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Navigating PAN 2.0 headwinds, Order book cushions

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.

Q3FY26 performance: Protean reported margin improvement in Q3 while revenue was broadly in line at ₹229 crore, registering a growth of 13.4% YoY while declining 8.8% QoQ. Segmentally, i) Tax services i.e pan card related business reported revenue of ₹107 crore (up 14% YoY, 6% QoQ) on the back of rise in overall PAN card issuances due to the extended deadline for Aadhaar and Pan card linkage, ii) CRA services i.e pension related business reported revenue of ₹72 crore (flattish YoY, -7% QoQ), iii) Identity services i.e. related to PAN and Aadhar authentication reported revenue of ₹22 crore (declined 7% YoY, flattish QoQ) and iv) new business reported revenue of ₹21 crore (up by 195%, -51% QoQ). EBITDA came in at ₹32 crore, up 101.5% YoY, 8.4% QoQ, supported by margin expansion which came at 13.9% (up 609 bps YoY, 218 bps QoQ).

Investment Rationale

- **Revenue growth trajectory to improve:** Protean has now delivered double digit topline growth for consecutive quarters after a long period. However, post miss of PAN 2.0 tender, the revenue impact is likely to be significantly impacted during FY28 onwards. On the other hand, projects like Aadhar seva kendra (ASK) contract of ₹1160 cr over 6 years shall offset this loss to some extent. ASK contract shall reach at optimum levels in next 2-3 quarters, with an annual run-rate of ~₹190 cr. New business segment has started showing growth and constituted 11% of revenue in 9MFY26 (4% in FY25) which management targets to increase to 25% in next 2-3 years.
- **Major investments behind, Margins improving:** Protean is well-placed to improve margin profile as it benefits from operating leverage with major investments behind. The company has strong order book at ₹1,600+ crore, which shall support topline growth and operating leverage. We have factored EBITDA margin to stay in 12-13% range going ahead.

Rating and Target Price

- Post Protean missing PAN 2.0 project, it has created significant business uncertainty while the strong RFP book including ASK order recoups part of this loss. Identity business has been facing competitive pressure while pension segment is muted in near term owing to regulatory change to AUM-linked fee model for non-government employees, though it augurs well over long-term. Considerable negatives seem factored. We value the stock at PE of 24x FY28E EPS with a BUY rating and target price of ₹ 750.



Particulars

Particular	Amount
Market Cap (₹ Crore)	2,526
H1FY26 Debt (₹ Crore)	67
H1FY26 Cash (₹ Crore)	800
EV (₹ Crore)	1,793
52 Week H/L (₹)	1484 / 590
Equity Capital (₹ Crore)	40.6
Face Value	10

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	-	-	-	-
FII	10.9	8.8	7.8	7.5
DII	27.8	24.8	21.7	21.5
Others	61.3	66.5	70.5	70.5

Price Chart



Key risks

- Dependency on projects awarded by government entities and agencies.
- Technology break-down/ Cyber security risk
- Competition risk

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Key Financial Summary

(₹ crore)	FY22	FY23	FY24	FY25	3 year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Revenue	691	742	882	841	6.8	944	1,119	1,170	11.7
EBITDA	124	118	89	80	(13.4)	110	151	145	21.7
EBITDA Margin (%)	17.9	15.9	10.1	9.6		11.7	13.5	12.4	
Net Profit	144	107	97	92	(13.7)	101	130	127	11.1
Diluted EPS (Rs)	35.5	26.4	24.0	22.8		24.8	32.1	31.3	
P/E (x)	17.6	23.6	26.0	27.3		25.1	19.4	19.9	
EV/EBITDA (x)	15.8	15.3	20.1	22.7		16.4	11.5	11.3	
RoCE (%)	22.8	16.1	13.4	11.1		12.0	14.4	12.7	
RoE (%)	18.2	12.5	10.5	9.3		9.5	11.5	10.0	

