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May 14, 2024

To,

BSE Limited (“BSE”)
P.J. Towers, Dalal Street,
Fort, Mumbai – 400 001

Scrip Code: 544021
ISIN: INE004A01022

Dear Sir/Madam,

Subject: Transcript - Earnings Conference Call on Company’s Operational and Financial Performance for Q4 & FY 2024

Pursuant to Regulation 30 and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and in continuation to our letter dated May 2, 2024, please find enclosed herewith transcript of Earnings Conference Call on Company’s Operational and Financial Performance for Q4 & FY 2024, held on Wednesday, May 8, 2024.

This is for your information and records.

Thanking you,

Yours truly,

For Protean eGov Technologies Limited

Maulesh Kantharia
Company Secretary & Compliance Officer
FCS 9637

Encl.: As above



“Protean eGov Technologies Limited
Q4 & FY‘24 Earnings Conference Call”

May 08, 2024



**MANAGEMENT: MR. SURESH SETHI -- MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER**

**MR. JAYESH SULE – WHOLE TIME DIRECTOR AND
CHIEF OPERATING OFFICER**

MR. SUDEEP BHATIA -- CHIEF FINANCIAL OFFICER

**MS. PUSHPA MANI -- VICE PRESIDENT, HEAD
INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to Protean eGov Technologies Technologies Q4 FY24 Earning Conference Call. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Pushpa Mani, Vice President, Head Investor Relations, Protean. Thank you and over to you, ma'am.

Pushpa Mani: Thanks Priya. Good evening everyone. We welcome you all to the Q4 and FY24 results discussion. Management on call would be represented by; Mr. Suresh Sethi, Managing Director and Chief Executive Officer, Mr. Jayesh Sule, Wholetime Director and Chief Operating Officer, Mr. Sudeep Bhatia, Chief Financial Officer and myself, Pushpa Mani, Head Investor Relations.

Before we begin, I would like to mention that some of the statements in today's discussion would be forward-looking in nature and we believe that the expectations contained in these statements are reasonable. However, these statements involve a number of risks and uncertainties that may lead to different results.

With this, I would invite Mr. Sethi to give opening remarks. Thank you and over to you.

Suresh Sethi: Thank you, Pushpa. Good evening everyone. Many thanks for joining us for Q4 & FY24 earnings call. We are thankful to you for your continued support and interest. Let me begin this call by taking you through a quick overview of our unique business model, especially for those who may be new to our journey and are joining this call for the first time.

Just to give a quick introduction to the company, Protean eGov Technologies Limited. We have been a pioneer and market leader in building digital public infrastructure. A journey which has run over the last three decades for over 28 years. We have been one of the cornerstones of digital India evolution, right from creating population-scale e-governance platforms for taxation & social security, to enabling digital identity through foundational DPIs across identity payments and data.

Going forward, aligning with India's visionary DPI framework, which is now built on open standards and protocols, Protean continues to be one of the leading contributors towards multi-sector open digital ecosystems that are coming across various sectors of the economy. We are today contributing in the area of e-commerce, transport, mobility, agriculture, education, and health.

Our business can broadly be classified under four pillars. Right from the inception, our first pillar has been towards building e-governance platforms. That is where our journey began with modernizing India's direct tax infrastructure and building robust tax information network for the country. We also bought the mandate to issue India's first digitally verifiable credentials, what we all know today - The National Tax ID "PAN card".

Subsequently, we developed the central record-keeping infrastructure for the National Pension System and the Atal Pension Yojana. We are proud to share that we host the national PAN database of over 76 crores PAN records today, enabling the entire BFSI sector for various citizen-centric services. We have more than 63% share in PAN issuance since inception. In the social securities business and the pension business, we have 97% share in NPS and 100% share in APY (Atal Pension Yojana).

Moving on from building e-governance platforms, our second pillar focuses on digital identity and provisioning of the same. In this space, we continue to be uniquely positioned as the only company in the country offering all facets of digital identity, covering the four key areas, ranging from e-KYC, e-authentication, which is Aadhaar-based authentication, e-signature, and online PAN verification.

