CMP: ₹573 | Target ₹ 630 (10%) | Target Period: 12 months | HOLD

August 6, 2026

Opex drags profit; margin recovery hinges on future execution...

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) CRA services (NPS & APY) and iii) Identity Authentication. Further, it has ventured in new age businesses including Open Digital Ecosystem (ODE), Cloud & Infosec.

Q1FY27 performance: Protean reported mixed Q1FY27 results with revenue rising to ₹251 crore (up 19.3% YoY) primarily driven by growth in revenue from new verticals. However, revenue incurred sequential decline due to drop in nation-wide PAN issuances. EBITDA margin reported at 10.4% (vs 16.5% in Q4FY26) owing to ₹18 crore investment in RFP-led mandates and expenses increased due to cost inflation. However, normalized EBITDA (excluding investment amount) stood at 17.2%. Consequently, PAT declined to ₹6 crore (down 75% YoY and 81% QoQ) as steady top-line growth was offset by increased expenses.

Investment Rationale:

- **Growth momentum continues, but near-term profitability under pressure:** Protean delivered continued traction across core tax, pension and identity businesses along with new-age DPI initiatives. Despite industry-wide decline in PAN issuances, Protean gained market share. CRA (pension) services added 39 lakh subscribers (95% of incremental industry additions). New initiatives now contribute ~17% (vs 10% in FY26) of total revenue, aided by 102 live ASK centres of which full rollout of 190 centres is targeted by Q3FY27. Thus, recognition of revenue from FY28E, post roll out of all centres, is expected to offset any impact from PAN2.0 tender miss.
- **Margin recovery hinges on execution over FY27:** Management has guided for EBITDA margin normalization from Q2/Q3FY27 as ASK and other RFP-led projects move past the upfront cost phase into steady-state, recurring revenue. Given the front-loaded nature of these investments and the still-early ramp-up of ASK roll-out, near-term earnings is seen to remain volatile with medium-term thesis rests on execution of solution-led pivot translating into tangible margin improvement over the next 2–3 years, as reiterated by management.

Rating and Target Price

- Rollout of new ventures including ASK centres is expected to offset impact on both revenue as well as margins from PAN 2.0 RFP miss. However, gradual increase in proportion of new ventures could lead to earnings volatility in near term. Thus, factoring the transition in FY27-28, we downgrade our rating to HOLD, valuing the stock at 20x FY28E EPS assigning a target price of ₹ 630.

protean
Change *is* growth

Particulars

Particular	Amount
Market Cap (₹ Crore)	2,367
FY26 Debt (₹ Crore)	88
FY26 Cash (₹ Crore)	187
EV (₹ Crore)	2,268
52 Week H/L (₹)	946 / 444
Equity Capital (₹ Crore)	40.6
Face Value (₹)	10

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	-	-	-	-
FII	7.8	7.5	8.6	6.0
DII	21.7	21.5	21.3	21.2
Others	70.5	71.0	70.1	72.8

Price Chart

Key risks

(i) Dependency on projects awarded by government entities and agencies

(ii) Technology break-down/ Cyber security risk

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

(₹ crore)	FY24	FY25	FY26	3-year CAGR (FY23-26)	FY27E	FY28E	2-year CAGR (FY26-28E)
Revenue	882	841	998	10.4	1,140	1,203	9.8
EBITDA	89	80	116	(0.6)	121	150	13.9
EBITDA Margin (%)	10.1	9.6	11.6		10.6	12.5	
Net Profit	97	92	101	(2.0)	105	128	12.6
Diluted EPS (Rs)	24.0	22.8	24.9		26.0	31.5	
P/E (x)	23.9	25.1	23.0		22.1	18.2	
EV/EBITDA (x)	17.8	20.2	13.9		13.1	10.1	
RoCE (%)	13.4	11.1	11.6		11.8	13.3	
RoE (%)	10.5	9.3	9.4		9.3	10.6	

Source: Company, ICICI Direct Research

Concall highlights and outlook

- Protean reported a mixed Q1FY27, with revenue from operations growing 19% YoY to ₹251 crore, aided by continued momentum across core businesses and new initiatives. This is the first call under new MD & CEO Ajay Rajan (ex-Deutsche Bank, YES Bank), who took charge two months ago.

- EBITDA (reported) declined 38% YoY to ₹28 crore with margin at ~10% (vs 18.8% in Q1FY26), impacted by ~₹18 crore of upfront investments toward RFP-led mandates and cost inflation from ongoing geopolitical tensions, which raised procurement cost for hardware, software and technology inputs. On a normalized basis (ex these cost), EBITDA would have been ~₹46 crore, translating to a margin of ~17.2%, broadly in line with historical trends. Management indicated this cost are front-loaded ahead of revenue realization and expects margin recovery from Q2/Q3FY27 as ASK centres ramp up, with meaningful improvement over the next 2-3 years as the business mix shifts toward higher-margin, solution-led offerings.