Concall highlights and outlook

- The company reported revenue of ₹229 crore, up 13% YoY, led by steady traction in tax services and rising contribution from new businesses. EBITDA grew 34% YoY to ₹46 crore with EBITDA margins at ~19% in Q3 expanding 335 bps YoY driven by operating efficiencies. Management indicated potential 300–400 bps margin expansion over the long term, driven by revenue scale-up, higher-margin SaaS/application layers, AI-led productivity improvements and cost optimization.
- Tax services- Reported revenue of ₹114 crore (up 14% YoY) supported by sequential market share gain & extension of Aadhar-PAN linkage deadline. Protean issued over 1.1 crore PAN cards during the quarter, maintaining a 59% market share. Core tax and identity businesses are expected to sustain 8–10% growth trajectory.
- Pension/CRA services- Revenue from this segment remained flat YoY at ₹72 crore. Company onboarded ~35 lakh new subscribers in Q3, capturing 94% of incremental additions and retaining 98% market share across NPS, APY and UPS. Revenue was temporary impacted due to pricing restructuring by the regulator (shift toward AUM-linked model for non-government employees vs fixed annual maintenance charges earlier), which is expected to normalize over the next 1–2 quarters. On a normalized basis, CRA would have grown ~12–14%. Management remains optimistic on long-term pension penetration and AUM-led revenue growth.
- Identity services- Revenue declined by 7% YoY, volume grew across e-KYC, Aadhaar Authentication and online PAN verification. However, slab-based pricing and competitive intensity moderated revenue realization. Focus remains on scaling volumes and higher value-added offerings.
- New business & RFP Projects- This segment registered ~195% YoY growth at ₹21 crore, though it declined 52% YoY. Revenue recognition in turnkey projects remains milestone-based, leading to quarterly lumpiness. Q2 was a strong quarter, marked with milestones of select RFPs while Q3 was sequentially on a softer side. New businesses now contribute 11% to 9M FY26 revenue vs 4% in FY25, supported by execution of large RFP mandates. This proportion shall increase to ~25% in next 2-3 years.

Other updates -

- Strategic Investment - Acquired 4.9% stake in NSDL Payments Bank to co-create bank-grade digital financial technologies and leverage cross-sell opportunities in BFSI. Strategic rationale centres around technology collaboration rather than banking margin participation.
- Had secured ₹25 crore mandate to implement Agriculture DPI in Ethiopia, spanning 2–3 years including development and maintenance. The company now has 4 international mandates across 3 markets, with continued focus on Africa, Middle East and Southeast Asia.
- Order book stands at ₹1,600+ crore (~2x annual revenue), largely comprising, CERSAI KYC stack revamp, Bima Sugam DPI project & UIDAI Aadhaar Seva Kendra (ASK) rollout.
- Balance sheet continues to remain strong with ₹ 800 cr+ of cash and cash equivalents with zero debt. This cash position gives flexibility to invest in technology capacity and execution. Further, it will be used in funding the working capital for large projects like Cersai or Bima sugam. Dividend payout ratio likely to continue at ~40% of profits.

Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Revenue from operation	228.9	202.3	13.1	250.5	(8.6)	Tax services aided Q3 growth aided by extended deadline for Aadhaar and Pan card linkage, while other segments were relatively muted.
Processing charges	78.4	86.8	(9.7)	82.0	(4.4)	This consists of printing, postage and service charges paid to facilitation centers for PAN, TAN, e-TDS, Aadhar and CRA services.
Employee Benefit expense	56.0	50.1	11.7	60.1	(6.8)	Staff cost increase mainly in relation to new RFP's which shall be executed going ahead.
Other operating expense	62.7	49.7	26.3	79.1	(20.7)	
EBITDA	31.8	15.8	101.5	29.3	8.4	
EBITDA margin (%)	13.9	7.8	609 bps	11.7	218 bps	Margin rebounding with topline growth gaining traction and operating leverage at play .
Depreciation	11.3	5.8	94.0	10.4	8.6	
Other income	14.4	18.8	(23.3)	14.6	(1.2)	
PBIT	34.9	28.8	21.4	33.6	4.1	
Finance Cost	1.6	0.3	503.8	1.5	4.0	
PBT	33.4	28.5	17.0	32.0	4.2	
Tax	6.9	5.6	23.8	8.2	(15.4)	
PAT	26.5	22.9	15.4	23.9	10.9	PAT growth slated to improve going ahead.

