



**LONG TERM SUBSCRIBE**

**IPO Report**

05<sup>th</sup> Nov'23

**Snapshot**

Company is one of the key IT-enabled solutions companies in India engaged in conceptualizing, developing and executing nationally critical and population scale greenfield technology solutions. Company collaborate with the government and have extensive experience in creating digital public infrastructure and developing innovative citizen-centric e-governance solutions. Company was originally setup as a depository in 1995 and created a systemically important national infrastructure for capital market development in India

**VALUATION**

Company is bringing the issue at price band of Rs 752-792 per share at p/e multiple of 30x on post issue annualized Q1FY24 PAT basis.

Company being the Pioneer and market leader in universal, citizen centric and population scale e-governance solutions has Secure, scalable and advanced technology infrastructure. Company has large physical infrastructure with pan-India network and scale resulting in inclusion with diversified, granular and annuity based service offerings. Also, company has track record of healthy financial performance along with experienced senior management team backed by strong corporate governance standards and supported by marquee investors.

Hence, looking after all above we recommend "Long term Subscribe" on issue.

<b>Price Band (Rs./Share)</b>	<b>752-792</b>
<b>Opening date of the issue</b>	<b>06<sup>th</sup> Nov '2023</b>
<b>Closing Date of the issue</b>	<b>08<sup>th</sup> Nov '2023</b>
<b>No of shares pre issue</b>	40446732 Eq Shares
<b>Issue Size</b>	Rs 466-490 Cr
<b>Offer For Sale</b>	6191000 Eq Shares
<b>Face Value (Rs/ share)</b>	Rs 10/share
<b>Bid Lot</b>	18
<b>Employee Discount</b>	Rs 75/ share

**BIDDING DETAILS**

<b>QIBs (Including Anchor)</b>	50% of the offer (Approx 3020500 Eq Shares)
<b>Non-Institutional</b>	15% of the offer (Approx 906150 Eq Shares)
<b>Retail</b>	35 % of the offer ( Approx 2114350 Eq Shares)
<b>Employee Reservation</b>	150000 Equity Shares
<b>Lead managers</b>	ICICI Securities, Equirus Capital, IIFL Securities, Nomura Financial Advisors
<b>Registrar to the issue</b>	Link Intime India Pvt. Ltd..

**WHAT WE LIKE**

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

Company is among the few players in India which are working towards creation of open digital ecosystems. Company is one of the key and early contributors to the open source community and protocols that are powering ONDC. Company is among India's top IT-enabled e-governance service providers in terms of profitability and operating income in Fiscal 2023. Company continue to be a market leader in provision of e-governance services such as management of the TIN, PAN processing, NPS and Atal Pension Yojana..

***Large physical infrastructure with pan-India network and scale resulting in inclusion***

Company have developed a pan-India service delivery network across India for various public and other services provided by it. Company's service network has grown over the years and grew from 33,041 centres, as of March 31, 2021 to 53,948 centres, as of March 31, 2022, 74,435 centres as of March 31, 2023 and further to 79,374 centres, as of June 30, 2023. As of June 30, 2023, company's PAN and TIN facilitation centres network was in over 12,000 PIN codes spread across over 700 districts in India. In addition, as of June 30, 2023, company covered over 26,000 nodal offices of the central government, over 263,000 nodal offices of state governments and had over 87,000 points of presence across India for the administration of the NPS.

***Track record of healthy financial performance***

The multi-term population scale projects company undertake ensure visibility of revenues and company's Adjusted EBITDA Margin was 14.07%, 17.92%, 15.89%, 13.83% and 15.47% in Fiscals 2021, 2022 and 2023 and in the three months ended June 30, 2022 and June 30, 2023, respectively & its operations have been funded entirely by internal accruals since Fiscal 1998 and company is a debt-free company.



## COMPANY BACKGROUND

Company's solutions have led to identification of bottlenecks in government services, increased transparency and efficiency, redefined delivery of public services and led to a reduction in service delivery costs. Company was among the leading Indian companies in the e-governance sector in terms of profitability, operating income, operating profit and operating profit margin in Fiscal 2023. Company is a professionally managed company and is led by an experienced senior management team whose expertise and industry experience have helped it grow its operations and innovate its services.

Since inception and as of June 30, 2023, company have implemented and managed 19 projects spread across seven ministries and autonomous bodies ushering change in public delivery of services.

