | 56.4 | 44.7 | 39.0 | 0.1% | -20.7% |
| Fixed asset turnover ratio | 4.7 | 10.5 | 10.4 | 10.0 | 9.9 | 9.7 | 20.7% | -0.8% |
| Total asset turnover ratio | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | -6.2% | -3.9% |
| Current ratio | 1.9 | 2.6 | 2.7 | 3.1 | 1.8 | 2.0 | -1.1% | -42.0% |
| Total debt | 37.5 | 31.9 | 21.5 | 25.1 | 29.4 | 24.0 | -5.9% | 17.4% |
| Net debt | (64.4) | (39.4) | (105.1) | (263.8) | (113.2) | (133.5) | 15.1% | -57.1% |
| Debt to equity | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -11.6% | 8.0% |
| Net debt to EBITDA | (0.4) | (0.3) | (1.2) | (2.1) | (1.0) | (1.0) | 27.4% | -54.9% |
| RoE (%) | 18.6% | 16.2% | 13.8% | 18.3% | 12.5% | 13.3% | (608) bps | (577) bps |
| RoA (%) | 14.2% | 13.0% | 10.7% | 14.6% | 9.7% | 10.4% | (452) bps | (487) bps |
| RoCE (%) | 25.3% | 17.2% | 12.1% | 20.4% | 13.6% | 14.8% | (1,171) bps | (682) bps |

Note: Pre-IPO financial and ratios; Source: Choice Equity Broking

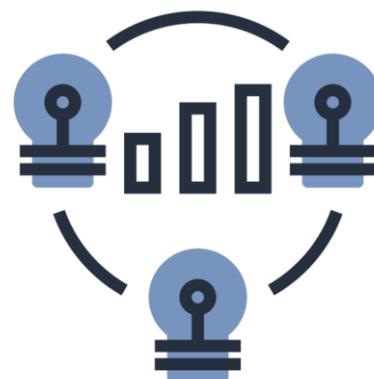


Competitive strengths:

- Pioneer and market leader in universal, citizen centric and population scale e-governance solutions
- Secure, scalable and advanced technology infrastructure
- Large physical infrastructure with pan-India network and scale resulting in inclusion
- Diversified, granular and annuity based service offerings
- Track record of healthy financial performance
- Experienced senior management team backed by strong corporate governance standards and supported by marquee investors

Business strategy:

- Diversify offerings with a focus on new sectors
- Building capability around data analytics, digital verification and due diligence
- Expanding into newer geographies
- Adoption of disruptive technologies and investment in open source solutions, protocol and networks



Risk and concerns:

- General slowdown in the global economic activities
- Unfavorable government policies & regulations
- Huge reliance on government programs
- Difficulty in product/services diversification
- Difficulty in maintaining the profitability
- Competition

Financial statements:

| Consolidated profit and loss statement (Rs. cr) | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|-------------------------|
| | FY19 | FY20 | FY21 | FY22 | FY23 | TTM | CAGR over FY19 - 23 | Annual growth over FY22 |
| Revenue from operations | 755.2 | 716.1 | 603.1 | 690.9 | 742.2 | 805.9 | -0.4% | 7.4% |
| Employee benefits expense | (65.2) | (68.6) | (75.3) | (78.7) | (122.9) | (138.0) | 17.2% | 56.3% |
| Other expenses | (513.0) | (499.8) | (443.0) | (488.4) | (501.3) | (537.5) | -0.6% | 2.6% |
| EBITDA | 177.0 | 147.8 | 84.8 | 123.8 | 118.0 | 130.4 | -9.6% | -4.7% |
| Depreciation and amortization expense | (27.6) | (27.0) | (16.8) | (17.0) | (18.3) | (19.0) | -9.8% | 7.6% |
| EBIT | 149.4 | 120.7 | 68.1 | 106.8 | 99.7 | 111.3 | -9.6% | -6.7% |
| Finance costs | (2.2) | (1.6) | (0.9) | (0.5) | (0.9) | (0.9) | -19.3% | 91.9% |
| Other income | 33.3 | 38.5 | 48.9 | 79.3 | 41.7 | 44.5 | 5.8% | -47.4% |
| PBT | 180.5 | 157.6 | 116.0 | 185.6 | 140.4 | 155.0 | -6.1% | -24.4% |
| Tax expenses | (57.0) | (35.8) | (23.8) | (41.7) | (33.4) | (37.0) | -12.5% | -19.9% |
| PAT before minority interest | 123.5 | 121.9 | 92.2 | 143.9 | 107.0 | 118.0 | -3.5% | -25.6% |
| Minority interest | 0.1 | 0.1 | | 0.0 | 0.0 | 0.0 | -49.0% | 66.7% |
| Reported PAT | 123.6 | 121.9 | 92.2 | 143.9 | 107.0 | 118.0 | -3.5% | -25.6% |

