

IPO Note

PROTENA E-GOV TECHNOLOGY LIMITED

November 06, 2023





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Details of the Issue

Price Band	₹ 752 - ₹ 792
Issue Size	₹ 490.33 Cr
Face Value	₹ 10
Bid Lot	18
Listing on	BSE
Post Issue Mcap	₹ 3,203.38 Cr
Investment Range	₹ 13,356 - ₹ 14,256

Important Indicative Dates (2023)

Opening	06 - Nov
Closing	08 - Nov
Basis of Allotment	13 - Nov
Refund Initiation	15 - Nov
Credit to Demat	16 - Nov
Listing Date	17 - Nov

No of shares (Mn)

Fresh Issue of Shares	-
Offer for Sales	6.19
Total No of Shares	6.19

Lead Manager

ICICI Securities Limited
Equirus Capital Private Limited
Nuvama Financial Advisory and Securities Limited
IIFL Securities Limited

Offer Details

Offer Size	₹ 463 Cr
Fresh Issue	₹ 390.70 Cr
OFS	₹ 72.30 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	245	3.10	3.26	50
NIB	172	2.17	2.28	35
Retail	74	0.93	0.98	15
Em- ploy.	-	-	-	-
Total	490	6.19	6.52	100

Invest Now**Company Profile**

Protean eGov Technologies Limited, formerly NSDL e-Governance Infrastructure Limited, has been developing citizen-centric e-governance solutions since December 1995. With over two decades of experience, the company has played a crucial role in shaping India's digital infrastructure. They have successfully implemented 19 projects across various ministries since December 2022.

Key achievements include modernizing direct tax infrastructure through projects like PAN issuance, establishing a universal social security system for all Indians with a focus on unorganized sector workers through the Atal Pension Yojana, and enhancing accessibility to education and skill financing through efficient digital marketplaces like Vidya Lakshmi and Vidyasaarathi. Moreover, Protean eGov Technologies has actively contributed to open digital building blocks, including the Open Network for Digital Commerce (ONDC), supporting sectors like e-commerce, mobility, healthcare, agriculture, and education. Notably, the company has been a prominent early contributor to open-source community and protocols powering ONDC.

Business Highlights & Services

Company 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. Company collaborate with the government and have extensive experience in creating digital public infrastructure and developing innovative citizen-centric e-governance solutions. It was originally setup as a depository in 1995 and created a systemically important national infrastructure for capital market development in India. Company have been the chief architect and implementer for some of the most critical and largescale technology infrastructure projects in India. It believe their solutions have led to identification of bottlenecks in government services, increased transparency and efficiency, redefined delivery of public services and led to a reduction in service delivery costs. Company is the leading Indian companies in the e-governance sector in terms of profitability, operating income, operating profit and operating profit margin in Fiscal 2023. It is professionally managed company and are led by an experienced senior management team whose expertise and industry experience have helped them to grow their operations and innovate their services.

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



The company has played a pivotal role in building essential public digital infrastructure and implementing e-governance initiatives that have had a far-reaching impact on various sectors of the Indian economy. Some of their noteworthy contributions include:



- Modernising 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”).
- 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”).
- 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”).
- The company has actively contributed to India Stack, a set of APIs enabling presence-less, paperless, and cashless service solutions for governments, businesses, startups, and developers. They’ve empowered the BFSI sector with Aadhaar-based identity authentication and e-Sign services as a licensed certifying authority, also serving as a registrar for Aadhaar enrollment.
- Improving accessibility to education and skill financing through creation of efficient digital marketplaces enabling discovery of financial resources through platforms such as Vidya Lakshmi, and Vidyasaarathi.
- Contributing to and supporting open digital building blocks such as Open Network for Digital Commerce (“ONDC”) for use-cases across sectors like e-commerce, mobility, healthcare, agriculture and education. It is one of the key and early contributors to the open source community and protocols that are powering ONDC.

Project-wise major highlights and their 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	100%
	AUM (₹ million) 2,95,825	

Company’s business model has resulted in positive cash flows over the years and cash flows from operating activities were ₹ 1,001.19 million, ₹ 942.69 million, ₹ 1,370.21 million, ₹ 109.40 million and ₹ (79.04) million in Fiscals 2021, 2022 and 2023 and in the three months ended June 30, 2022 and June 30, 2023, respectively. It have been profitable since Fiscal 1999 and have consistently declared and paid dividends since Fiscal 2001.

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

Particulars	Fiscal			Three months ended June 30*	
	2021	2022	2023	2022	2023
	(₹ million except percentages)				
Profit for the year/period	921.87	1,439.37	1,070.42	212.71	322.11
Revenue from operations	6,031.32	6,909.09	7,422.06	1,567.48	2,204.03
ROE	13.81%	18.27%	12.49%	2.62%*	3.63%*
ROCE	16.93%	22.91%	16.13%	3.29%*	4.60%*



Key Holding Information

It is professionally managed company and are led by an experienced senior management team whose expertise and extensive industry experience has helped them grow their operations and innovate their services over the years. It Shareholders include financial institutions such as NSE Investments Limited, 360 ONE Special Opportunities Fund (formerly known as IIFL Special Opportunities Fund), SUUTI, Citicorp Finance India Limited and certain public and private sector banks such as State Bank of India, Punjab National Bank, Union Bank of India, Bank of Baroda and Canara Bank, HDFC Bank Limited, Axis Bank Limited, Deutsche Bank A.G., The Hong Kong and Shanghai Banking Corporation Limited, Standard Chartered Bank, among others.

