

PAN 2.0 Exclusion Brings Uncertainty, Q4 Modest

About the stock: Protean eGov Technologies Ltd. (Protean) is a play on digital public infrastructure (DPI) and e-governance initiatives taken by various governmental bodies in India.

- The company has 3 core verticals including i) Tax services, ii) social security & welfare and iii) identity authentication. Further, it has ventured in new age businesses including Open Digital Ecosystem (ODE), Cloud & Infosec.

Q4FY25 performance: Protean reported modest set of Q4 result. It reported revenue of ₹222 cr, flat on YoY basis and up by 10% QoQ. EBITDA reported at ₹18 cr and PAT at ₹20 cr were below expectations. Segmentally, Tax services reported revenue of ₹107 cr (+8% QoQ/ -4% YoY), Pension services at ₹75 cr (+5% QoQ/+10% YoY), identity services at ₹24 cr (+2% QoQ/-24%YoY) and other services reported at ₹15 cr (+115% QoQ/+68% YoY).

PAN 2.0 update: Business uncertainty looms over medium term: In recent development, Income tax department (ITD) has informed Protean that it is not being considered favorably for PAN 2.0 project. The related business is classified under tax services which forms ~50% of revenue. PAN 2.0 project is mainly related to IT tech revamp at ITD and is linked to design, development, implementation, operations and maintenance of PAN systems. Protean's role is more of processing and distribution of pan cards. However, PAN 2.0 focuses on single portal for all PAN/TAN-related services to simplify access for users. Thus, PAN 2.0 exclusion restricts Protean's opportunity to scale this segment and further strengthen its position. There is also a risk factor to its market share in medium to long term from the company building IT infrastructure for ITD which could eventually play the role in distribution of Pan cards. Thus, one needs to watch out for more clarity/development on how PAN 2.0 project evolves.

Investment Rationale

Major investments behind; business growth across segments remain the key: Protean has been investing across business verticals including new aged business like open digital ecosystem (ODE), Cloud & Infosec, data stack as well as global expansion. Recently company has got success in couple of global projects including education DPI for Morocco and health initiative for Ethiopia. Almost 4-5 global mandates are at advanced stage of discussion while company is engaged with 20+ countries. On ODE, the company's business from ONDC platform is yet to pick-up which shall be one of the key driving factors of overall growth. Besides, investment in legacy business of NPS as well as identity segment is behind while operating leverage shall accrue as business grows at steady pace.

Rating and Target Price

- Protean has strong balance sheet with net cash of ~₹797 cr. Business growth in other than tax service segments will be key factor to drive growth, margins and profitability. However, business outlook uncertainty on its core business i.e. tax services segment warrants cautiousness. We downgrade the stock to HOLD with a revised target price of Rs 1050.

Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY21-24)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenue	691	742	882	841	6.8	946	1,081	13.4
EBITDA	124	118	89	80	(13.4)	115	166	43.6
EBITDA Margin (%)	17.9	15.9	10.1	9.6		12.2	15.3	
Net Profit	144	107	97	92	(13.7)	118	158	30.8
Diluted EPS (Rs)	35.5	26.4	24.0	22.8		29.2	39.0	
P/E (x)	27.5	37.0	40.7	42.8		33.5	25.1	
EV/EBITDA (x)	29.8	31.8	41.8	46.4		32.3	22.1	
RoCE (%)	22.8	16.1	13.4	11.1		13.5	16.4	
RoE (%)	18.2	12.5	10.5	9.3		11.0	13.4	

Source: Company, ICICI Direct Research



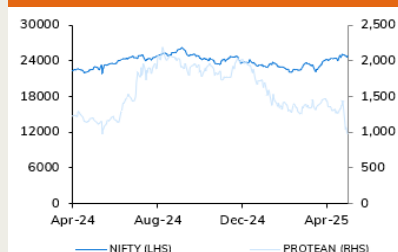
Particulars

Particular	Amount
Market Cap (Rs Crore)	3,961
FY25 Debt (Rs Crore)	69
FY25 Cash (Rs Crore)	797
EV (Rs Crore)	3,232
52 Week H/L (Rs)	2225 / 930
Equity Capital (Rs Crore)	40.5
Face Value	10

Shareholding pattern

	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	-	-	-	-
FII	8.6	6.7	9.9	10.9
DII	30.1	28.9	30.1	27.8
Others	61.3	64.4	60.0	61.3

Price Chart



Key risks

- Dependency on projects awarded by government entities and agencies.
- Better than expected business growth execution in new verticals.

