



SMC Ranking
 ★★☆☆☆ (2/5)

Issue Highlights

Industry	eGov Technologies
Offer for sale (Shares)	6,191,000
Net Offer to the Public	6,191,000
Issue Size (Rs. Cr.)	465-491
Price Band (Rs.)	752 -792
Employee Discount	Rs 75 per share
Offer Date	6-Nov-23
Close Date	8-Nov-23
Face Value	10
Lot Size	18 Shares

Issue Composition

	In shares
Total Issue for Sale	6,191,000
QIB	3,095,500
NIB	928,650
Retail	2,166,850

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	0.00%	0.00%
QIB	97.95%	90.30%
NIB	2.05%	4.35%
Retail	0.00%	5.36%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company 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.

Book Running Lead Manager

- ICICI Securities Limited
- Equirus Capital Private Limited
- IIFL Securities Limited
- Nomura Financial Advisory and Securities (India) Private Limited

Name of the registrar

- Link Intime India Private Limited

About the company

Incorporated in December 1995, Protean eGov Technologies Limited was previously known as NSDL e-Governance Infrastructure Limited. The company is engaged in the business of developing citizen-centric and population-scale e-governance solutions for more than 2 decades. Protean eGov Technologies has played a vital role in developing national infrastructure for capital market development in India. The company has developed & implemented some of the most crucial technological infrastructure in India. Since December 2022, the company has implemented and managed 19 projects spread across several ministries.

Strength

Pioneer and market leader in universal, citizen centric and population scale e-governance solutions: The company is among India's top IT-enabled e-governance service providers in terms of profitability and operating income in Fiscal 2023. The company continues to be a market leader in provision of e-governance services such as management of the TIN, PAN processing, NPS and Atal Pension Yojana. The company is demonstrable experience in implementing and managing population scale critical solutions, and since inception and as of June 30, 2023, it has developed and implemented 19 projects across seven ministries across India.

Secure, scalable and advanced technology infrastructure: Protean eGov Technologies has made investments in technology platforms that in its experience have strengthened its competitive advantage, increased its operating leverage, ensured scalability and improved functionality while driving innovation. These investments have also helped it provide its clients and other stakeholders with bespoke services. Protean eGov Technologies has developed scalable platforms by adopting a differentiated technology-centric approach focusing on increasing security and risk mitigation to help drive growth. Additionally, its platforms require limited capital expenditure to scale when it adds new offerings or when volumes increase allowing it to offer seamless and efficient services to users. Protean eGov Technologies conceptualizes, designs and develops projects using open source and proprietary technologies featuring scale out architectures including performance and security monitoring systems based on Elasticsearch, Logstash, Kibana scripts, Ansible, service management tools, data loss prevention, endpoint security licenses some of which it has developed in-house.

Large physical infrastructure with pan-India network and scale resulting in inclusion: It has expanded its service network across India, growing from 33,041 centers in March 2021 to 79,374 centers in June 2023. By June 2023, its PAN and TIN facilitation centers reached more than 12,000 PIN codes across 700 Indian districts. It also extended its presence to over 26,000 central government nodal offices, 263,000 state government nodal offices, and had 87,000 points of presence nationwide for administering the NPS. By June 30, 2023, it had 7,121 TIN facilitation centers spanning 1,652 locations, where taxpayers could submit various statements. Protean eGov Technologies has expanded from 5,956 TIN centers as of March 2021 to 6,988 by March 2023. To reach more areas, it partnered with distribution networks like Nearby Technologies Private Limited, Fino Payments Bank Limited, Vakrangee Limited, and Payworld Digital Services Private Limited.

Diversified, granular and annuity based service offerings: Its digital services encompass e-Sign, e-KYC, Aadhaar Authentication, and e-PAN services. It diversified service offerings are spread across sectors such as tax administration, pension record keeping solutions, national identity and identity authentication solutions, education and

skill financing solutions. In the fiscal year 2023, it managed more than 10.11 crore e-sign transactions, reaching a cumulative total of 27.63 crore e-sign transactions.

