Protean eGov Technologies Limited

Q2FY27 Result Update | ITeS

Reinventing under new Leadership

DALAL & BROACHA STOCK BROKING PVT. LTD.

Equity Research Desk

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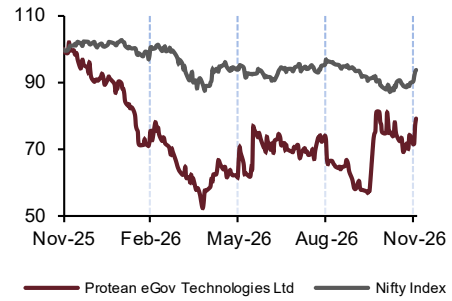
Protean eGov Technologies continues to evolve its business model, with a sharper focus on execution and monetisation of the significant Digital Public Infrastructure (DPI) platforms developed over the years. The company intends to replicate its success in building and deploying DPIs in India by developing similar platforms for the domestic market, while leveraging India as a testing ground to refine and scale its offerings. Successful implementation in the domestic market could position Protean to take these solutions to international markets, where management sees an opportunity to command higher margins. In parallel, the company is focusing on bundling its existing services for enterprise clients to deepen customer relationships, increase wallet share and improve consolidated margins.

These initiatives offer the potential to materially reshape Protean's business profile, creating a differentiated growth opportunity through greater monetisation of its existing capabilities and a broader, higher-value solutions portfolio. If executed successfully, this could represent a meaningful transformation of the business, with Protean retaining its core strengths while evolving into a more integrated technology solutions provider. However, the absence of clearly defined execution timelines and near-term earnings visibility warrants a measured outlook. We remain cautious in building in meaningful earnings growth until there is tangible evidence of successful execution and monetisation.

Rating	TP (Rs)	Up/Dn (%)
HOLD	**710**	**5**
Market data		
Current price	**Rs**	**675**
Market Cap (Rs.Bn)	(Rs Bn)	28
Market Cap (US$ Mn)	(US$ Mn)	291
Face Value	Rs	10
52 Weeks High/Low	Rs	1081/600
Average Daily Volume	('000)	1,001
BSE Code		500043
Bloomberg		PROTEAN.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-26	Jun-26
Public	73.80	72.84
Others	26.20	27.16
Total	**100.00**	**100.00**

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net sales	7,422	8,820	8,407	9,978	11,492	12,497
EBITDA	1,180	894	804	1,155	1,386	1,503
PAT	1,070	973	925	1,006	1,052	1,151
EPS	26	24	23	25	26	28
P/E (x)	25	28	30	27	26	24
P/B (x)	3	3	3	3	2	2
EV/EBITDA (x)	18	23	25	17	14	13
RoE (%)	12	11	9	9	9	9
ROCE (%)	16	14	11	12	12	12
RoIC (%)	10	6	4	5	5	5

Source: Company, Dalal & Broacha Research

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Segment-wise revenue break-up

Segment Performance (in mn)	Q2FY27	Q2FY26	YoY%	Q1FY27	QoQ%
Tax services	1,210	1,070	13%	1,000	21%
Pension services	800	780	3%	820	-2%
Identity services	270	220	23%	270	0%
ODE + Others	420	430	-2%	420	0%

SEGMENTS

Tax services: Revenue grew 13% YoY and 22% QoQ to ₹121 cr. Protean gained share in a shrinking market: its PAN market share rose to 65.8%, up 330 bps QoQ and 780 bps YoY. It issued 1.3 cr PAN cards in the quarter, about 70% of them through the assisted channel. That network covers around 18,000 PIN codes, which management sees as a key differentiator that is hard to replicate.