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Concall highlights and outlook

- The core businesses i.e. Tax services, Pension services and identity services shall grow 8-12% run-rate while new businesses shall contribute 25-30% in 3 years.
- **Tax Services** - Tax services revenue declined by 4% YoY during the quarter, led by below expected growth in industry due to election cycle and therefore the delayed rollouts of new government schemes. However, Protean's market share increased by 5% to 56.5% in FY25. Total no. of PAN cards issued by Protean in Q4FY25 stood at 1.1 cr (online vs. offline ~ 57%/43%). For FY25, pan issued recorded at 4.4 crore (online vs. offline ~ 53%/47%). Lower penetration of ~35% offers enough headroom to grow.
- The scope of PAN 2.0 is completely separate from the mandate received from ITD in 2003 by Protean, which is for processing and issuance of PAN cards. This contract is reviewed every 3 to 4 years.
- **Pension services** – With total new additions of 1.3cr in FY25 and adding more than 2,500 corporates to NPS ecosystem company maintained its dominant market share. Cumulative subscribers recorded at ~ 8.2cr+. Revenue recorded ₹75cr (up by 10% YoY/5%QoQ). Overall pension penetration is low at ~6% having enough headroom to grow.
- **Identity services** - Identity services declined by 24% YoY and 10% QoQ attributed to pricing pressures however volumes growth in transactions witnessed across service segments except eKYC which remained flat. To address pricing pressure and expand margins, company aims to move up the value chain by offering workflow-based, value-based services – including digital stamping, workflow management alongside eSign and eKYC.
- **New Aged Businesses** – Management reiterated its target to increase contribution from these segments to ~25% to total revenue mix in 3 years from current ~4.2%.
 - a) Successfully secured mandates for Education DPI from Morocco and for health sector from Ethiopia. Other than these, company is engaged in 20+ countries between Africa, Southeast Asia and Middle East with an aim to secure 4 to 5 global tenders. Further incorporated 100% subsidiary (Protean International) to manage its international operations.
 - b) Revenue from CERSAI project to start kick in from Q1FYFY26, which could earn margins similar to existing level of the company.
 - c) Focus on building value-added services over foundational identity services which shall include B2B offerings targeting BFSI sector for digital onboarding, lending and other API-enabled services like RISE with Protean.
 - d) Actively participating in government driven platforms like ONDC, Agristack and Healthstack.
- EBITDA for FY25 stood at ₹ 80 crores in FY25 vs ₹89 cr in FY24, a decline of 10% Y-o-Y largely due to increase in other expenses, like brand promotion, strategic investment and RFP lead businesses.

Exhibit 1: Variance Analysis

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments
Revenue from operation	222.2	222.1	0.0	202.3	9.8	Sequential growth improvement was seen across segments while its sustainability to be watched out going ahead.
Processing charges	81.7	84.8	(3.6)	86.8	(5.8)	
Employee Benefit expense	50.0	49.4	1.3	50.1	(0.1)	Staff cost expected to increase at a stable pace.
Other operating expense	72.5	66.0	9.9	49.7	46.0	Opex high owing to brand promotion related expense
EBITDA	17.9	21.9	NM	15.8	13.4	
EBITDA margin (%)	8.1	9.9	NM	7.8	25.32062	
Depreciation	8.1	10.9	(25.7)	5.8	39.4	Depreciation remained in line with expectation
Other income	16.5	13.0	27.2	18.8	(12.1)	
PBIT	26.3	24.0	9.7	28.8	(8.5)	
Finance Cost	1.1	0.5	118.0	0.3	319.2	
PBT	25.2	23.5	7.4	28.5	(11.5)	
Tax	4.8	4.2	15.2	5.6	(13.4)	
PAT	20.4	19.3	5.7	22.9	(11.0)	PAT growth was modest at 5.7% YoY

Exhibit 2: Revenue mix business segment wise

Business segments	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Tax Services Proportion	53.6%	53.0%	58.5%	55.1%	50.4%	46.2%	41.8%
Growth YoY	-	13.2%	18.6%	12.0%	-12.9%	3.3%	3.3%
Pension services	32.7%	29.5%	29.8%	28.7%	33.7%	33.6%	33.0%
Growth YoY	-	3.6%	8.3%	14.5%	12.0%	12.1%	12.1%
Identity services	12.1%	15.8%	9.2%	12.6%	11.9%	12.5%	13.0%
Growth YoY	-	49.3%	-37.6%	63.2%	-9.8%	18.3%	18.8%
New Businesses	1.7%	1.7%	2.6%	3.6%	4.0%	7.7%	12.2%
Growth YoY	-	17.8%	61.3%	66.7%	5.3%	115.4%	82.0%

