

CMP: ₹ 744

Target: ₹ 825 (11%)

Target Period: 12 months

HOLD

August 11, 2025

Lackluster Q1, Growth in new verticals to watch out

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.

Q1FY26 performance: Protean reported modest set of result as growth remains lackluster. Revenue came at ₹210 crore which increased by 7.3% YoY on a low base (-5.1% QoQ). Segmentally, Tax services reported revenue of ₹100 cr (up by 2% YoY, -7% QoQ), CRA services at ₹76 cr (up by 16% YoY, 1% QoQ), identity services at ₹24 crore (-14% YoY, -3% QoQ) and new business at ₹11 crore (up by 101%, -26% QoQ). EBITDA reported at ₹16.4 crore, increasing by 8.6% YoY (-8.27% QoQ) with margins at 7.8%. PAT reported at ₹23.9 crore, increased by 13.1% YoY and 16.9% QoQ mainly aided by other income of ₹ 28.5 cr earned on its investment book.

Investment Rationale

Major Investments behind; but execution on growth awaited: The company has been investing across business verticals including new aged business like open digital ecosystem (ODE), Cloud & Infosec, data stack as well as global expansion. Order book for RFPs won stands at ~₹300 cr of which ~₹100 cr shall be executed in FY26E. Further it is working on 3-4 mandates which could improve its outlook. CRA services is growing at a steady pace in mid-teen range while identity segment is yet to showcase revenue rebound. Q1 witnessed pricing pressure while management remains optimistic on growth prospects but execution needs to be watched out. On Tax services segment, PAN 2.0 unfavorable development is expected to be visible in financials post FY27E. Management maintains its stance that its role is related to processing and distribution. As per them, ~70% of application is still through assisted mode with online and offline proportion being ~50:50. Going ahead, customer behaviour in terms of online or offline issuance and how distribution plays out will be key to watch out.

Margin set to improve, though it hinges on growth execution: Protean is well-placed to improve margin as it benefits from operating leverage. However, growth execution remains key factor while capacity is largely built across all its segments. Q1 saw staff expense rise for i) new RFPs it has won, ii) increment and iii) strengthening leadership. This shall stabilise at current levels going ahead.

Rating and Target Price

- With Protean missing on PAN 2.0 project, it has created uncertainty on its long-term profitability matrix. Net cash balance sheet of ~₹ 800 cr provides cushion on its ability to invest. The growth execution in other than tax services segments will be key factor going ahead. We revise earnings estimate downwards considering current lackluster growth and its impact on margins. Maintain HOLD rating with a revised target price of ₹ 825.



protean
Change is growth

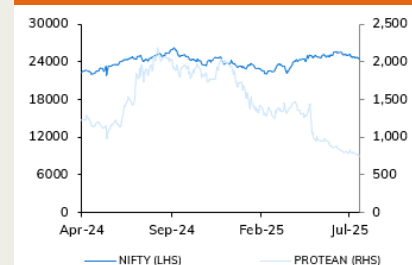
Particulars

Particular	Amount
Market Cap (₹ Crore)	3,019
FY25 Debt (₹ Crore)	69
FY25 Cash (₹ Crore)	797
EV (₹ Crore)	2,291
52 Week H/L (₹)	2225 / 741
Equity Capital (₹ Crore)	40.5
Face Value	10

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	-	-	-	-
FII	6.7	9.9	10.9	8.8
DII	28.9	30.1	27.8	24.8
Others	64.4	60.0	61.3	66.5

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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Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenue	691	742	882	841	6.8	1,000	1,127	15.8
EBITDA	124	118	89	80	(13.4)	114	147	35.0
EBITDA Margin (%)	17.9	15.9	10.1	9.6		11.4	13.0	
Net Profit	144	107	97	92	(13.7)	106	130	18.6
Diluted EPS (Rs)	35.5	26.4	24.0	22.8		26.2	32.1	
P/E (x)	21.0	28.2	31.0	32.6		28.5	23.2	
EV/EBITDA (x)	22.2	23.8	31.3	34.7		24.2	18.6	
RoCE (%)	22.8	16.1	13.4	11.1		12.5	14.2	
RoE (%)	18.2	12.5	10.5	9.3		10.0	11.4	

Source: Company, ICICI Direct Research

Concall highlights and outlook

- **Tax Services** - Tax services revenue grew by 2% YoY, -6.9% QoQ to ₹ 100 cr in Q1FY26. The company managed to gain market share by 80 bps QoQ, ~500 bps YoY to 59%. Protean issued ~1 cr pan cards of which online and offline issuance was 50:50 which would be broadly similar on YoY basis.