- PAT stood at ₹6 crore (margin 2.2%, EPS ₹1.44), also impacted by lower other income (prior year included tax refunds) in addition to the EBITDA drag.

- Tax services: Revenue remained largely stable YoY despite a 12% industry-wide decline in PAN issuances, caused by new income tax rules requiring additional date-of-birth documentation after Aadhaar was disallowed for this purpose post a Supreme Court judgment. Despite the non-digital-flow-led industry decline, Protean gained 275 bps market share to 62% (from 59% in FY26) and issued over 1 crore PAN cards during the quarter.

- Pension/CRA services: Onboarded 3.9 million new subscribers, capturing 95% of incremental industry additions, and added 1,000+ new corporates — the highest ever in a single quarter. The company continues to hold a dominant 97% share across NPS, APY and UPS, and remains the primary CRA for the Unified Pension Scheme. NPS Vatsalya also gained traction post revised withdrawal-flexibility guidelines, with Protean adding 78,000 taking subscriber base over ~2 lakh.

- Identity services: Revenue grew 16% YoY, supported by 20% combined volume growth, led by BFSI demand. Protean remains the only player offering all four foundational identity services; management flagged e-Sign Pro (end-to-end digital documentation workflow) as a large, scalable, high-margin opportunity domestically and internationally.

- New initiatives: Contributed ~17% of quarterly revenue vs ~10% in FY26, driven by CERSAI/CKYC, Bima Sugam, Aadhaar Seva Kendra (ASK) and Agri Stack. Management reiterated these mandates also open adjacent monetization opportunities beyond the core implementation.

- Aadhaar Seva Kendra (ASK) rollout: 75 centres operational across 24 states/UTs as of July 2026; full rollout targeted by Q3FY27. Revenue recognition has already begun, providing visibility into a recurring, transaction-based revenue stream; management noted early volume/margin trends are in line with original RFP-stage estimates, though it is too early to give firm guidance given centres have been live only 3-4 months. Employee costs will rise further as remaining centres go operational, though management does not expect a major increase in overall headcount outside ASK.

Other updates

- New CEO's strategic framework: Three pillars outlined — (1) DPI 2.0: deepening core franchise with sector-wise expansion (financial services, insurance, agri, health, education); (2) monetizing DPI via a solution-led, bundled approach ("DPI in a box") including a shift from per-API to per-outcome/per-journey pricing to improve margins; (3) global expansion via a partnership-led, capital-light model with multilateral institutions and local system integrators in select geographies.

- Inorganic growth: Management confirmed it is evaluating acquisitions, broadly focused on the BFSI/enterprise solutions space to accelerate go-to-market and profitability, though no specific targets were disclosed.

- CKYC/CERSAI mandate: Building the next-generation central KYC registry (1 billion+ records, API-first, cloud-native), with monetization expected both from the registry fee mandate and from recurring API-based "on-ramp" access for BFSI entities.

- Balance sheet remains debt-free with ₹800+ crore in cash and marketable securities, providing flexibility for investments and inorganic opportunities.

- Cloud & Account Aggregator remain small but strategically relevant. Management is sharpening commercial models for both, with the MeitY-certified sovereign cloud positioned as a differentiator for government/regulated workloads.

- PAN 2.0: Too early for clarity; no platform changes required as of now, though management noted assisted-mode volumes continue to grow and Protean's physical reach (PAN centres, branches) should keep it relevant regardless of the eventual PAN 2.0 structure.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Revenue from operation	250.5	210.0	19.3	308.6	(18.8)	Topline growth was driven by New Initiatives which grew to ₹42 crore (up 276% YoY, 45% QoQ). Tax services recorded at ₹100 crore (down 44% YoY, flat QoQ) due to industry wide decline in PAN issuances
Processing charges	78.3	76.0	3.0	109.0	(28.2)	
Employee Benefit expense	67.8	55.7	21.9	59.2	14.5	Staff cost increased due to hiring for Aadhaar Seva Kendra projects and incentives
Other operating expense	92.2	59.5	54.9	114.1	(19.2)	Increased system support and maintenance expenses due to ₹18 crore upfront investment in RFP-led projects and cost inflation in inputs
EBITDA	12.1	18.8	(35.5)	26.2	(53.8)	
EBITDA margin (%)	4.8	8.9	(461) bps	8.5	(435) bps	Margins affected due to increased expenses for which revenue realisation is not incurred yet
Depreciation	17.3	10.8	59.8	13.9	25.0	
Other income	15.6	28.6	(45.4)	16.0	(2.3)	
EBIT	10.4	36.5	(71.5)	28.3	(63.2)	
Finance Cost	2.7	1.5	74.3	2.1	27.4	
PBT	7.8	35.0	(77.8)	26.2	(70.4)	
Tax	1.8	8.5	(79.1)	5.5	(67.8)	
PAT	6.0	26.5	(77.4)	20.0	(70.0)	PAT declined attributed to higher RFP related expense