Track record of healthy financial performance: On the financial front, net profit for the year ended March FY23 reported at Rs 107.04 crore, which was lower compared to Rs 143.9 crore in previous year, but revenue from operations during the same period jumped to Rs 742.2 crore, from Rs 690.9 crore. For the June FY24 quarter, net profit increased to Rs 32.2 crore compared to Rs 21.3 crore in corresponding period last fiscal. Revenue from operations during the same period rose to Rs 220.4 crore, from Rs 156.75 crore.

Strategy

Diversify offerings with a focus on new sectors: Protean eGov Technologies been involved at multiple nodes of the Aadhaar value chain starting from enrolments to digital transactions creating digital public infrastructure and providing enabling solution to the Aadhaar ecosystem. It intends to extend its experience in implementing large scale time critical and data intensive project like Aadhaar to diverse sectors with the specific focus on health, education and agriculture. It intends to leverage its capabilities as an ecosystem creator to conceptualize, design and implement large-scale e-governance projects. Protean eGov Technologies intends to position itself as an enabler of digitalization to create sustainable public digital infrastructure across sectors and continue to invest in improving its existing technology systems or implement new, more advanced technology systems that may be developed.

Building capability around data analytics, digital verification and due diligence: It has a track record of successfully implementing and managing large and critical applications and databases and developing solutions that offer operational efficiency and productivity. Leveraging on this experience, it intends to build core capabilities around data led businesses. In the Indian market, IoT, artificial intelligence and big data are the strong drivers for data center investments. The Indian market is witnessing the adoption of a variety of IoT-enabled devices at a steady pace. The implementation of 5G network for mobile devices will aid growth of IoT and big data analytics.

Account Aggregator: Given the growing share of online transactions between 2014 and 2021 in the Indian financial services regulated entity under the direct supervision of the RBI, for the account aggregation business and have received the certificate of registration dated January 9, 2023 from the RBI.

Digital verification and due diligence: It has developed credible business intelligence solutions by consolidating its existing offerings like online PAN verification, e-KYC, GST verification and integrating with other such verification solutions and delivering products designed to identify frauds, make credit appraisal seamless and monitor financial transactions swiftly and securely. Its API is integrated with existing client systems to offer customizable solutions as per requirements.

Cloud Services: It has experience in managing population scale IT enabled services which includes range of activities from owning and operating data centres, computer systems, platforms, applications and related customer services. Protean eGov Technologies has setup cloud services with a view to extend its experience of managing infrastructure and data to enterprises and market as a whole. In August 2022, it launched indigenously developed 'Protean Cloud Services', an AI-powered private cloud offering for business enterprises. Protean eGov Technologies provides advanced cloud infrastructure coupled with enterprise-grade security framework and governance.

Cyber Security: Protean eGov Technologies's subsidiary, Protean InfoSec Services Limited, provides services in areas relating to cyber security consulting, advisory, and assessment services in the field of IT security. It intends to focus on the consulting and advisory service models in the cyber security industry. It also intends to cater to government organizations and small and medium enterprises with services such as Gap assessment, development of effective cyber security strategies, design / strengthen security architecture, security assessment, audit and awareness training. It also intends to help establish robust governance, risk and compliance processes and necessary cyber security policy development.

Expanding into newer geographies: Given its expertise in handling a range of IT/ ITES projects and its ability to provide diversified services and solutions, it intends to offer its services selectively in

jurisdictions outside India. It will look to leverage its expertise of working and developing projects for the Indian government to similar projects in countries where it is currently evaluating projects. Considering this expertise, the Ministry of External Affairs, Government of India has enlisted its Company under its “Development Partnership Frameworks” to promote India’s capabilities globally.

Adoption of disruptive technologies and investment in open source solutions, protocol and networks: It recognizes that it is evolving towards collaborative ecosystems and are striving to be one of the main contributors in creating and building ‘Open Digital Ecosystems’ across sectors which would be transparent, secure and enable a community of actors to unlock innovative, disruptive and transformative solutions for society, based on a robust governance framework. It believes that having such ecosystems would enable different parts of the government system (across centre, states, ministries and departments) and private entities to collaborate for service delivery and allow various players to build new services and solutions which will coexist in this ecosystem. It expects that the full potential of technology and community will be realized by using open APIs, open standards, open data and modular architecture, thus facilitating inter-operability and unlocking shared value.