CRA (pension) services: Revenue grew only 2% YoY to ₹80 cr, held back by PFRDA's revised charge structure. Subscriber momentum stayed strong:

- New subscribers: Protean added 4.7 mn new subscribers, up 15% YoY and about 95% of all new subscribers in the CRA ecosystem.
- Corporates: it onboarded more than 1,400 new corporates, its highest ever in a quarter. This reflects the push into the non-government segment, where penetration is low.
- Market share and NPS Vatsalya: its combined share across NPS, APY and UPS is 97%. NPS Vatsalya added around 1.5 lakh subscribers, the highest quarterly addition so far.

The charge structure now includes an AUM-linked fee. Revenue per NPS subscriber ranges from ₹100 to ₹500 a year depending on corpus, plus ₹40 per account opened. APY and government subscribers carry a fixed fee per subscriber. Management called it a high-margin platform business and expects revenue per subscriber to rise as account balances grow.

Identity services: This was the fastest-growing segment. Revenue rose 24% YoY to ₹27 cr on 26% combined volume growth across all four identity services: eSign, eKYC, Aadhaar authentication and online PAN verification. Protean remains the only company offering all four. Its RISE API stack processed 3.3 cr transactions in the quarter, against 3.4 cr in Q1 FY27.

New initiatives: These contributed ₹42 cr, or 16% of Q2 revenue. For H1 FY27 the segment grew 56% YoY and its share of revenue rose to 16% from 12% in H1 FY26. eSign Pro signed more than 25 new enterprise customers, including large BFSI and telecom companies, in its first full quarter of charging customers. Management noted that project revenue is lumpy and asked investors to judge the segment on a full-year basis.

Concall Key Takeaways

The two large RFP projects are nearly complete; the investment phase is largely over.

- Aadhaar Seva Kendras (ASK): 150 centres were live by September and 187 of 192 by 26 October. Revenue is expected to exceed cost over the next couple of quarters.
- CERSAI CKYCRR 2.0 is nearing the end of implementation. No further upfront cost is expected on it.

The CKYC "on-ramp" business is starting to bring in revenue. All ~9,000 regulated entities will have to connect to the upgraded registry. Protean has built the integration APIs and bundles them with its wider API stack.

- 20+ key mandates have been signed and 30+ are in the near-term pipeline, across CKYC integration and eSign Pro. Some are already implemented and earning revenue.
- Management described it as a fee-based registry project that leads to recurring annuity revenue from regulated entities, a model it plans to repeat across its other DPI assets.

AgriStack: 11 cr farmer IDs have been created, ahead of schedule.

- Monetisation depends on the Ministry opening the stack to lenders and insurers. There is no timeline yet, but management hopes for it within months, with a meaningful contribution in FY28.
- On the size of the opportunity, management said banks spend ₹9,000–11,000 cr a year buying priority-sector lending certificates. Farmer data could make direct lending to small and marginal farmers viable.

The enterprise strategy is moving from single APIs to bundled journeys

- Protean will offer a single integration covering the full BFSI onboarding journey: account aggregator, identity checks, analytics, documentation, eSign and stamping, and CKYC reporting. Pricing moves from per API call to per journey.
- Management indicated that a client's wallet could grow 3x to 20x.

Account aggregator

- RBI's proposed interoperability levels the field for Protean, which has been a small player. The account aggregator becomes the first step in the bundled journey. Commercials are still under discussion.

International (DPI-in-a-Box):

- The international business has been reorganised under dedicated leadership. It will work through multilateral institutions, consultants and local system integrators, with little capital of its own.
- Management said a ₹100 cr domestic-sized mandate "could easily be a $100 mn mandate overseas". Cash may go into overseas JVs or branches.

Cost and portfolio:

- AI and automation in back-office operations have reduced reliance on external partners and produced immediate savings.
- The portfolio is under review. Incremental investment will be cut back in businesses that depend on the wider ecosystem maturing.