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Revenue	840.7	944.0	1,118.7	1,170.3
% Growth	(4.7)	12.3	18.5	4.6
Other income	68.2	71.3	76.3	81.7
Total Revenue	908.9	1,015.4	1,195.1	1,252.0
Employee Expenses	188.6	231.9	269.0	301.3
Other expenses	244.8	283.9	323.6	349.5
Total Operating Expenditure	760.3	834.1	967.4	1,025.3
Operating Profit (EBITDA)	80.4	110.0	151.3	145.0
% Growth	(10.1)	36.8	37.6	(4.2)
Interest	2.3	6.0	6.0	6.0
PBDT	146.3	175.3	221.6	220.6
Depreciation	27.8	43.0	50.3	53.8
PBT before Exceptional Items	118.4	132.4	171.3	166.8
Total Tax	26.0	31.8	41.1	40.0
PAT before MI	92.5	100.6	130.2	126.8
PAT	92.5	100.6	130.2	126.8
% Growth	(5.0)	8.8	29.4	(2.6)
EPS	22.8	24.8	32.1	31.3

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	92.5	100.6	130.2	126.8
Depreciation	27.8	43.0	50.3	53.8
Interest	2.3	6.0	6.0	6.0
Cash Flow before WC changes	122.6	149.5	186.5	186.6
Changes in inventory	-	-	-	-
Changes in debtors	45.2	(42.3)	(42.8)	(17.8)
Other current assets	55.6	(3.2)	(5.4)	(1.9)
Net Increase in Current Assets	(48.8)	(78.3)	(87.5)	(66.8)
Changes in creditors	(16.6)	10.8	20.2	6.4
Other current liabilities	19.0	12.9	22.5	7.1
Net Increase in Current Liabilities	2.5	23.6	42.7	13.5
Net CF from Operating activities	76.3	94.9	141.7	133.4
(Purchase)/Sale of Fixed Assets	(45.1)	(30.0)	(30.0)	(30.0)
Others	(1.3)	3.2	3.7	4.3
Net CF from Investing activities	(116.6)	(69.7)	(72.7)	(76.0)
Dividend and Dividend Tax	(40.5)	(44.5)	(49.0)	-
Others	45.5	(6.0)	(6.0)	(6.0)
Net CF from Financing Activities	25.7	(50.5)	(55.0)	(6.0)
Net Cash flow	(14.5)	(25.3)	14.1	51.4
Opening Cash/Cash Equivalent	150.7	136.2	110.9	125.0
Closing Cash/ Cash Equivalent	136.2	110.9	125.0	176.4

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	40.6	40.6	40.6	40.6
Reserve and Surplus	958.2	1,014.3	1,095.5	1,222.3
Total Shareholders funds	998.8	1,054.9	1,136.1	1,262.8
Total Debt	68.5	68.5	68.5	68.5
Total Liabilities	1,089	1,148	1,233	1,364
Gross Block	326.2	351.7	381.7	411.7
Acc: Depreciation	240.8	283.7	334.1	387.9
Net Block	85.4	68.0	47.7	23.8
Capital WIP	10.6	15.0	15.0	15.0
Total Fixed Assets	96.0	83.0	62.7	38.8
Non Current Assets	81.3	81.3	81.3	81.3
Inventory	-	-	-	-
Debtors	144.1	186.4	229.2	247.0
Other Current Assets	26.4	29.5	34.7	36.4
Cash	136.2	110.9	125.0	176.4
Total Current Assets	471.0	524.0	625.5	743.7
Current Liabilities	103.3	114.1	134.2	140.6
Net Current Assets (Ex Cash)	117.2	171.9	216.6	269.9
Total Assets	1,089	1,148	1,233	1,364

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per Share Data (₹)				
EPS	22.8	24.8	32.1	31.3
Cash per Share	73.3	71.8	80.7	99.3
BV	246.3	260.1	280.2	311.4
Dividend per share	10.0	11.0	12.1	-
Dvidend payout ratio(%)	43.8	44.3	37.6	-
Operating Ratios (%)				
EBITDA Margin	9.6	11.7	13.5	12.4
PAT Margin	11.0	10.7	11.6	10.8
Return Ratios (%)				
RoE	9.3	9.5	11.5	10.0
RoCE	11.1	12.0	14.4	12.7
Valuation Ratios (x)				
EV / EBITDA	22.7	16.4	11.5	11.3
P/E	27.3	25.1	19.4	19.9
EV / Net Sales	2.0	1.8	1.5	1.3
Sales / Equity	0.9	1.0	1.1	1.0
Market Cap / Sales	2.8	2.5	2.1	2.0
Price to Book Value	2.5	2.4	2.2	2.0
Workin Capital Management Ratios				
Inventory Days	-	-	-	-
Debtors Days	58	67	70	72
Creditors Days	41	41	41	41
Asset turnover	2.8	2.9	3.1	3.0
Solvency Ratios				
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	2.1	2.4	2.5	2.7
Quick Ratio	2.1	2.4	2.5	2.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%



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