PAN 2.0 unfavorable development is expected to be visible in financials post FY27E. Management maintains its stance that its role is related to processing and distribution. As per them, ~70% of application is still through assisted mode with online and offline proportion being ~50:50. Going ahead, customer behaviour in terms of online or offline issuance and how distribution plays out will be key to watch out.

- **Pension services** - This segment is growing at a steady pace of mid-teens. In Q1, 32.4 lakhs new subscribers were on-boarded capturing a significant 98% market share in the new subscriber's addition. The company holds 97%+ market share in NPS, APY and UPS combined. Cumulative subscribers recorded at ~8.5cr. Revenue came at ₹76cr (up by 16% YoY, 1% QoQ). Overall pension penetration is low at ~6% having enough headroom to grow.
- **Identity services** - Identity services revenue declined by 14% YoY and 3% QoQ which was impacted due to pricing pressure. Management remains optimistic about the segment's growth prospects. Company has been strengthening its product basket with value added offerings such as eSignPro and RISE with Protean.
- **New Aged Businesses** - Management reiterated its target to increase contribution from these segments to ~25% to total revenue mix in 3 years from current ~5%.

Protean has recently won few RFPs which showcases in its order book of ₹ 300 cr. This includes projects like ₹ 161 cr Cersai CKYCRR 2.0, ₹ 100 cr Bima Sugam which was recently won among others. Q1 had negligible revenue booked in Q1 related to these RFPs. For FY26E, Management suggests ~₹ 100 cr revenue is likely to be booked. Margins in these RFPs are likely to be around 15%. Further, there are 3-4 such mandates where company is shortlisted and is in final stages of discussion.

- Employee expense rose sharply on account of i) new RFPs it has won, ii) increment and iii) strengthening leadership. Going ahead, similar run-rate is likely to continue for the balance year. In case of more RFP's are won, the cost could get added up. Management suggests these costs are front-loaded while the revenue is yet to accrue.
- Balance sheet is strong with ₹ 800 cr+ of cash and cash equivalents.

Exhibit 1: 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%	43.1%	38.8%
Growth YoY	-	13.2%	18.6%	12.0%	-12.9%	1.8%	1.5%
Pension services	32.7%	29.5%	29.8%	28.7%	33.7%	32.2%	32.3%
Growth YoY	-	3.6%	8.3%	14.5%	12.0%	13.7%	12.9%
Identity services	12.1%	15.8%	9.2%	12.6%	11.9%	10.6%	10.8%
Growth YoY	-	49.3%	-37.6%	63.2%	-9.8%	5.8%	15.2%
New Businesses	1.7%	1.7%	2.6%	3.6%	4.0%	14.0%	18.0%
Growth YoY	-	17.8%	61.3%	66.7%	5.3%	316.7%	44.5%

Source: Company, ICICI Direct Research

Exhibit 2: Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
Revenue from operation	211.0	196.5	7.4	222.2	(5.0)	Growth modest in mainly tax services and identity segments. CRA was steady at mid-teens.
Processing charges	76.5	76.5	(0.1)	81.7	(6.4)	
Employee Benefit expense	58.0	41.5	39.8	50.0	16.0	Staff cost increased mainly in relation to new RFP's which shall be executed going ahead.
Other operating expense	59.9	63.4	(5.5)	72.5	(17.3)	
EBITDA	16.6	15.1	9.7	17.9	(7.4)	
EBITDA margin (%)	7.9	7.7	17 bps	8.1	-20 bps	Margin remains subdued while topline growth crucial going ahead for operating leverage to play out.
Depreciation	11.0	6.8	62.4	8.1	36.3	
Other income	28.5	19.3	47.8	16.5	72.4	
PBIT	34.1	27.6	23.4	26.3	29.3	
Finance Cost	1.5	0.5	204.0	1.1	39.4	
PBT	32.5	27.1	20.0	25.2	28.9	
Tax	8.5	6.0	42.0	4.8	76.0	
PAT	24.0	21.1	13.8	20.4	17.7	PAT growth mainly aided by higher other income.