Quarterly Financial Summary

Particulars (INR in mn)	Q2FY27	Q2FY26	YoY%	Q1FY27	QoQ%
Revenue from Operations	**2,708**	**2,505**	**8%**	**2,510**	**8%**
Other Income	191	146	31%	154	24%
Total Revenue	**2,899**	**2,651**	**9%**	**2,664**	**9%**
Employee Benefit Expense	685	601	14%	691	-1%
Allowance for credit loss	1	7		-	
Processing charge	919	820	12%	785	17%
Repairs & Maintenance	595	557	7%	673	-11%
Other Expense	265	227	17%	236	13%
Total Expense	**2,464**	**2,212**	**11%**	**2,383**	**3%**
EBITDA (Excl Other Income)	**244**	**293**	**-17%**	**127**	**92%**
Depreciation & Amortization	191	104	84%	175	9%
EBIT	**243**	**336**	**-27%**	**105**	**131%**
Finance Cost	31	15	**103%**	27	**16%**
Profit Before Tax (PBT)	**213**	**320**	**-34%**	**79**	**170%**
Exceptional items	-	-		-	
Tax Expenses	49	82	-41%	18	173%
Net Profit (Reported)	**164**	**239**	**-31%**	**61**	**169%**
Net Profit (Adjusted)	**164**	**239**	**-31%**	**61**	**169%**
Reported EPS	**4.0**	**5.9**	**-31%**	**1.5**	**169%**
Margins			**Changes in bps**		**Changes in bps**
EBITDA Margins	9.0%	11.7%	-272	5.0%	395
PAT Margins	5.7%	9.0%	-334	2.3%	337
Other Operational Matrix			**Changes in bps**		**Changes in bps**
Employee benefit exp	25%	24%	131	28%	-222
Allowance of credit loss	0.0%	0.3%	-24	0.0%	2
Processing charge	33.9%	32.7%	119	31.3%	266
Repairs & Maintenance	22.0%	22.3%	-27	26.8%	-482
Other Expense	9.8%	9.1%	73	9.4%	41

Source: Company, Dalal & Broacah Research

Outlook and Valuations

Protean's strategic initiatives to monetise its existing DPI capabilities, secure international mandates and deepen enterprise relationships present a potentially meaningful opportunity to reshape its growth and profitability profile. However, while management's strategy and intent are encouraging, the absence of adequate visibility on the scale of the opportunity, revenue growth potential, margin profile, order/RFQ pipeline and execution timelines makes it difficult to build in a meaningful earnings upgrade at this stage.

We believe investors should closely track developments in international and enterprise contracts, particularly the conversion of opportunities into firm mandates and their subsequent contribution to revenues and profitability. Greater clarity on deal wins, revenue ramp-up and margin accretion will be critical to establishing the sustainability of the proposed business transformation. Until then, we prefer to remain conservative in our earnings assumptions and valuation expectations.

That said, Protean's strong balance sheet, established legacy and proven capabilities in developing and executing large-scale technology platforms provide comfort on its underlying organisational strengths. These attributes lend credibility to its ability to pursue the stated opportunities. We would, therefore, continue to monitor execution milestones closely, with improved visibility on contract wins and monetisation serving as key triggers for a more constructive view.

At CMP of Rs. 675, the stock trades at 24x FY28e EPS. We maintain a HOLD Rating with a TP of Rs. 710 (25x FY28e EPS), implying an upside of ~5%.

Financials

P&L (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	7,422	8,820	8,407	9,978	11,492	12,497
Employee Cost	1,229	1,751	1,886	2,326	2,675	2,996
Allowance for Credit loss	175	389	-97	10	-	-
Processing charge	3,257	3,827	3,366	3,448	4,022	4,249
Repairs & Maintenance	895	1,061	1,206	1,796	2,260	2,499
Other Expenses	685	898	1,241	1,243	1,149	1,250
Operating Profit	**1,180**	**894**	**804**	**1,155**	**1,386**	**1,503**
Depreciation	-183	-275	-278	-468	-700	-735
PBIT	997	620	526	688	686	768
Other income	417	676	682	729	772	819
Net Interest (Exp)/Inc	-9	-17	-23	-67	-92	-92
Profit before tax	1,404	1,279	1,184	1,349	1,366	1,495
Exceptional Item	-	-	-	-47	-	-
Provision for tax	-334	-306	-260	-297	-314	-344
Reported PAT	1,070	973	925	1,006	1,052	1,151