| Consolidated balance sheet statement (Rs. cr) | | | | | | | | |
|---|--------------|--------------|--------------|--------------|----------------|----------------|---------------------|-------------------------|
| | FY19 | FY20 | FY21 | FY22 | FY23 | TTM | CAGR over FY19 - 23 | Annual growth over FY22 |
| Equity share capital | 40.0 | 40.0 | 40.1 | 40.4 | 40.4 | 40.4 | 0.3% | 0.1% |
| Other equity | 625.5 | 713.6 | 627.5 | 747.8 | 816.7 | 847.9 | 6.9% | 9.2% |
| Minority interest | (0.1) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | 14.1% | 2.7% |
| Non-current lease liabilities | 13.9 | 6.7 | 1.9 | 7.9 | 4.0 | 6.5 | -27.0% | -50.1% |
| Other non-current financial liabilities | 1.7 | | | | | 0.0 | | |
| Non-current provisions | 8.3 | 9.9 | 20.4 | 15.2 | 15.4 | 16.3 | 16.7% | 1.7% |
| Other non-current liabilities | 3.3 | 1.6 | 1.1 | 1.4 | | 0.0 | | |
| Trade payables | 90.0 | 88.7 | 98.8 | 95.7 | 131.8 | 133.5 | 10.0% | 37.7% |
| Current lease liabilities | 6.4 | 7.2 | 4.3 | 3.8 | 4.0 | 5.6 | -11.3% | 5.6% |
| Other current financial liabilities | 15.4 | 18.0 | 15.3 | 13.4 | 21.5 | 11.9 | 8.6% | 60.7% |
| Current provisions | 5.2 | 9.6 | 3.4 | 5.2 | 6.1 | 7.1 | 3.9% | 16.7% |
| Net income tax liabilities | 5.3 | | | 3.9 | | 2.9 | | |
| Other current liabilities | 54.6 | 44.8 | 49.7 | 53.7 | 64.4 | 61.9 | 4.2% | 20.0% |
| Total liabilities | 869.6 | 939.9 | 862.4 | 988.1 | 1,104.1 | 1,133.9 | 6.2% | 11.7% |
| Property, plant and equipment | 131.0 | 48.6 | 49.4 | 50.7 | 51.8 | 51.1 | -20.7% | 2.2% |
| Intangible assets | 4.1 | 0.4 | 1.3 | 1.7 | 3.6 | 8.6 | -3.3% | 115.6% |
| Capital work-in-progress | 5.1 | 4.8 | 1.3 | 1.2 | | 0.0 | | |
| Intangible assets under development | | 0.6 | 0.1 | 3.3 | 11.4 | 11.1 | | 244.4% |
| Right-of-use assets | 21.4 | 13.7 | 5.7 | 12.2 | 7.9 | 12.1 | -22.0% | -35.1% |
| Non-current investments | 326.1 | 384.9 | 273.7 | 308.3 | 523.4 | 522.9 | 12.6% | 69.8% |
| Other non-current financial assets | 25.4 | 23.9 | 20.9 | 17.6 | 46.1 | 24.5 | 16.1% | 162.6% |
| Net income tax assets | 18.6 | 25.7 | 27.7 | 27.0 | 31.3 | 31.4 | 13.9% | 16.0% |
| Net deferred tax assets | 1.2 | 3.1 | 9.1 | 19.9 | 20.8 | 21.8 | 104.0% | 4.9% |
| Other non-current assets | 6.3 | 1.9 | 2.1 | 4.8 | 0.2 | 0.4 | -60.6% | -96.9% |
| Trade receivables | 181.9 | 210.7 | 207.6 | 200.4 | 208.9 | 219.6 | 3.5% | 4.2% |
| Current investments | 46.4 | 21.2 | 11.4 | 55.3 | 5.1 | 5.1 | -42.4% | -90.8% |
| Cash & cash equivalents | 55.5 | 50.1 | 115.1 | 233.5 | 137.5 | 152.4 | 25.5% | -41.1% |
| Other current financial assets | 18.2 | 21.7 | 9.7 | 15.6 | 24.5 | 31.4 | 7.6% | 56.8% |
| Other current assets | 28.4 | 46.3 | 44.8 | 36.7 | 31.6 | 41.5 | 2.7% | -14.0% |
| Assets held for sale | | 82.4 | 82.4 | | | 0.0 | | |
| Total assets | 869.6 | 939.9 | 862.4 | 988.1 | 1,104.1 | 1,133.9 | 6.2% | 11.7% |

