

Protean eGOV Technologies

IT | India

IPO | 05 November 2023

A Unique e-Governance Solutions Provider

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About the Company

Protean eGOV Technologies is an information technology enabled solutions company conceptualizing, developing, and executing nationally critical and population scale greenfield technology solutions collaborating with the government and has extensive experience in creating digital public infrastructure and developing innovative citizen-centric e-governance solutions. Protean is a professionally managed company led by experienced board and management held by 15 marquee Banks and financial institutions as shareholders.

Market leader in e-governance solutions

Protean has been the chief architect and implementer for some of the most critical and large-scale technology infrastructure projects in India and its solutions have led to identification of bottlenecks in government services leading to a reduction in service delivery costs. Protean has managed 19 projects spread across seven ministries and autonomous bodies ushering change in public delivery of services engaging with the various ministries of India working for B2G, B2B and B2C segments.

Key Products services

Protean is a key player in building public digital infrastructure and providing e governance services impacting multiple sectors of the Indian economy, such as Tax Information Network, Pan card issuance, Central Pension system record keeping, and Aadhaar authentication and e-KYC services. Protean has executed large and complex projects leveraging its capabilities, project management expertise and proprietary software engineering tools developed in-house addressing the end users requirements.

Large markets and competitive advantage

The government has a strong push towards creation of Open Digital Ecosystems across diverse sectors whereby Protean has a competitive advantage through technology with a pan India distribution covering 65% of pincode in India i.e 12000+ pin codes across all 37 states and union territories. It also wants to expand into global markets with launch of indigenous cloud offerings and cyber security advisory, and data stack with the growth of digital commerce and retail penetration. It has partnered with distribution networks like Nearby Technologies Private Limited, Fino Payments Bank, Vakrangee, and Payworld Digital Services Private Limited to improve its landscape reach.

Financials in Brief

On the financial front, the company reported a turnover of Rs 603 Crs, Rs691 Crs and Rs742 Crs for FY21, FY22 and FY23 respectively, on a consolidated basis. It posted net profit of Rs 92 Crs, Rs144 Crs and Rs 107 Crs respectively for the aforementioned period. Revenues registered a CAGR of ~11% while profit was lower FY21-23 at 7.7% with variation in net margins. Protean will not receive any proceeds from the offer and all the offer proceeds will be received by the selling shareholders, in proportion to the offered shares sold by the respective selling shareholders as part of the offer.

Our View

Protean is a unique player in the e-governance segment with 25 years of experience in creating digital public infrastructure and developing innovative citizen-centric e-governance solutions. Their domain knowledge for various industries, enabling policy framework with public and private sector collaboration to foster innovation in NPS and APY subscribers, online pan verifications with significant headroom for steady growth with 50-60mn PAN cards expected to be allotted annually till FY27 and NPS-APY subscribers expected to grow at CAGR of 16-17%(FY22-FY27P) as growth strategy for the coming few years. A secure, scalable and advanced technology platform having horizontal & vertical scalability, with consistent profitability, positive cash flows and limited capital expenditure and working capital required to scale growth in its key areas.

Therefore we recommend a SUBSCRIBE to the issue.

IPO Details

Price Band (Rs)	752-792
Face Value (Rs)	10
Issue Open/Closing Date	06-Nov-23/08-Nov-23
Fresh Issues (Crs)	-
OFS (Crs)*	490.3
Total Issue (Crs)*	490.3
Minimum Bid Qty. (Nos)	18
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs Crs)*	3,203

*At higher band

Object of the Issue

- ▶ Achieve the benefits of listing of equity shares enhancing visibility and brand image

Strengths

- ▶ Market leader in universal, citizen centric and population scale e-governance solutions.
- ▶ Strong GoI push towards creation of Open Digital Ecosystems across diverse sectors
- ▶ Consistent profitability, positive cashflows and limited capital expenditure required to scale
- ▶ Managed by experienced professionals and supported by marquee investors

Key Risk

- ▶ Lower pricing structures
- ▶ Weak growth as dependency on major projects awarded by Government

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	-	-
Others	100	100.0

Key Financials

(Rs Crs)	FY21	FY22	FY23
Revenues	603	691	742
EBITDA	85	124	118
EBITDA Margin (%)	14.1	17.9	15.9
PAT	92	144	107
PAT Margin (%)	15.3	20.8	14.4
EPS (Rs)	23.0	35.8	26.5
RocE (%)	12.1	20.4	13.6
RoE (%)	13.8	18.3	12.5
NAV (Rs.)	165.0	195.0	212.0
Networth	667.5	788.0	856.9

Source: RHP

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Exhibit 1: Since inception and as of June 30, 2023, we have implemented and managed 19 projects spread across seven ministries and autonomous bodies ushering change in public delivery of services. Our primary engagement has been with following ministries:



Source: RHP

Exhibit 2: Project-wise major highlights and our market share are as below:

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%

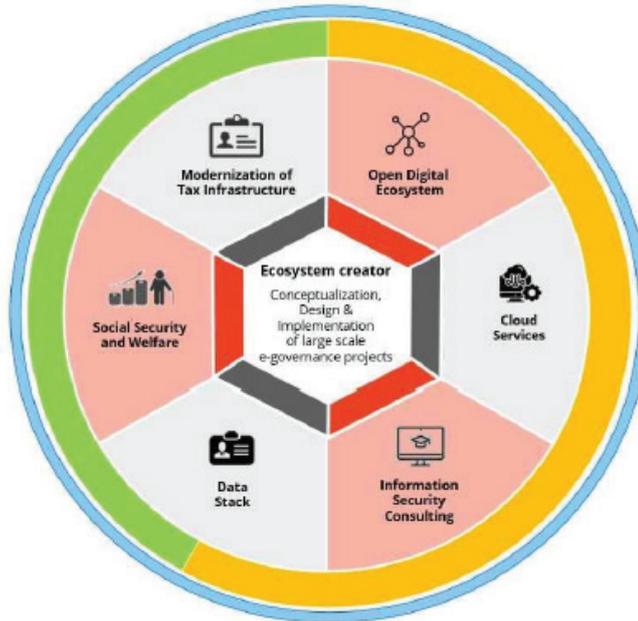
Source: RHP, * CRISIL Report

Exhibit 3: Pioneer and market leader in universal, citizen centric and population scale e-governance solutions

Particulars	As of and for the year ended March 31,			As of and for the three months ended June 30, 2022	As of and for the three months ended June 30, 2023
	2021	2022	2023		
PAN Cards sent to printer (million)	29.65	35.51	38.63	8.44	13.73
PANs Verified (million)	937.19	2,122.52	2,412.89	562.21	683.80
NPS – New Subscriber Base (million)	0.83	0.97	1.33	0.26	0.24
NPS – Cumulative Subscriber Base (million)	14.03	15.00	16.32	15.26	16.56
NPS – AUM (₹ million)	5,592,870.80	6,945,539.22	8,421,230.49	6,999,769.44	9,085,774.29
Atal Pension Yojana – New Subscriber Base (million)	6.91	8.23	9.67	1.97	1.80
Atal Pension Yojana – Cumulative Subscriber Base	28.05	36.28	45.95	38.25	47.75
Atal Pension Yojana – AUM (₹ million)	156,871.07	209,225.80	272,227.38	214,504.12	295,825.65
Aadhaar Authentication (million)	179.31	275.03	276.76	44.61	88.50
e-KYC (million)	91.05	174.41	246.01	44.26	72.81
e-Sign (million)	35.60	82.03	101.07	21.73	31.55

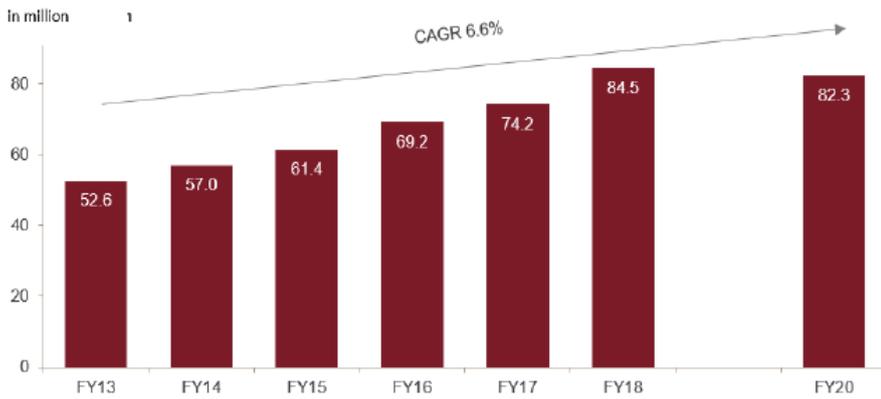
Source: RHP

Exhibit 4: The following infographic provides the opportunities that we address across market segments:



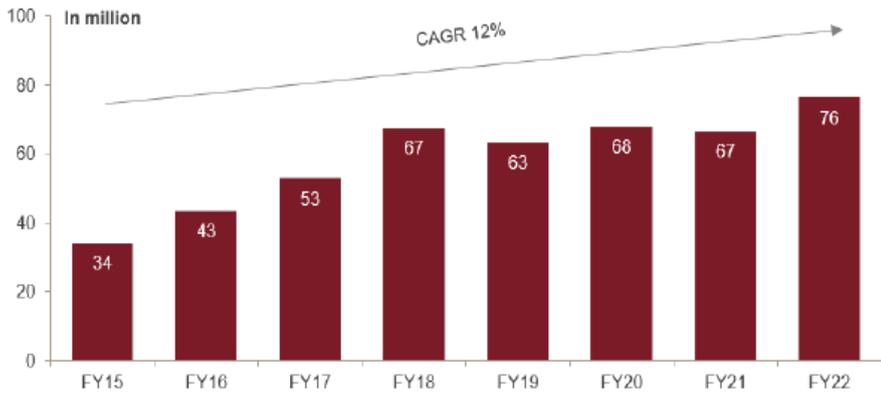
Source: RHP

Exhibit 5: Number of taxpayers in India



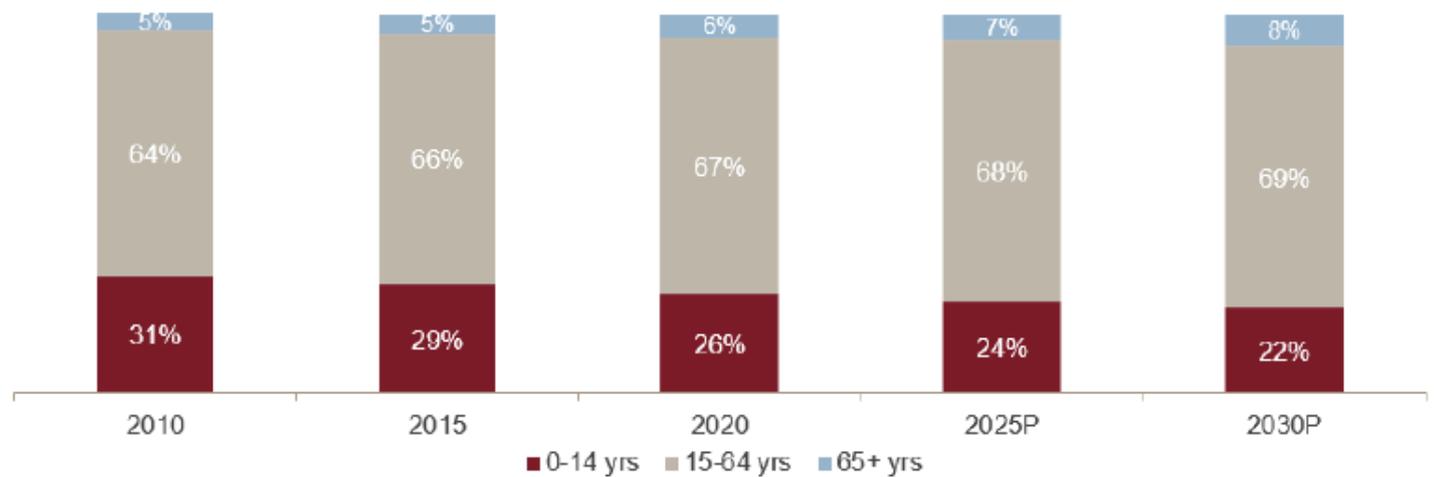
Note: Taxpayers data for Fiscal 2019 is not available, Fiscal 2020 data taken from a reply by honourable finance minister Smt. Nirmala Sitharaman gave in Rajya Sabha on March 15, 2022.
 Source: RHP, www.incometaxindiaefiling.gov.in, CRISIL Research

Exhibit 6: Number of income tax returns filed in India



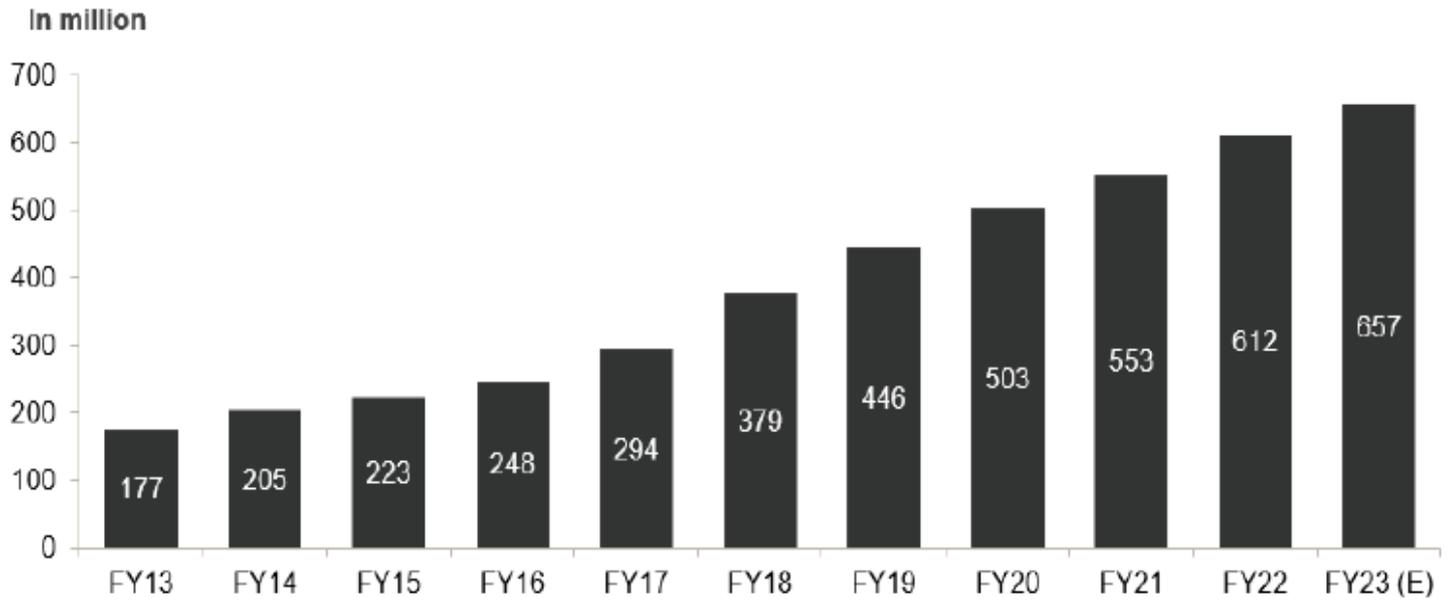
Source: RHP, www.incometaxindiaefiling.gov.in, CRISIL Research