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	882.0	840.7	946.0	1,080.6
% Growth	18.8	(4.7)	12.5	14.2
Other income	67.6	68.3	73.0	78.1
Total Revenue	949.6	908.9	1,019.0	1,158.7
Employee Expenses	175.1	188.6	207.4	232.3
Other expenses	195.9	244.7	281.4	332.1
Total Operating Expenditure	792.6	760.3	830.9	914.9
Operating Profit (EBITDA)	89.4	80.4	115.1	165.7
% Growth	(24.2)	(10.2)	43.2	43.9
Interest	1.7	2.4	2.4	2.4
PBDT	155.3	146.3	185.8	241.4
Depreciation	27.5	27.9	30.3	33.5
PBT before Exceptional Items	127.9	118.4	155.5	207.9
Total Tax	30.6	26.0	37.3	49.9
PAT before MI	97.3	92.4	118.2	158.0
PAT	97.3	92.4	118.2	158.0
% Growth	(9.1)	(5.0)	27.8	33.7
EPS	24.0	22.8	29.2	39.0

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	97.3	92.4	118.2	158.0
Depreciation	27.5	27.9	30.3	33.5
Interest	1.7	2.4	2.4	2.4
Cash Flow before WC changes	126.4	122.6	150.8	193.9
Changes in inventory	-	-	-	-
Changes in debtors	19.6	45.2	(26.2)	(29.7)
Other current assets	(26.7)	55.6	(3.4)	(4.2)
Net Increase in Current Assets	(16.0)	(48.8)	(62.3)	(73.2)
Changes in creditors	(12.0)	(16.6)	11.2	15.7
Other current liabilities	3.3	19.0	13.3	17.5
Net Increase in Current Liabilities	(8.7)	2.5	24.5	33.2
Net CF from Operating activities	101.7	76.3	113.0	153.9
(Purchase)/Sale of Fixed Assets	(39.3)	(20.2)	(30.0)	(30.0)
Others	7.5	(1.3)	3.2	3.7
Net CF from Investing activities	(71.5)	(116.6)	(70.9)	(74.0)
Dividend and Dividend Tax	(40.5)	(19.8)	(44.5)	(49.0)
Others	11.2	45.5	(2.4)	(2.3)
Net CF from Financing Activities	(17.0)	25.7	(46.9)	(51.3)
Net Cash flow	13.2	(14.6)	(4.8)	28.6
Opening Cash/Cash Equivalent	137.5	150.7	136.1	131.3
Closing Cash/ Cash Equivalent	150.7	136.1	131.3	159.9

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Equity Capital	40.5	40.6	40.6	40.6
Reserve and Surplus	885.5	958.2	1,031.9	1,141.0
Total Shareholders funds	926.0	998.8	1,072.4	1,181.5
Total Debt	20.8	68.5	68.5	68.5
Total Liabilities	970	1,089	1,166	1,279
Gross Block	287.4	310.1	335.6	365.6
Acc: Depreciation	221.8	249.7	279.9	313.4
Net Block	65.6	60.4	55.7	52.2
Capital WIP	13.1	10.6	15.0	15.0
Total Fixed Assets	78.7	71.0	70.7	67.2
Non Current Assets	42.5	81.3	81.3	81.3
Inventory	-	-	-	-
Debtors	189.3	144.1	170.3	200.0
Other Current Assets	45.8	26.4	29.6	33.7
Cash	150.7	136.2	131.3	159.9
Total Current Assets	436.8	471.0	528.4	630.2
Current Liabilities	119.9	103.3	114.5	130.2
Net Current Assets (Ex Cash)	70.9	117.2	155.0	195.0
Total Assets	970	1,089	1,166	1,279

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per Share Data (₹)				
EPS	24.0	22.8	29.2	39.0
Cash per Share	59.6	73.3	76.9	89.3
BV	228.4	246.4	264.5	291.4
Dividend per share	10.0	4.9	11.0	12.1
Dividend payout ratio(%)	41.6	21.4	37.7	31.0
Operating Ratios (%)				
EBITDA Margin	10.1	9.6	12.2	15.3
PAT Margin	11.0	11.0	12.5	14.6
Return Ratios (%)				
RoE	10.5	9.3	11.0	13.4
RoCE	13.4	11.1	13.5	16.4
Valuation Ratios (x)				
EV / EBITDA	41.8	46.4	32.3	22.1
P/E	40.7	42.8	33.5	25.1
EV / Net Sales	3.9	4.1	3.6	3.2
Sales / Equity	1.0	0.9	1.0	1.0
Market Cap / Sales	4.2	4.4	3.9	3.4
Price to Book Value	4.3	4.0	3.7	3.4
Workin Capital Management Ratios				
Inventory Days	-	-	-	-
Debtors Days	73	58	61	63
Creditors Days	46	41	41	41
Asset turnover	3.3	2.9	3.0	3.2
Solvency Ratios				
Debt / Equity	0.0	0.1	0.1	0.1
Current Ratio	1.3	2.1	2.3	2.4
Quick Ratio	1.3	2.1	2.3	2.4

Source: Company, ICICI Direct Research

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Sell: <-15%



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