Network Infrastructure

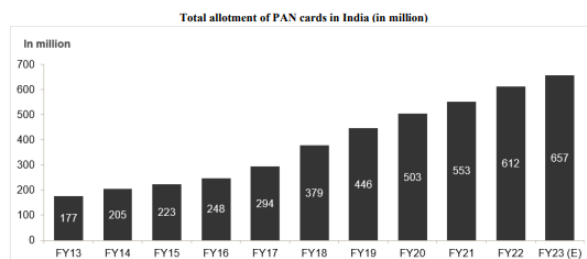
To cater to the vast and diverse demographic needs of the country, the company has introduced a "phygital" (Physical + Digital) model, ensuring last-mile accessibility. While leading the development of the nation's e-governance infrastructure, they have also established a widespread physical network with more than 167,000 centers, encompassing 79,000 PAN and TIN facilitation centers and over 88,000 points of presence as of June 30, 2023. This extensive network is utilized to offer "assisted services" to citizens who may not have digital access, effectively bridging the digital divide.



Services	Number of Centers*
Facilitation centers for PAN, TAN, TDS processing	Over 79,000
Point of Presence for NPS	Over 88,000
Nodal Offices for NPS	Over 26,000 (Central Government); and Over 263,000 (State Governments)

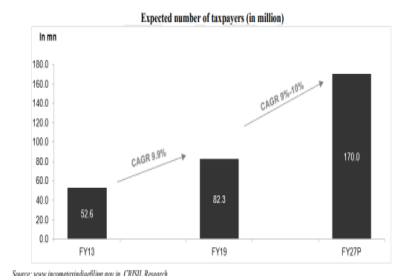
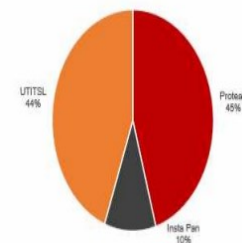
* As of June 30, 2023.

Industry Outlook

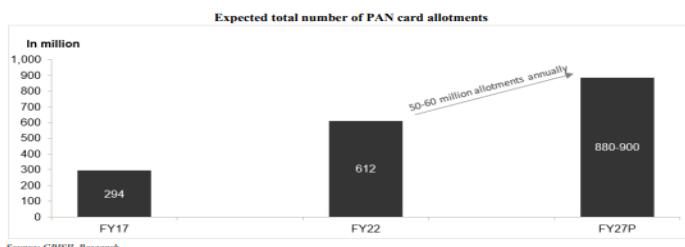


Note: Fiscal 2023 data is available until December 2022.

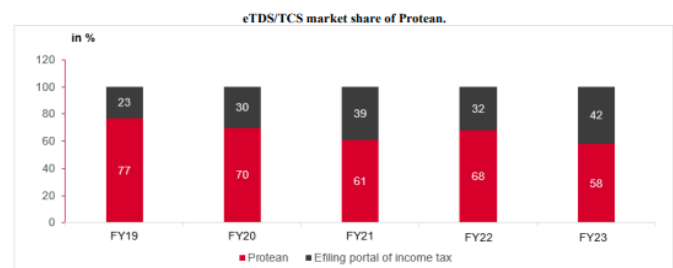
Market share in PAN card allotment from introduction From Fiscal 2021 until Quarter One of Fiscal 2024



Source: www.icmatindiaoffing.gov.in, CRISIL Research



Source: CRISIL Research



Source: Company document

**Companies Competitive Strength :**

- 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.

Key Strategies Implemented by Company

- 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.

Particulars (Rs Cr)	2023	2022	2021
Equity Share Capital	41	41	40
Reserves	816.33	747.43	672.14
Net worth as stated	856.94	788	668
Revenue from Operation	742	691	603
Revenue Growth (%)	7%	15%	-
EBITDA as Stated	118	124	85
EBITDA margin (%)	15.9%	17.9%	14%
Net Profit for the period	107	144	92
Net Profit (%) as Stated	14.4%	20.8%	15.3%
EPS (₹)	26.5	35.8	23
RoNW (%)	12.5%	18.3%	13.8%
ROCE (%)	13.6%	20.4%	12.1%
NAV (Rs)	212	195	165

Valuations and Recommendation:

- Protean e-Gov Technologies Ltd annualized earning arrives at ₹ 128.84 Cr for 3MFY23. At upper price band of ₹ 792, Company is looking for post issue market cap of ₹ 3,203.38 Cr, Which implies a earning multiple (P/E) of 24.84(x).
- Based on the valuation, issue appears to be fairly valued, Protean Stands is a leading player in the e-governance sector, with a strong market presence and has a remarkable 25-year history of developing digital public infrastructure and innovative e-governance solutions. They collaborate with both the public and private sectors, driving innovation for NPS and APY subscribers. They anticipate issuing 50-60 million PAN cards annually by FY27 and project a 16-17% CAGR in NPS-APY subscribers from FY22 to FY27. Additionally, they maintain consistent profitability, positive cash flows, and require minimal capital expenditure and working capital for key growth areas. Hence, we recommend “Subscribe” rating to the stock issue.



Notes

GEPL Capital Pvt. Ltd

Head Office: D-21/22 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400001

Reg. Office: 922-C, P.J. Towers, Dalal Street, Fort, Mumbai 400001

Research Analyst – Mr. Dibandu Maji | + 022-6618 2689 | Dibandumaji@geplcapital.com

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