Exhibit 7: Demographic and age group overview of the Indian population



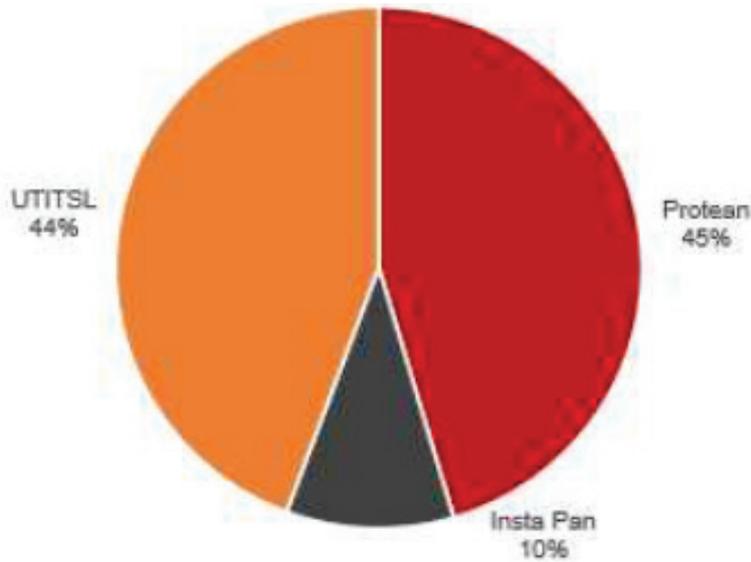
Source: RHP, UN population prospects, 2022

Exhibit 8: Total allotment of PAN cards in India (in million)



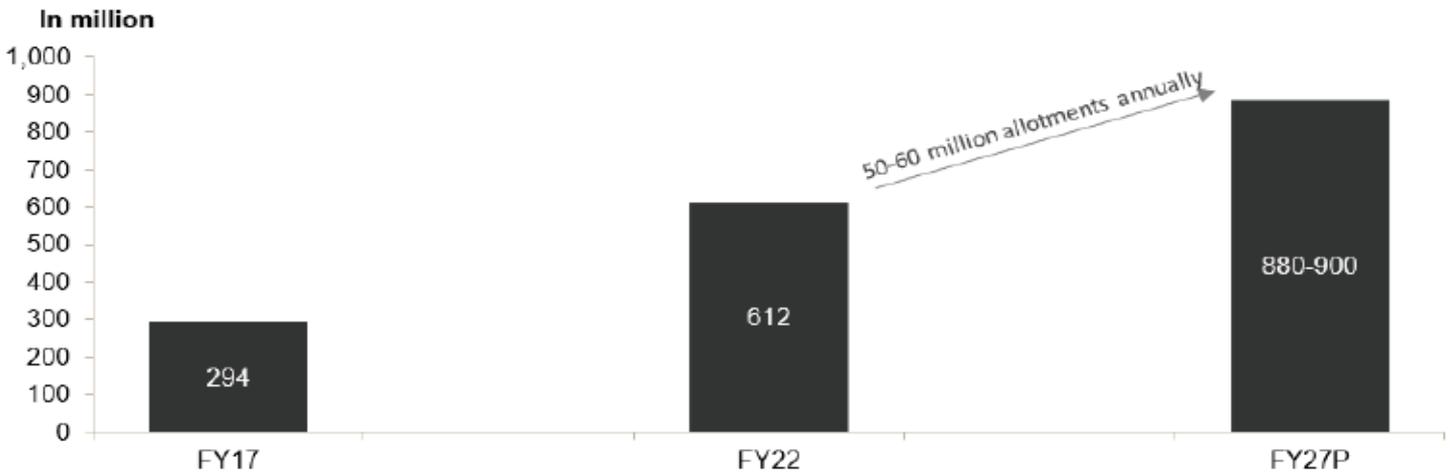
Note: Fiscal 2023 data is available until December 2022.
 Source: RHP, Company documents, CRISIL Research

Exhibit 9: Market share in PAN card allotment from introduction From Fiscal 2021 until Quarter One of Fiscal 2024