Risk factor

- The company relies on telecommunications and information technology systems, networks and third party infrastructure to operate its business.
- Its client contracts can typically be terminated without cause, which could negatively impact its revenues and profitability.
- Any delay in the collection of dues and receivables from clients may have a material and adverse effect on its results of operations and cash flows.

Peer comparison

As per the RHP, peer comparison is not applicable as there are no listed companies in India that engage in a business similar to that of Protean eGov Technologies Ltd.

Valuation

Considering the P/E valuation on the upper price band of Rs.792, EPS and P/E based on TTM are Rs.29.17 and 27.15 multiple respectively and at a lower price band of Rs. 752, P/E multiple is 25.78. Looking at the P/B ratio on the upper price band of Rs.792, book value and P/B are Rs. 219.57 and 3.61 multiple respectively and at a lower price band of Rs. 752 P/B multiple is 3.42. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

Industry Outlook

E-governance is the use of ICT 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 upgradation, and e-governance initiatives of the central and 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.

Outlook

Protean eGOV Technologies is a leading IT-enabled solutions company engaged in conceptualizing, developing and executing nationally critical and population scale Greenfield technology solutions. The company collaborates with the government and has extensive experience in creating digital public infrastructure and developing innovative citizen-centric e-governance solutions. The company is expanding its reach in neighboring countries for eGovernance plans. A long term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	06-November-23
BID/ISSUE CLOSES ON	08-November-23
Finalisation of Basis of Allotment with the Designated Stock Exchange	13-November-23
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	15-November-23
Credit of Equity Shares to demat accounts of Allottees	16-November-23
Commencement of trading of the Equity Shares on the Stock Exchanges	17-November-23

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-23 (3 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	220.40	742.20	690.90
Total expenditure	186.31	624.24	567.07
Operating Profit	34.09	117.96	123.83
OPM%	15.47	15.89	17.92
Other Income	12.76	41.66	79.26
PBDIT	46.85	159.63	203.10
Depreciation	4.91	18.28	16.99
PBIT	41.94	141.35	186.11
Interest	0.21	0.92	0.48
Profit before tax	41.72	140.42	185.62
Tax expense	9.51	33.37	41.68
PAT	32.21	107.04	143.94

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-23	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	51.12	50.12	51.79
Capital work-in-progress	0.00	0.59	0.00
Right of Use Asset	12.09	11.10	7.91
Other Intangible assets	8.59	1.40	3.61
Intangible assets under development	11.08	8.18	11.43
Financial Assets			
Investments	522.92	452.70	523.41
Other financial assets	24.52	21.26	46.14
Deferred tax assets (net)	21.75	20.00	20.83
Income tax assets (net)	31.37	27.83	31.27
Other non-current assets	0.45	1.43	0.15
Total non-current assets	683.88	594.61	696.55
Current assets			
Financial Assets			
Investments	5.10	55.12	5.10
Trade Receivables	219.57	196.85	208.86
Cash and cash equivalents	19.61	77.43	17.14
Bank balances other than cash and cash equivalents	132.79	10.24	120.39
Other financial assets	31.38	22.23	24.46
Other current assets	41.54	53.10	31.60
Total current assets	449.98	414.98	407.56
Total Assets	1133.86	1009.59	1104.10
Non-current liabilities			
Financial liabilities			
Lease Liabilities	6.52	3.95	7.92
Provisions	16.33	15.44	15.18
Other non-current liabilities	0.00	0.00	1.37
Total non-current liabilities	22.85	19.39	24.47
Current liabilities			
Financial Liabilities			
Lease Liabilities	5.56	3.97	3.76
Trades Payable - MSME	12.15	19.19	5.66
Trade Payables - other than MSME	121.38	112.64	90.06
Other financial liabilities	11.93	21.51	13.38
Other current Liabilities	61.86	64.37	53.67
Provisions	7.13	6.08	5.21
Income tax liabilities (net)	2.92	0.00	3.92
Total current liabilities	222.92	227.77	175.67
Total	245.77	247.16	200.14
Net worth represented by:			
Equity Share Capital	40.42	40.42	40.38
Other Equity	847.87	816.72	747.81
Non - Controlling Interest	-0.19	-0.19	-0.19
Net Worth	888.10	856.94	788.00

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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