We have diversified customer base and today we provide services to more than 1,500 corporates. Moreover, we are one of the top five authentication and KYC service agencies to UIDAI providing third-party identity services. Currently, these first two pillars account for almost 90% of our total revenues. Our third pillar is more aligned with the current vision of the country in building open digital ecosystems. We term it as the work we are doing in enabling democratic access to ODEs, i.e., open digital ecosystems. Aadhaar and India's stack have been watershed moments for India and have contributed significantly to the design and architecture of our DPIs.

This has led to creation of multiple open and interoperable stacks across diverse sectors. We have made a conscious choice to build competence, capacity and IP in open source technologies. We are actively contributing and supporting open digital blocks for creating use cases across sectors like e-commerce, transport and mobility, which comes under the umbrella of ONDC. In healthcare, agriculture and education & skilling which comes under the umbrella of ONEST, (Open Network for Education and Skill Transformation).

Our fourth vertical, which brings our complete business 360 degrees, is powering enterprise digitization. While our first three pillars are at a foundational level, where we power various entities, the fourth pillar leads us into enterprise digitization. Over there, we work on two levels that is application level and infra level. At the application level, we power enterprises by extending our service stack of comprehensive APIs to enable end-to-end digital onboarding and data verification capabilities.

This is a comprehensive Red tech stack which helps financial institutions to reduce risk and time to onboard customers, improve data accuracy, and empower them to create seamless digital experiences. We have also been awarded in the last year the account aggregator license by RBI. With the launch of Protean SurakshAA account aggregator, the company is now committed to drive economic empowerment and inclusion by enabling digital lending, onboarding, and various other journeys to enable a digital India at corporate and consumer level.

On the infra side of our enterprise digitization, we provide cloud and InfoSec services. While we have been at the forefront of establishing DPIs at a population scale and managing large central databases. We have extended this competency to seed lines of business in the areas of

information security advisory and cloud services. Protean Cloud is a made-in-India energy-efficient cloud in synergy with the government's Atmanirbhar Bharat mission and seeks to enable digital transformation and adoption of homegrown technology in citizen-centric IT-enabled services.

While these are the four pillars which define our lines of business and our product and services footprint, it is equally important for us to call out that we are looking at taking the India stack global, and there is a clear plan which we are currently enabling through geographic expansion. We are focused on moving into overseas markets, and over here we want to extend our experience and expertise in implementing large-scale, nationally important and data-intensive projects with specific focus on tax, ID, social security, digital identity and ODEs. These are very relevant for countries which are at an early stage of building DPIs. Our focused attention is especially in the geographies of African subcontinents & Southeast Asia, which is where we see that the journey in building DPIs is very much at an early stage.

Coming to our performance in FY '24, we are happy to share that our revenues grew 19%, led by double-digit growth across our four business verticals. During the year, the tax services business which is one of the main pillar of revenue, grew by 12% year-on-year. During the course of the year, we crossed 5 crores PAN card issuance compared to 4.1 crores last year in FY '23. We are also proud to report that overall growth in this segment during the year has been significant as compared to last year's year-on-year growth in the same quarter, there has been a degrowth, but to address that fact, we would like to share that this was primarily owing to the fact that during the same quarter last year, there was a one-off spike in PAN issuance, mainly due to government's push and certain regulatory deadlines.

We expect the PAN issuance to continue to grow at the current level, especially on the back of India's young demographic which adds almost 1.2 crore youth workforce every year. Equally important, we do realize that PAN is not a foundational ID like Aadhaar and therefore it is not given at the time of birth, and today more than 35% of India's population still doesn't have a PAN card. So we do see the headroom for growth.

Our second line of business is pension services, in which we have reported 14% growth during FY24, with more than 1.37 crore accounts opened as compared to 1.22 crore during FY23. As on date, the company has a very diverse customer base. We serve more than 16,000 corporates, and along with that, we are the sole CRA for all central and state governments. Protean is the first and continues to remain the largest central record-keeping agency, with more than 97% market share in NPS and 100% in Atal Pension Yojana, the flagship scheme of the government for the economically weaker sections of the society.