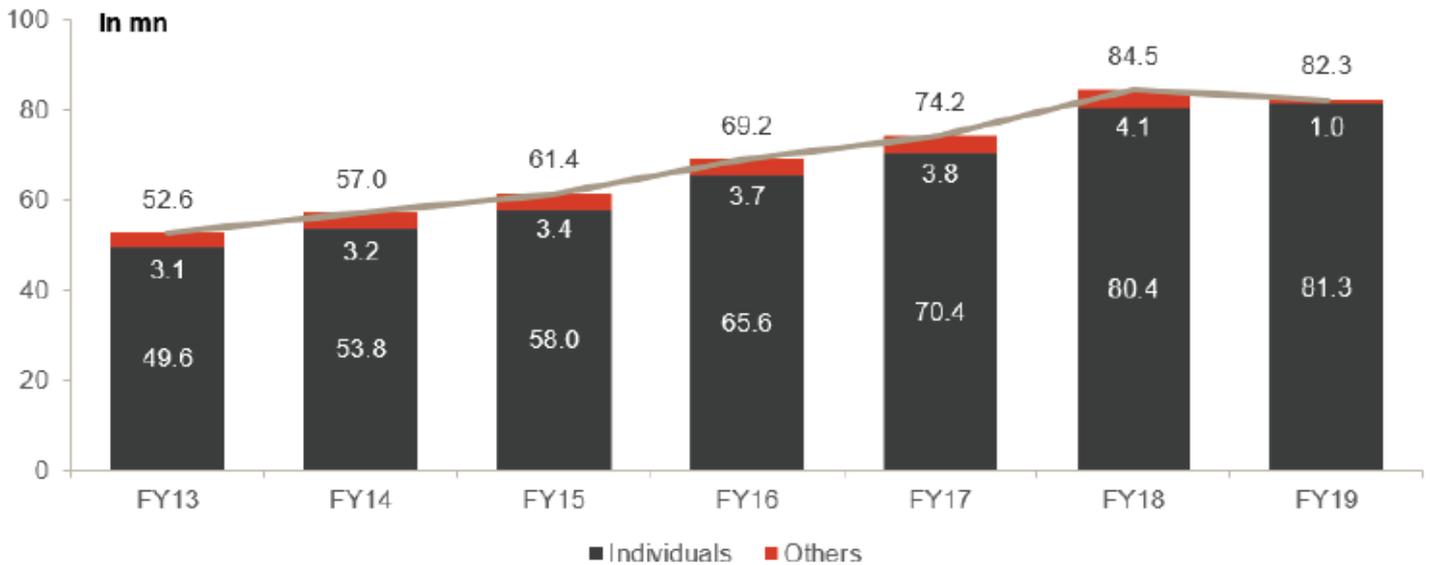
Source: RHP, Company documents, CRISIL Research

