

Company Overview

Protean eGov Technologies Ltd (PETL) is one of the leading IT-enabled solutions companies in India engaged in conceptualizing, developing and executing nationally critical and population-scale green-field technology solutions. The company works with the government and has gained extensive experience creating digital public infrastructure and developing innovative citizen-centric e-governance solutions. The company was initially set up as a depository in 1995 and made a systemically important national infrastructure for capital market development in India. It has been the chief architect and implementer for some of the most critical and large-scale technology infrastructure projects in India. Since its inception and as of June 30, 2023, it has implemented and managed 19 projects spread across seven ministries and autonomous bodies, ushering change in the public delivery of services. Over the years, the company has successfully adapted to technology advancements through continuous investments in new technologies. The company also has domain knowledge for various industries that allow it to develop functionalities that address the specific requirements of end-users, businesses and public entities.

Objects of the issue

The net proceeds from the issue will be used towards the following purposes:

⇒ The selling shareholders will receive the entire offer proceeds.

Investment Rationale

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

The company is among India's leading IT-enabled e-governance service providers in terms of operating income and profitability in FY23 and among the few players in the country which are working towards the creation of open digital ecosystems. Since its inception and as of June 30, 2023, it has developed and implemented 19 projects across seven ministries across India. PETL's market share has been 45% in PAN issuance, 58% in TIN, 94% in NPS and 100% in Atal Pension Yojana (APY). It has embraced an impact-weighted framework to guide all business decisions with a focus on the Environment, Social and Governance framework. The company also has experience implementing and managing population scale critical solutions. PETL are amongst the few private players in India in the e-governance space working towards the achievement of the Digital India initiative and creation of open digital ecosystems by leveraging open source technologies across a variety of sectors such as e-commerce, mobility, healthcare, agriculture and education, amongst others. The company focuses on building a value system, driving it to contribute towards a sustainable and responsible future.

Expertise in securing, scaling and advancing the technology infrastructure

PETL has a competitive edge as it has invested in technology platforms to increase the operating leverage while ensuring scalability, improved functionality and driving innovation. These investments have also helped to provide clients and other stakeholders with bespoke services. The company's market-first innovations have been implemented across various sectors and products, such as TIN in taxation pilot infrastructure for GST, laying the foundation for a unified tax accounting system in India. PETL actively contributes to and supports open digital building blocks using open-source technology and protocols that power ONDC for use cases in sectors like e-commerce, mobility and available finance. The company has developed scalable platforms by adopting a differentiated technology-centric approach focusing on increasing security and risk mitigation to help drive growth. Additionally, PETL platforms require limited capital expenditure to scale when adding new offerings or when volumes increase, allowing them to offer seamless and efficient services to users. To ensure project scalability, the company has deployed techniques like multi-tasking, multi-threading, multi-processing, and caching through advanced automation tools, monitoring tools, backup methodologies and a relational database management system. PETL has also adopted secure protocols that include multi-zone and three-tier architecture, 128/256-bit encryption, dual firewalls for core and perimeter and an intrusion prevention system. Logs for its firewalls and intrusion prevention system are reviewed promptly, with exceptions immediately escalated. The company also implemented a business continuity management system to establish, manage, maintain and continually improve business continuity capabilities.

Issue Details	
Offer Period	6 th Nov, 2023 - 8 th Nov, 2023
Price Band	Rs. 752 to Rs. 792
Bid Lot	18
Listing	BSE
Issue Size (no. of shares in mn)	6.2
Issue Size (Rs. in bn)	4.9
Face Value (Rs.)	10

Issue Structure	
QIB	50%
NIB	15%
Retail	35%
BRLM	Equirus Capital Pvt. Ltd., IIFL Securities Ltd, ICICI Securities Ltd.
Registrar	Link Intime India Pvt. Ltd

Particulars	Pre Issue %	Post Issue %
Promoter & Promoter Group	100.00%	84.69%
Public	0.00%	15.31%
Total	100.00	100.00

(Assuming issue subscribed at higher band)

Research Team - 022-61596138



Protean eGov Technologies Ltd.