Company have been instrumental in establishing public digital infrastructure and creating e-governance interventions impacting multiple sectors of the Indian economy. Some of company's key interventions include:

- Modernising the direct tax infrastructure in India through projects like Permanent Account Number ("PAN") issuance, the Tax Information Network ("TIN") including Online Tax Accounting Systems ("OLTAS").
- Strengthening the old age security system in the country by building the core IT infrastructure as a Central Recordkeeping Agency ("CRA") for the National Pension System ("NPS").
- Enabling the universal social security system for all Indians, particularly the workers in the unorganized sector by creating technology infrastructure as a CRA for the Atal Pension Yojana ("APY").
- Contributing to the India Stack, a set of application programming interface ("API") that allows governments, businesses, startups and developers to utilise a unique digital infrastructure to prepare solutions that are presence-less, paperless and enable cashless service delivery. Company have also enabled the BFSI sector by providing Aadhaar-based identity authentication and e-Sign services, as a licensed certifying authority empaneled by the Controller of Certifying Authorities. Company was appointed as a registrar for enrolling citizens for Aadhaar.
- Improving accessibility to education and skill financing through creation of efficient digital marketplaces enabling discovery of financial resources through platforms such as Vidya Lakshmi, and Vidyasaarathi.
- Contributing to and supporting open digital building blocks such as Open Network for Digital Commerce ("ONDC") for use-cases across sectors like e-commerce, mobility, healthcare, agriculture and education. Company is one of the key and early contributors to the open source community and protocols that are powering ONDC.

Company have over the years successfully adapted to technology advancements through continuous investments in new technologies and capabilities and by developing sophisticated technology architecture. Company have domain knowledge for various industries that allows it to develop functionalities that address specific requirements of end-users, businesses and public entities. While executing large and complex projects, company leverage its comprehensive program management expertise. Company's clients benefit from its delivery model, significant experience across various technologies, industry knowledge, project management expertise and proprietary software engineering tools developed in-house.

Company is a professionally managed company and is led by an experienced senior management team whose expertise and extensive industry experience has helped it grow its operations and innovate its services over the years. Company's Shareholders include financial institutions such as NSE Investments Limited, 360 ONE Special Opportunities Fund (formerly known as IIFL Special Opportunities Fund), SUUTI, Citicorp Finance India Limited and certain public and private sector banks such as State Bank of India, Punjab National Bank, Union Bank of India, Bank of Baroda and Canara Bank, HDFC Bank Limited, Axis Bank Limited, Deutsche Bank A.G., The Hong Kong and Shanghai Banking Corporation Limited, Standard Chartered Bank, among others.



## INVESTMENT RATIONALE

<p><i>Secure, scalable and advanced technology infrastructure</i></p>	<p>Company have 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 company to provide its clients and other stakeholders with bespoke services.</p> <p>Company's market-first innovations have been consistently implemented across various sectors and products such as TIN in taxation, pilot infrastructure for GST which laid out the foundation for the roll-out for a unified tax accounting system in India. Company is actively contributing to and supporting open digital building blocks using open source technology and protocols that powers ONDC for use cases in sectors like e-commerce, mobility and open finance As of September, 2023, ONDC is live in 400+ cities in alpha phase and seven (7) cities in beta/test phase. Difference in alpha and beta phases is that more focus and marketing efforts are done in the beta phase. ONDC has onboarded about 1.79 lakh sellers/service providers across the country with 47 network participants gone live. These network providers are buyers', and seller applications and logistics providers.</p>
<p><i>Diversified, granular and annuity based service offerings</i></p>	<p>Company's 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. Company's offerings cater to multiple target groups and customer segments including businesses and retail consumers apart from the government, ensuring low concentration risk. For example, under business-to-business, c company have implemented e-KYC and e-Sign as a service. While under business-to-consumer services company have PAN enrolment. Under business-to-government services company have services like TIN and NPS.</p>
<p><i>Experienced senior management team backed by strong corporate governance standards and supported by marquee investors</i></p>	<p>Company's experienced senior management team has been instrumental in the growth of its operations over the years with many of them being associated with Company for over two decades. Their collective industry experience has enabled company to anticipate and capitalize on changing market trends, manage and grow its operations and leverage and deepen client relationships.</p> <p>Company's Managing Director and Chief Executive Officer, Suresh Kumar Sethi has over 30 years of experience and has worked in the financial inclusion space, leveraging fintech and digital led innovation. Suresh Kumar Sethi was formerly the managing director and chief executive officer of India Post Payments Bank, which is the single largest platform in India for providing interoperable banking services to customers of any bank. In his stints prior to India Post Payments Bank, he has worked with financial services companies such as Citigroup and YES Bank and Vodafone M-Pesa across India, Kenya, UK, Argentina and USA. He has held senior level positions at regional and global levels.</p> <p>For his contributions to the financial services sector, Suresh Kumar Sethi has been recognized by The Asian Banker and is part of The Asian Banker's 'List of Leading Practitioners'. He was also recognized as the CEO of the Year (India Post Payments Bank) at the India Banking Summit and Awards, 2019.</p>



## OBJECTS OF OFFER

The objects of the Offer are to (i) achieve the benefits of listing the Equity Shares on the Stock Exchange; and (ii) carry out the Offer for Sale of up to 6,191,000 Equity Shares by the Selling Shareholders

## RISKS

Company is substantially dependent on projects awarded by government entities and agencies and its relationship with GoI entities exposes company to risks inherent in doing business with them, which may adversely affect company's business, results of operations and financial condition.