Exhibit 10: Expected total number of PAN card allotments



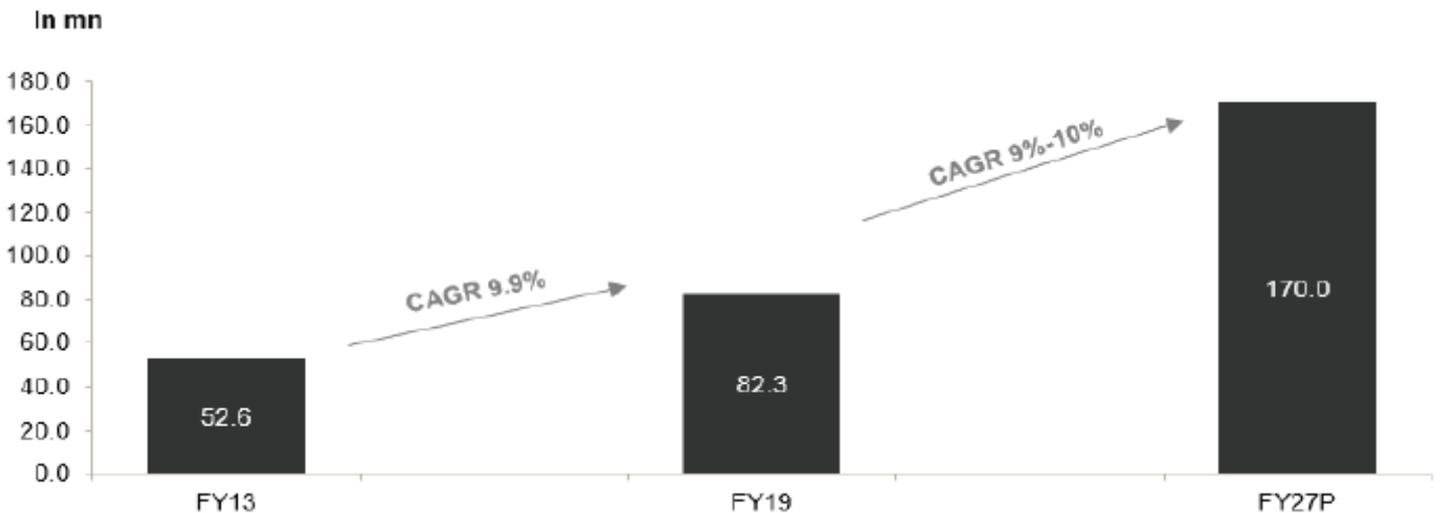
Source: RHP, CRISIL Research

Exhibit 11: Number of taxpayers (in million)*



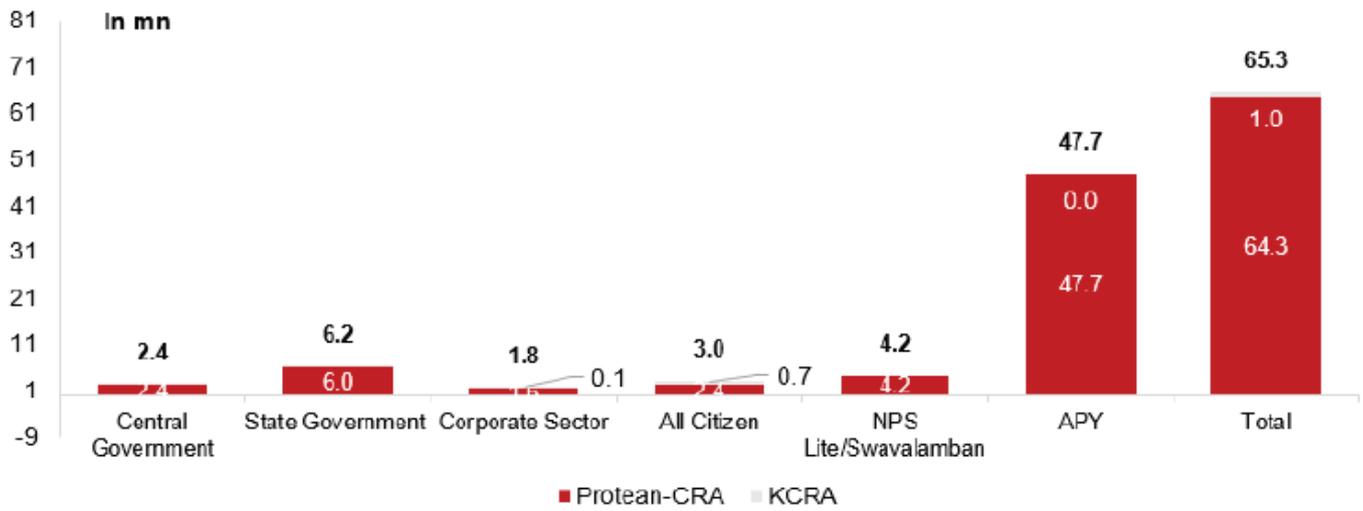
* Note: India had 82.3 million taxpayers in Fiscal 2020, but the split into individuals and others for that Fiscal is not available.
Source: RHP, www.incometaxindiaefiling.gov.in; CRISIL Research

Exhibit 12: Expected number of taxpayers (in million)



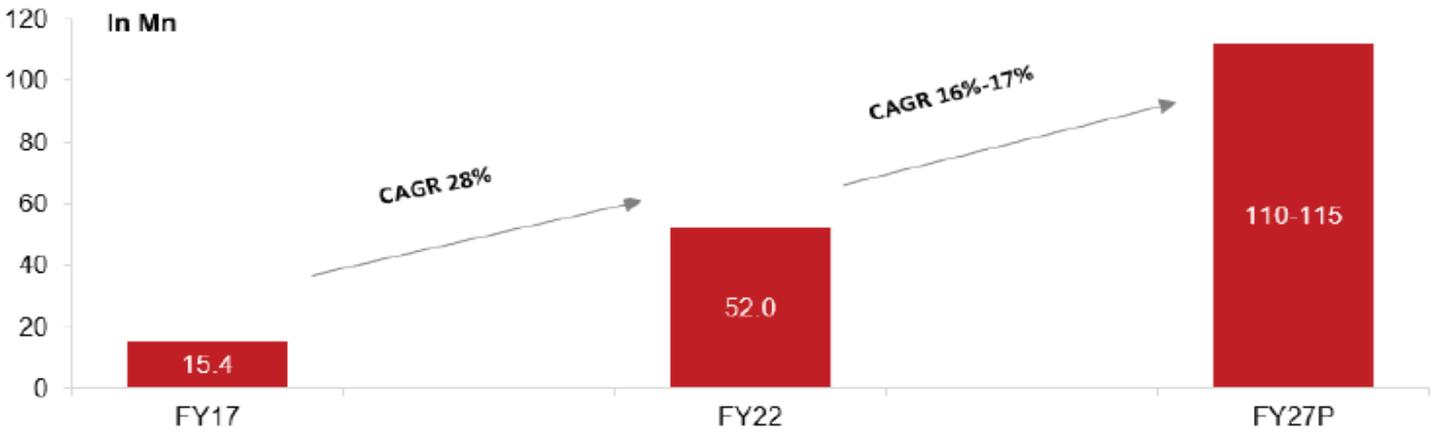
Source: RHP, www.incometaxindiaefiling.gov.in; CRISIL Research

Exhibit 13: Number of subscribers, NPS (as of June 2023, in million)