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	**840.7**	**998.0**	**1,140.0**	**1,203.1**
% Growth	(4.7)	18.7	14.2	5.5
Other income	68.2	72.9	76.5	80.3
Total Revenue	**908.9**	**1,070.9**	**1,216.4**	**1,283.4**
Employee Expenses	188.6	232.6	272.1	302.1
Other expenses	244.8	303.8	364.6	371.9
Total Operating Expenditure	760.3	882.2	1,018.6	1,052.9
Operating Profit (EBITDA)	**80.4**	**115.8**	**121.4**	**150.2**
Interest	2.3	6.7	8.0	8.0
PBDT	146.3	181.9	189.8	222.5
Depreciation	27.8	46.8	51.3	54.1
PBT before Exceptional Items	118.4	135.2	138.5	168.3
Total Tax	26.0	29.7	33.2	40.4
PAT before MI	92.5	105.5	105.3	127.9
PAT	**92.5**	**100.8**	**105.3**	**127.9**
EPS	**22.8**	**24.9**	**26.0**	**31.5**

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	92.5	100.8	105.3	127.9
Depreciation	27.8	46.8	51.3	54.1
Interest	2.3	6.7	8.0	8.0
Cash Flow before WC changes	122.6	154.3	164.6	190.1
Changes in inventory	-	-	-	-
Changes in debtors	45.2	(60.6)	(31.9)	(13.0)
Other current assets	55.6	(52.6)	(10.9)	(5.1)
Net Increase in Current Assets	(48.8)	(88.4)	(70.6)	(51.4)
Changes in creditors	(16.6)	32.9	0.5	7.5
Other current liabilities	19.0	37.2	12.7	8.7
Net Increase in Current Liabilities	2.5	70.1	13.2	16.2
Net CF from Operating activities	**76.3**	**135.9**	**107.2**	**154.9**
(Purchase)/Sale of Fixed Assets	(45.1)	(55.4)	(30.0)	(30.0)
Others	(1.3)	(19.9)	3.2	3.6
Net CF from Investing activities	**(116.6)**	**(74.3)**	**(67.1)**	**(69.7)**
Dividend and Dividend Tax	(40.5)	(44.5)	(49.0)	(53.9)
Others	45.5	12.4	(8.0)	(8.0)
Net CF from Financing Activities	**25.7**	**(11.1)**	**(57.0)**	**(61.9)**
Net Cash flow	(14.5)	50.6	(16.8)	23.3
Opening Cash/Cash Equivalent	150.7	136.2	186.8	170.0
Closing Cash/ Cash Equivalent	**136.2**	**186.8**	**170.0**	**193.2**

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	40.6	40.6	40.6	40.6
Reserve and Surplus	958.2	1,037.0	1,093.3	1,167.4
Total Shareholders' funds	998.8	1,077.6	1,133.9	1,208.0
Total Debt	68.5	87.5	87.5	87.5
Total Liabilities	**1,089**	**1,186**	**1,246**	**1,323**
Gross Block	326.2	372.6	407.1	437.1
Acc: Depreciation	240.8	286.2	337.5	391.6
Net Block	85.4	86.5	69.6	45.5
Capital WIP	10.6	19.5	15.0	15.0
Total Fixed Assets	96.0	105.9	84.6	60.5
Non Current Assets	81.3	121.3	121.3	121.3
Inventory	-	-	-	-
Debtors	144.1	204.7	236.6	249.6
Other Current Assets	26.4	79.2	90.0	94.9
Cash	136.2	186.8	170.0	193.2
Total Current Assets	471.0	610.0	663.8	738.4
Current Liabilities	103.3	136.2	136.6	144.2
Net Current Assets (Ex Cash)	117.2	135.5	192.9	228.1
Total Assets	**1,089**	**1,186**	**1,246**	**1,323**

Source: Company, ICICI Direct Research

Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Per Share Data (₹)				
EPS	22.8	24.9	26.0	31.5
Cash per Share	73.3	80.0	79.9	90.2
BV	246.3	265.8	279.6	297.9
Dividend per share	10.0	11.0	12.1	13.3
Dividend payout ratio (%)	43.8	44.1	46.5	42.1
Operating Ratios (%)				
EBITDA Margin	9.6	11.6	10.6	12.5
PAT Margin	11.0	10.1	9.2	10.6
Valuation Ratios (x)				
EV / EBITDA	20.2	13.9	13.1	10.1
P/E	25.1	23.0	22.1	18.2
EV / Net Sales	1.8	1.5	1.3	1.2
Sales / Equity	0.9	1.0	1.1	1.1
Market Cap / Sales	2.6	2.2	1.9	1.8
Price to Book Value	2.3	2.2	2.0	1.9
Workin Capital Management Ratios				
Inventory Days	-	-	-	-
Debtors Days	58	70	71	71
Creditors Days	41	46	41	41
Asset turnover	2.8	2.9	3.0	2.9
Solvency Ratios				
Debt / Equity	0.1	0.1	0.1	0.1
Current Ratio	2.1	1.8	2.1	2.2
Quick Ratio	2.1	1.8	2.1	2.2

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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