Note: Pre-IPO financials; Source: Choice Equity Broking

Financial statements (Contd...):

| Consolidated cash flow statement (Rs. cr) | | | | | | | | |
|--|----------------|---------------|----------------|---------------|----------------|----------------|---------------------|-------------------------|
| | FY19 | FY20 | FY21 | FY22 | FY23 | TTM | CAGR over FY19 - 23 | Annual growth over FY22 |
| Cash flow before working capital changes | 190.1 | 171.2 | 130.2 | 167.8 | 143.5 | 154.7 | -6.8% | -14.5% |
| Working capital changes | 4.9 | (67.6) | 1.9 | (25.7) | 36.1 | 2.9 | 64.7% | -240.6% |
| Cash flow from operating activities | 135.9 | 53.5 | 100.1 | 94.3 | 137.0 | 118.2 | 0.2% | 45.4% |
| Purchase of fixed assets and CWIP | (27.2) | (15.8) | (9.3) | (19.0) | (23.9) | (25.1) | -3.2% | 25.6% |
| Cash flow from investing activities | (103.8) | (12.5) | 115.7 | 72.6 | (282.3) | (131.6) | 28.4% | -488.7% |
| Cash flow from financing activities | (39.2) | (39.3) | (183.4) | (33.6) | (44.3) | (44.4) | 3.1% | 31.7% |
| Net cash flow | (7.1) | 1.7 | 32.4 | 133.3 | (189.6) | (57.8) | 127.7% | -242.3% |
| Opening balance of cash | 46.4 | 39.4 | 41.0 | 73.5 | 206.7 | 77.4 | 45.3% | 181.4% |
| Closing balance of cash | 39.4 | 41.0 | 73.5 | 206.7 | 17.1 | 19.6 | -18.8% | -91.7% |

| Consolidated financial ratios | | | | | | |
|-------------------------------------|-------|--------|--------|-------|--------|-------|
| Particulars | FY19 | FY20 | FY21 | FY22 | FY23 | TTM |
| Profitability ratios | | | | | | |
| Revenue growth rate | | -5.2% | -15.8% | 14.6% | 7.4% | |
| EBITDA growth rate | | -16.5% | -42.6% | 46.0% | -4.7% | |
| EBITDA margin | 23.4% | 20.6% | 14.1% | 17.9% | 15.9% | 16.2% |
| EBIT growth rate | | -19.2% | -43.6% | 57.0% | -6.7% | |
| EBIT margin | 19.8% | 16.9% | 11.3% | 15.5% | 13.4% | 13.8% |
| Restated reported PAT growth rate | | -1.4% | -24.4% | 56.1% | -25.6% | |
| Restated reported PAT margin | 16.4% | 17.0% | 15.3% | 20.8% | 14.4% | 14.6% |
| Turnover ratios | | | | | | |
| Trade receivable turnover ratio | 4.2 | 3.6 | 2.9 | 3.4 | 3.6 | 3.7 |
| Accounts payable turnover ratio | 8.4 | 8.0 | 6.4 | 7.1 | 6.5 | 6.0 |
| Fixed asset turnover ratio | 4.7 | 10.5 | 10.4 | 10.0 | 9.9 | 9.7 |
| Total asset turnover ratio | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| Return ratios | | | | | | |
| RoIC (%) | 32.5% | 28.1% | 15.1% | 19.0% | 29.9% | 27.3% |
| RoE (%) | 18.6% | 16.2% | 13.8% | 18.3% | 12.5% | 13.3% |
| RoA (%) | 14.2% | 13.0% | 10.7% | 14.6% | 9.7% | 10.4% |
| RoCE (%) | 25.3% | 17.2% | 12.1% | 20.4% | 13.6% | 14.8% |
| Per share data | | | | | | |
| Restated adjusted EPS (Rs.) | 30.6 | 30.1 | 22.8 | 35.6 | 26.5 | 29.2 |
| DPS (Rs.) | 6.4 | 9.9 | 9.8 | 10.0 | 10.0 | 0.0 |
| BVPS (Rs.) | 164.5 | 186.3 | 165.1 | 194.9 | 211.9 | 219.6 |
| Operating cash flow per share (Rs.) | 33.6 | 13.2 | 24.8 | 23.3 | 33.9 | 29.2 |
| Free cash flow per share (Rs.) | | (1.5) | 6.5 | 3.6 | 63.4 | |
| Dividend payout ratio | 21.0% | 32.8% | 43.1% | 28.1% | 37.8% | 0.0% |

Note: Pre-IPO financial ratios; Source: Choice Equity Broking

IPO rating rationale

Subscribe: An IPO with strong growth prospects and valuation comfort.

Subscribe with Caution: Relatively better growth prospects but with valuation discomfort.

Avoid: Concerns on both fundamentals and demanded valuation.

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