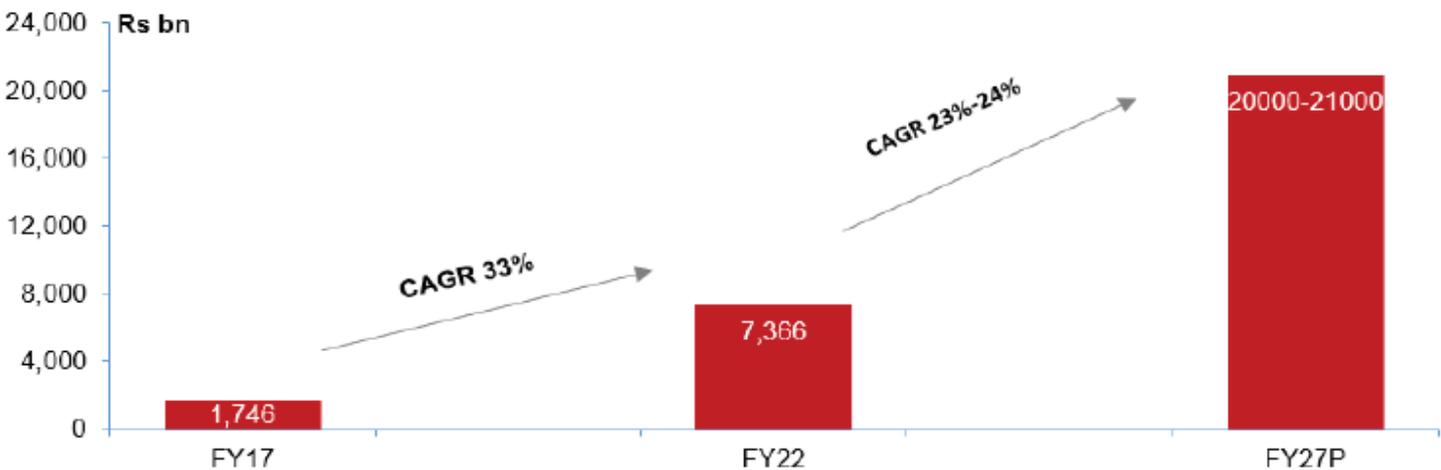
Source: RHP, Company document, CRISIL Research

Exhibit 14: Number of subscribers for NPS and APY (in million)



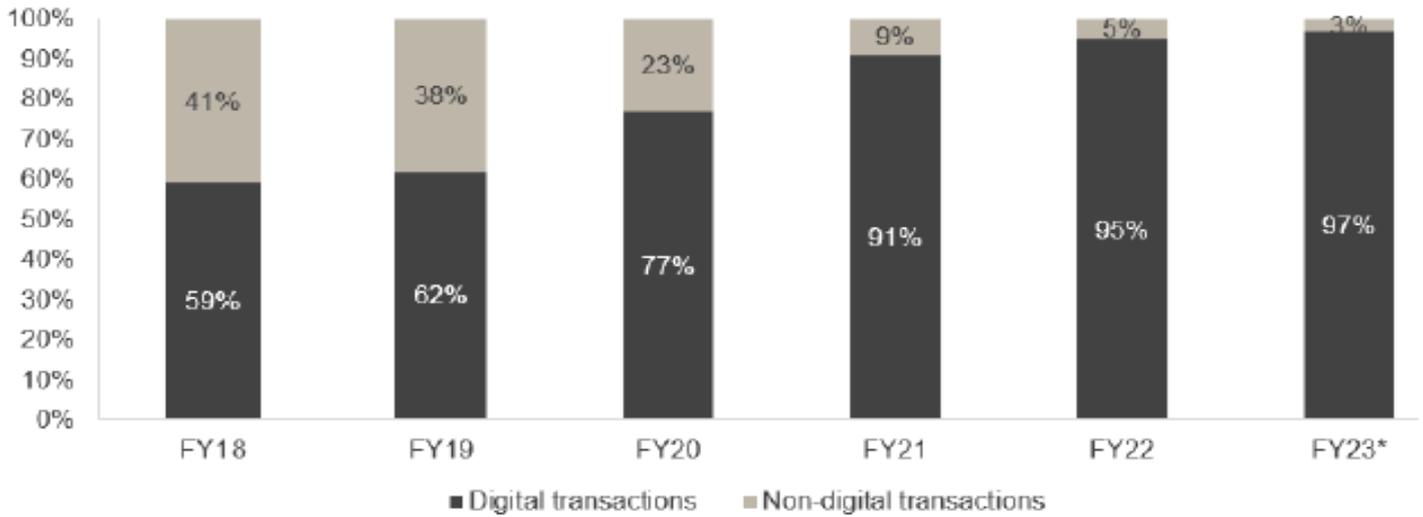
Source: RHP, Source: CRISIL Research, Aggregate NPS, APY assets (in Rs billion)

Exhibit 15: Aggregate NPS, APY assets (in Rs billion)