Even today, as we see, there is significant headroom for growth in the pension business. India has a very low pension penetration, which is clearly evident from the fact that the total number of EPFO accounts in India stands at 28 crores while the NPS and APY accounts combined together is less than 8%.

If we compare that with other developed nations, our country's pension penetration is around 6% for the private sector employees while in US almost 70% private sector employees are covered under pension. We see a huge headroom for growth here.

Likewise, in the identity business, we are delighted to report a staggering growth of 62%, which is mainly driven by the Digital India growth that is rapid adoption of digital payments, enabling regulatory norms and increasing penetration of digital processing of documents across government and private organizations. This creates multiple use cases for the four facets of identity that is eSign, eKYC, online PAN verification and Aadhaar authentication. All these services are pressed the moment you do any activity like opening a bank account, digital lending high-value transaction in the capital market, jewellery purchase, Real Estate purchases etc.

So, all these services are getting pressed into providing and enabling one or more of these use cases. During the year, we have onboarded more than 200 B2B clients and won contracts from various state governments to make their processes more digitized.

Our new businesses, largely comprising of four verticals including the open digital ecosystems, cloud & infosec, data stack and the expansion into international markets. While all these businesses are having early momentum, we especially see that open digital ecosystems is gaining traction with significant network adoption, especially in ONDC, which is probably one of the more advanced ODEs as we look at the areas in which we are contributing.

In terms of profitability, the company reported a PAT of INR 97 crore. We are down 9% year-on-year, but this is clearly due to our investments in developing new business verticals in line with our strategic goals. Our key investments over the years have been in people and technology and this is important to call out because the company has pivoted into getting competency built in all open source technology stacks, in centers of excellence & on new areas of technology, which means emerging technologies like AI and blockchain, which we are introducing in a lot of our contributions in building open digital public infrastructures and ecosystems.

And last but not the least is the fact that we are moving beyond the BFSI sector and contributing in multiple sectors with investing in sector specialists who lend us their expertise to work on these multiple open digital ecosystems. Equally important for us to call is that since we work on open source stacks, these tech stacks are fungible across different DPIs and that gives us the ability to carry the same stack and invest and build multiple ODEs. We believe that these new business lines will be very critical for our business going forward and we are doing our best to nurture them and help them achieve their full potential.

The second reason I would like to call out which again comes to a dip in our margins is based on the provision that we've created and we spoke about it the last quarter. This is something we have been managing and putting aside over a period of time and this is related to a sovereign debt which we have on the projects we do with the income tax department.

While this money is definitely going to come back to us, but in certain cases, some of this debt is outstanding for a long time and following prudent and conservative accounting practices we are starting to maintain provisions on these long outstanding debts.

Post taking this provision in this quarter, we have provided for INR 13.5 crore during the quarter. The net remaining provision is around INR 28 crore which will come through over the next two years. While we expect this money to be recovered completely from the government, we would also like to share with you that the part of this provisioning is payable to us also passes through as payable to our vendor partners and therefore whatever provisions we are making do not have a full impact because they do have a pass-through element attached to them.

Lastly, our balance sheet continues to remain very strong. We have more than INR700 crores of cash and cash equivalent, including marketable securities and as has been the history of the company, we continue to be a debt-free company.

To better utilize the cash on books and to maximize the return to our shareholders, we continue to actively seek inorganic growth opportunities and are especially interested in investing in businesses which bring in cutting-edge technologies and provide us faster time to market.

During the course of the year, the company again forayed into multiple new businesses and products. Specifically, I would like to call out that in open digital ecosystem there was a strategic expansion into two new ODEs, one was in the space of agriculture where we worked on the core agri stack for the nation and second was in the space of education & skilling under the open network for education and skill transformation – ONEST.

ONDC, as I mentioned, has shown good traction and we can definitely see numbers in terms of adoption and network expansion showing very promising growth. During the last year, we got our Account Aggregator license and we launched that business.