Source:RHP

## INDUSTRY OVERVIEW

### Overview of account aggregator and allied services

Protean has formed a separate company for the AA business

Protean is a chief architect and implementer for some of the most critical and large scale technology infrastructure projects in the country. Protean closely works with Central and State Governments, Regulators, and Financial and Non-Financial entities in creating population scale e governance Solutions. Protean conceptualized designed and implemented the infrastructure for Central Recordkeeping Agency ("CRA"). It has also been responsible for setting-up the tax information network and the technology infrastructure for Aadhaar authentication and e-KYC services. The company has over the years used its project management capabilities and technology expertise to deliver state of the art e-Governance solutions.

Going ahead, Protean plans to leverage its experience and capabilities in technology infrastructure to be an integral part of the Account aggregator ecosystem being set-up in the country. It has formed a separate company, called Protean Account Aggregator Limited (formerly known as NSDL e-Governance Account Aggregator Limited) ("Protean AA"), for the same purpose. The company has received the approval from the RBI to be empanelled as an Account Aggregator. Thus, Protean AA along with Protean plan to become agents of financial inclusion by shifting from asset backed lending to cash flow based lending.

AA framework coverage expected to triple in coming years, with major adoption coming from banking sector

The base of financial information providers is expected to broaden with the adoption of the AA ecosystem by public and private sector banks. The GSTN database has received approval to go live on the AA framework. Following the onboarding process, the use case of the portal for Financial Information Users is expected to grow substantially. Currently, the portal has 32 financial information providers that have integrated on the account aggregator ecosystem, of which, 26 have integrated with multiple account aggregators.

Under the AA framework, as a primary central recordkeeping agency for the National Pension System, Protean is now enabled as a Financial Information Provider ("FIP") to provide subscribers pension data to Financial Information Users ("FIUs") like Banks/NBFCs/lenders.

AA ecosystem saw 18% on-month growth in FIU onboarding; high potential of portal to help sustain growth

As of assessment year (AY) 2022, 94 financial institutions had completed their onboarding process on the account aggregator platform as users of financial information; as of February 2023, this number increased to 141, with 49 entities in the evaluation stage and 21 in the development stage. The platform started with nine users of financial information in September 2021, growing at approximately 180% CAGR over the past few months.

A similar growth rate could be expected for the portal in coming years on account of its immense potential to provide easy access to financial services and contribute to the country's financial inclusion goals by reaching under-served customer segments such as MSMEs and low-income groups. Major demand for the platform will come from the insurance sector, NBFCs, and banks, as well as the pension sector and securities market.

Rise in emerging use cases of platform, consents raised expected to grow

During assessment year 2022, there were approximately 35 million successful transfers since the launch of the platform. In recent months, more than 2 million annual cumulative consents have been fulfilled successfully. The monthly growth rates since September 2021 have been stable at 50-60%, witnessing sustained progress.

According to a market sizing report by Sahamati, considering the emerging use cases of the account aggregator system, successful annual consents fulfilled via an account aggregator are expected to reach one billion by 2025 and 5 billion by 2027, given the broadening of the ecosystem to include additional financial information types, and several more use cases are expected to emerge.



**Consolidated Financials**  
**(Rs in Mn)**

<b>Financials</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>Q1FY24</b>
Total Revenue (A)	6031.32	6909.09	7422.06	2204.03
Total Expenditure (B)	5182.87	5670.75	6242.42	1863.15
EBIDTA	848.45	1238.34	1179.64	340.88
EBIDTA Margin	14.07	17.92	15.89	15.47
Other Income	488.95	792.67	416.66	127.62
Depreciation	167.91	169.95	182.85	49.10
EBIT	1169.49	1861.06	1413.45	419.40
Interest	9.45	4.83	9.27	2.17
PBT	1160.04	1856.23	1404.18	417.23
Extraordinary Items	0.00	0.00	0.00	0.00
PBT	1160.04	1856.23	1404.18	417.23
Tax	238.17	416.86	333.76	95.12
PAT	921.87	1439.37	1070.42	322.11
NPM	15.28	20.83	14.42	14.61
ROE %	13.81	18.27	12.49	2.40
EPS	23.02	35.78	26.50	7.97
Eq Cap	401.39	403.84	404.21	404.21
Net Worth	6,674.59	7,880.01	8,569.43	8,880.95

(Source: RHP)



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