Valuation

PETL has successfully adapted to technology advancements through continuous investments in new technologies and capabilities and by developing sophisticated technology architecture. Their domain knowledge for various industries has allowed them to create functionalities that address the requirements of end-users, businesses and public entities. PETL clients benefit from its delivery model, significant experience across various technologies, industry knowledge, project management expertise and proprietary software engineering tools. The company was a pioneer in the e-governance sector in terms of profitability, operating income, and operating profit in FY23. It is a professionally managed company led by an experienced senior management team whose expertise and industry experience have helped it grow operations and innovate services. The company has a track record of sustained revenue and PAT growth, growing at a CAGR of 10.9% and 7.8% during the FY21-23 period. Further, building capability around data analytics, healthy financial performance, diversifying offerings with a focus on new sectors and expanding into more contemporary geographies are key growth drivers for the IT company's performance in the long term. **The issue is valued at a P/E of 29.9x on the upper price band based on FY23 earnings, which we feel is fairly valued. We, therefore, recommend an SUBSCRIBE rating for the issue.**

Key Risks

- ⇒ The company is substantially dependent on projects awarded by government entities and agencies and their relationship with Gov entities exposes them to risks inherent in doing business with them, which may adversely affect the business, results of operations and financial condition.
- ⇒ The company rely on telecommunications and information technology systems, networks and third party infrastructure to operate its business and any interruption or breakdown in such systems, networks or infrastructure of the third parties they rely on or their technical systems could impair its ability to effectively deliver its products and services
- ⇒ The company's client contracts can typically be terminated without cause, which could negatively impact its revenues and profitability.



Protean eGov Technologies Ltd.

Income Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
Revenue			
Revenue from Operations	6,031	6,909	7,422
Total Revenue	6,031	6,909	7,422
Expenses			
Employee benefit expenses	753	787	1,229
Other expenses	4,430	4,884	5,013
Total Operating Expenses	5,183	5,671	6,242
EBITDA	848	1,238	1,180
Depreciation and Amortization expenses	168	170	183
Other income	489	793	417
EBIT	1,169	1,861	1,413
Finance costs	9	5	9
Exceptional Item	0	0	0
PBT	1,160	1,856	1,404
Total tax	238	417	334
PAT	922	1,439	1,070
Diluted EPS	23.0	35.8	26.5

Source: RHP, BP Equities Research

Cash Flow Statement (Rs. in millions)

Particulars	FY21	FY22	FY23
Cash Flow from operating activities	1,001	943	1,370
Cash flow from investing activities	1,157	726	-2,823
Cash flow from financing activities	-1,834	-336	-443
Net increase/(decrease) in cash and cash equivalents	324	1,333	-1,896
Cash and cash equivalents at the beginning of the period	410	735	2,067
Cash and cash equivalents at the end of the period	735	2,067	171

Source: RHP, BP Equities Research



Protean eGov Technologies Ltd.

Balance Sheet (Rs. in millions)

Particulars	FY21	FY22	FY23
Equity and Liabilities			
Equity Share Capital	401	404	404
Other Equity	6,273	7,476	8,165
Total Equity	6,675	7,880	8,569
Non-Current Liabilities			
Financial Liabilities			
(i) Borrowings	0	0	0
(ii) Lease Liabilities	19	79	40
Provisions	204	152	154
Other non-current liabilities	11	14	0
Current Liabilities			
Financial Liabilities			
(i) Borrowings	0	0	0
(ii) Lease Liabilities	43	38	40
(iii) Trade Payable	988	957	1,318
(iv) Other financial liabilities	153	134	215
Current tax liabilities	0	39	0
Provisions	34	52	61
Other current liabilities	497	537	644
Total Current Liabilities	1,715	1,757	2,278
Total liabilities	1,949	2,001	2,472
Total Equity and Liabilities	8,624	9,881	11,041
Assets			
Non-Current Assets			
Property, plant and equipment	494	507	518
Capital work in Progress	13	12	0
Right of Use assets	57	122	79
Intangible Assets	13	17	36
Intangible assets under development	1	33	114
Income tax assets (net)	277	270	313
Investments	2,737	3,083	5,234
Other Financial Assets	209	176	461
Deferred tax assets (net)	91	199	208
Other non current assets	21	48	2
Total Non current assets	1,462	1,650	1,970
Current Assets			
Investments	114	553	51
(i) Trade Receivables	2,076	2,004	2,089
(ii) Cash and cash equivalents	1,151	2,335	1,375
(iii) Other Current Financial Assets	97	156	245
Other current assets	1,272	367	316
Total Current Assets	4,710	5,416	4,076
Total Assets	8,624	9,881	11,041

Source: RHP, BP Equities Research

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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Corporate Office:

4th floor,
Rustom Bldg,
29, Veer Nariman Road, Fort,
Mumbai-400001
Phone- +91 22 6159 6464
Fax-+91 22 6159 6160
Website- www.bpwealth.com

Registered Office:

24/26, 1st Floor, Cama Building,
Dalal street, Fort,
Mumbai-400001
BP Wealth Management Pvt. Ltd.
CIN No: U67190MH2005PTC154591
BP Equities Pvt. Ltd.
CIN No: U67120MH1997PTC107392