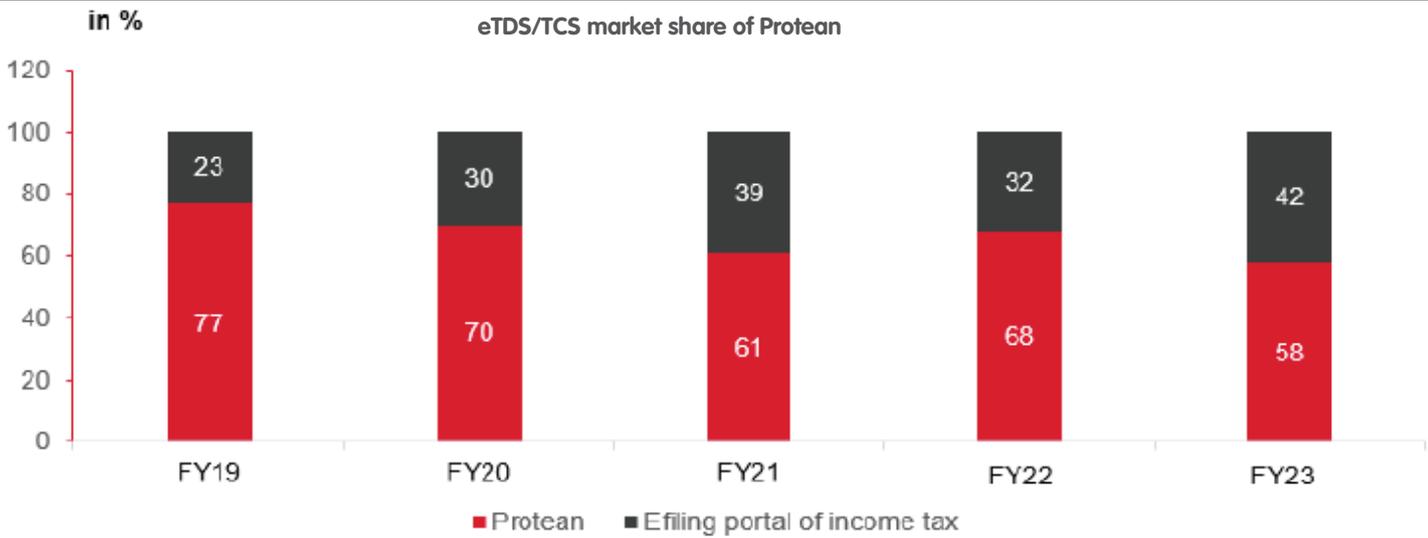
Source: RHP, Source: CRISIL Research

Exhibit 16: Percentage share of digital transactions over the years



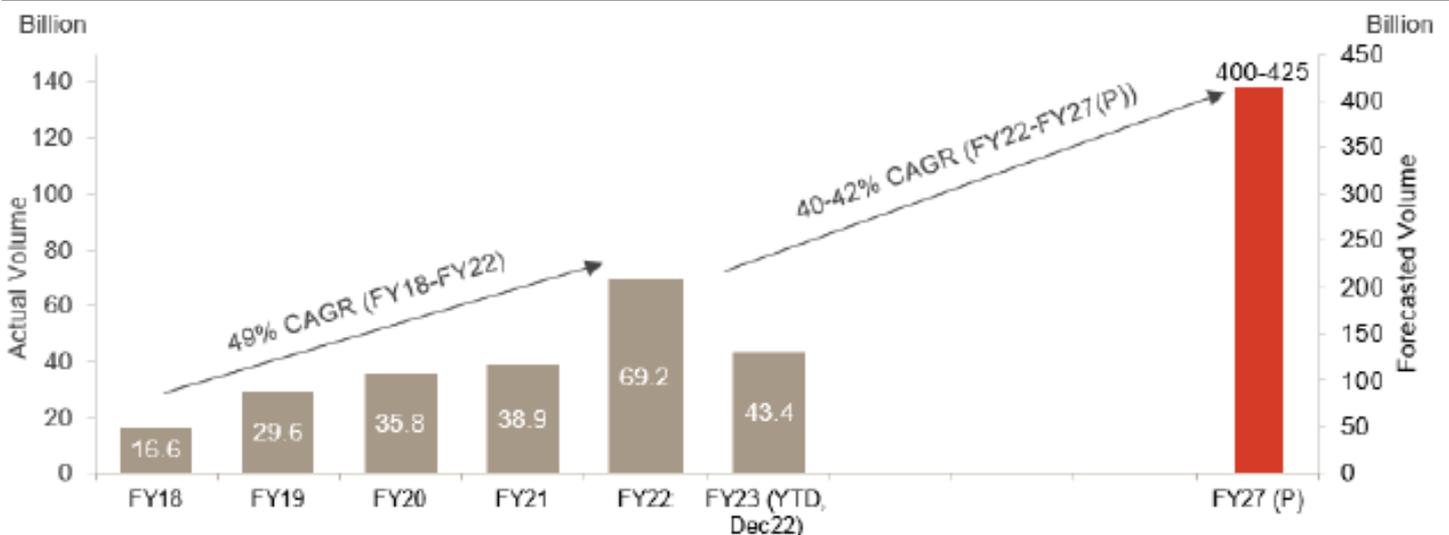
Note: Digital payments include RTGS payments; credit transfers (AePS, APBS, ECS Cr, IMPS, NACH, NEFT, UPI); debit transfers (BHIM, ECS Dr, NACH Dr, NETC); card payments (debit and credit cards); and prepaid payment instruments; *Fiscal 2023 includes till October'22.
Source: RHP, RBI, CRISIL Research

Exhibit 17: Assessment of Tax Information Network (TIN) System



Source: RHP, Company document

Exhibit 18: Digital transactions volume over the years



Note: Forecasted values are represented on the secondary axis Digital transactions include RTGS – excluding interbank clearing, ECS, NEFT, IMPS, NACH, cards and prepaid instruments
P: Projections; Source: RHP, RBI, CRISIL Research

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