Financial Summary

Exhibit 3: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue	882.0	840.7	999.8	1,126.6
% Growth	18.8	(4.7)	18.9	12.7
Other income	67.6	68.3	74.4	79.6
Total Revenue	949.6	908.9	1,074.2	1,206.2
Employee Expenses	175.1	188.6	250.8	283.4
Other expenses	195.9	244.7	247.2	270.7
Total Operating Expenditure	792.6	760.3	885.4	980.1
Operating Profit (EBITDA)	89.4	80.4	114.4	146.5
% Growth	(24.2)	(10.2)	42.3	28.1
Interest	1.7	2.4	4.2	4.2
PBDT	155.3	146.3	184.5	221.9
Depreciation	27.5	27.9	45.0	50.7
PBT before Exceptional Items	127.9	118.4	139.5	171.2
Total Tax	30.6	26.0	33.5	41.1
PAT before MI	97.3	92.4	106.1	130.1
PAT	97.3	92.4	106.1	130.1
% Growth	(9.1)	(5.0)	14.7	22.7
EPS	24.0	22.8	26.2	32.1

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	106.1	130.1
Depreciation	27.5	27.9	45.0	50.7
Interest	1.7	2.4	4.2	4.2
Cash Flow before WC changes	126.4	122.6	155.3	185.0
Changes in inventory	-	-	-	-
Changes in debtors	19.6	45.2	(35.5)	(28.7)
Other current assets	(26.7)	55.6	(5.0)	(4.0)
Net Increase in Current Assets	(16.0)	(48.8)	(73.1)	(71.9)
Changes in creditors	(12.0)	(16.6)	17.4	14.8
Other current liabilities	3.3	19.0	20.2	16.5
Net Increase in Current Liabilities	(8.7)	2.5	37.6	31.4
Net CF from Operating activities	101.7	76.3	119.7	144.4
(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	(4.2)	(4.2)
Net CF from Financing Activities	(17.0)	25.7	(48.7)	(53.2)
Net Cash flow	13.2	(14.6)	0.1	17.2
Opening Cash/Cash Equivalent	137.5	150.7	136.1	136.2
Closing Cash/ Cash Equivalent	150.7	136.1	136.2	153.4

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	1,019.8	1,100.9
Total Shareholders funds	926.0	998.8	1,060.3	1,141.5
Total Debt	20.8	68.5	68.5	68.5
Total Liabilities	970	1,089	1,154	1,239
Gross Block	287.4	310.1	335.6	365.6
Acc: Depreciation	221.8	249.7	294.7	345.4
Net Block	65.6	60.4	41.0	20.3
Capital WIP	13.1	10.6	15.0	15.0
Total Fixed Assets	78.7	71.0	56.0	35.3
Non Current Assets	42.5	81.3	81.3	81.3
Inventory	-	-	-	-
Debtors	189.3	144.1	179.5	208.2
Other Current Assets	45.8	26.4	31.2	35.0
Cash	150.7	136.2	136.2	153.4
Total Current Assets	436.8	471.0	544.1	633.3
Current Liabilities	119.9	103.3	120.7	135.5
Net Current Assets (Ex Cash)	70.9	117.2	152.7	193.3
Total Assets	970	1,089	1,154	1,239

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per Share Data (₹)				
EPS	24.0	22.8	26.2	32.1
Cash per Share	59.6	73.3	78.1	87.7
BV	228.4	246.4	261.5	281.6
Dividend per share	10.0	4.9	11.0	12.1
Dividend payout ratio(%)	41.6	21.4	42.0	37.6
Operating Ratios (%)				
EBITDA Margin	10.1	9.6	11.4	13.0
PAT Margin	11.0	11.0	10.6	11.5
Return Ratios (%)				
RoE	10.5	9.3	10.0	11.4
RoCE	13.4	11.1	12.5	14.2
Valuation Ratios (x)				
EV / EBITDA	31.3	34.7	24.2	18.6
P/E	31.0	32.6	28.5	23.2
EV / Net Sales	2.9	3.1	2.6	2.3
Sales / Equity	1.0	0.9	1.0	1.1
Market Cap / Sales	3.2	3.3	2.8	2.5
Price to Book Value	3.3	3.0	2.8	2.6
Workin Capital Management Ratios				
Inventory Days	-	-	-	-
Debtors Days	73	58	61	63
Creditors Days	46	41	41	41
Asset turnover	3.3	2.9	3.2	3.3
Solvency Ratios				
Debt / Equity	0.0	0.1	0.1	0.1
Current Ratio	1.3	2.1	2.2	2.4
Quick Ratio	1.3	2.1	2.2	2.4

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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