Source: Company, Dalal & Broacah Research

Ratios	FY23	FY24	FY25	FY26	FY27E	FY28E
OPM	15.9	10.1	9.6	11.6	12.1	12.0
NPM	13.7	10.2	10.2	9.4	8.6	8.6
Tax rate	23.8	23.9	21.9	22.0	23.0	23.0
Growth Ratios (%)						
Net Sales	7.4	18.8	-4.7	18.7	15.2	8.7
Operating Profit	-4.7	-24.2	-10.1	43.7	20.0	8.5
PBIT	-6.7	-37.8	-15.1	30.8	-0.3	12.0
PAT	-25.6	-9.1	-5.0	8.8	4.6	9.4
Per Share (Rs.)						
Net Earnings (EPS)	26	24.1	22.8	24.8	25.9	28.4
Cash Earnings (CPS)	31	31	30	36	43	47
Book Value	212	229	246	266	282	300
Free Cash Flow	32	25	21	24	13	16
Valuation Ratios						
P/E(x)	25	28	30	27	26	24
P/B(x)	3	3	3	3	2	2
EV/EBIDTA(x)	18	22.9	25.0	17.3	14.2	12.7
Div. Yield(%)	60	60	60	60	60	60
FCF Yield(%)	5	4	3	3	2	2
Return Ratios (%)						
ROE	12%	10.5%	9.3%	9.3%	9.2%	9.5%
ROCE	16%	13.7%	11.3%	12.2%	11.9%	12.2%

Source: Company, Dalal & Broacah Research

Balance Sheet (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Equity capital	404	404	406	406	406	406
Reserves	8,167	8,857	9,582	10,367	11,015	11,761
MI	-2	-2	-	-	-	-
Non Current Liabilites	194	355	819	908	908	908
Current Liabilites	2,278	2,238	2,259	3,054	3,360	3,693
Total Equity & Liabilities	**11,041**	**11,852**	**13,066**	**14,735**	**15,688**	**16,768**
Non Current Assets	**6,965**	**7,485**	**8,355**	**8,639**	**9,001**	**9,550**
Fixed Assets	668	787	960	1,060	950	969
Right of Use Assets	79	205	675	803	803	803
Financial Assets	5,696	5,907	6,160	6,103	6,576	7,105
Deferred Tax Asset	208	215	137	216	216	216
Income Tax Asset	313	366	422	263	263	263
Other Non Current Assets	2	5	1	195	195	195
Current Assets	**4,076**	**4,368**	**4,710**	**6,097**	**6,687**	**7,218**
Current investments	51	140	1,636	1,388	1,457	1,530
Trade Receivables	2,089	1,893	1,441	2,046	2,456	2,671
Cash and Bank Balances	1,375	1,508	1,362	1,865	1,896	2,052
Other Financial Assets	245	370	8	6	6	7
Other Current Assets	316	458	264	792	871	958
Assets held for sale	-	-	-	-	-	-
TOTAL ASSETS	**11,041**	**11,852**	**13,066**	**14,736**	**15,688**	**16,768**

Source: Company, Dalal & Broacah Research

Cashflow (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
CFO	**1,370**	**575**	**1,927**	**785**	**665**	**923**
CFI	**-2,823**	**187**	**-1,586**	**-144**	**-137**	**-271**
CFF	**-443**	**-475**	**-422**	**-539**	**-496**	**-496**
Total Cash Generated	-1,896	288	-81	102	32	155
Cash Opening Balance	2,067	171	459	379	481	512
Cash Closing Balance	171	459	379	481	512	668
Bank Balance	1,204	1,048	984	1,385	1,385	1,385
Closing Cash and Bank Balance	1,375	1,508	1,362	1,865	1,897	2,052

Source: Company, Dalal & Broacah Research

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