Equally important for us on the data stack front, we launched RISE with Protean. It is a comprehensive multi-sector API marketplace cum sandbox that aims to provide over 300 plus APIs across digital on boarding and credit verification. It also supports various DPI-related APIs in the space of ONDC, Agri, health and ONEST. Moreover, we also launched an AI powered CKYC solution.

I am very pleased to announce that the Board of Directors have recommended a final dividend of 100% on the face value of INR 10 per equity share for FY'24. Going forward, we remain strongly optimistic on the Digital India growth and are committing to pioneering transformative technology that is collaborative, that is equitable and democratizes opportunity at a population scale.

We continue to remain one of the very few companies which has worked and built platforms and digital ecosystems at a population scale. We will continue to likewise add value to enterprises, consumers and governments through our unique combination of technology and expertise in e-governance. With this I would like to hand over to Sudeep, our CFO for a detailed

discussion on our operational performance. So thank you very much for listening to me and Sudeep over to you.

Sudeep Bhatia:

Thank you again for joining us for the full year results call. Currently, India is witnessing massive digital transformation the foundation of which lies in building a ubiquitous digital infrastructure. Protean is privileged to be at the forefront of this dynamic ecosystem and continues to be one of the cornerstone of the digital India evolution lying the foundational pillars in creating the ecosystem across the sectors.

Let me take you through the financial highlights for the year. In FY24 our consolidated revenue from operations stood at around INR 882 crore growing by 19% year-on-year led by noteworthy performance across our core business lines with tax services, pension services and identity services registering impressive year-on-year growth of 12%, 14% and 62% respectively. Additionally, we are seeing early momentum in our new businesses as well.

Adjusted EBITDA for the year stood at INR 196 crore reflecting 11% growth year-on-year with current margin of 20.6% in financial year 24 mainly on account of the continued investments that we have made in the new business verticals. Profit after tax for FY24 stands at INR 97 crore in FY24 and this is after the provision of around INR 39 crore that we have reported in the books of accounts.

I am happy to state that our balance sheet position continues to remain strong with cash and cash equivalents of more than INR 700 crore. We continue to maintain our debt-free status and are looking to accelerate our internal cost levers at a sustainable rate. Our well-established business model coupled with strong cash flows, multiple strong businesses that have delivered results over last more than two decades has resulted in a net cash balance of around INR 151 crore at the end of the year.

Looking ahead, we continue to strive for growth opportunities and championing the vision of a digitally empowered India with a robust regulatory framework. Our journey has just begun and we are excited about the endless possibilities that lie ahead. With that, I invite you to join us in our discussion from the floor. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from question queue you may press star and 2. Participants are requested to use handset while asking the questions.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sumangal Pugalia from Rare Enterprises. Please go ahead.

Sumangal Pugalia:

Hi, thank you so much for the opportunity. My first question is when we talk about high pace in the last year, can you elaborate on that? What will be the normalized pan-issuances and the impact specifically for this quarter due to that?

Suresh Sethi: Largely, if you look at it, the pan-issuance on an average is around 6-7 crores new pan-issuances every year over the last few years and as I mentioned earlier, pan not being a statutory identity because you don't generally get a PAN card when a child is born unlike Aadhaar. Today, there is a huge population out there, maybe over 50 crore people in the country who don't have a PAN card.

So, as people come into either their first employment or they are opening their first bank account, the PAN card becomes a relevant document for issuance. This is what we have consistently seen over the years. As I mentioned earlier, while at times there have been certain initiatives or deadlines like Aadhaar-PAN linkage or some other DBT cases happening where number of PAN cards have spiked, but around 7-8 crore is what we are seeing as a growth factor for PAN card issuance year-on-year.

Sumangal Pugalia: And my second question is on the new initiatives. So, while the commentary is good, quarter-on-quarter we have seen revenue actually going down. Can you talk about some of the actual revenue lines and specifically on ONDC. Right now what is the revenue structure and when do you see it getting linked to the GMV of ONDC?

Suresh Sethi: The revenue structure for us today - basically there are two tracts to it. At one level, we are providing the entire digital public infrastructure on which ONDC sits. So, just like just like you have UPI being run by NPCI to enable the payments in the country. We today provide the registry and gateway services to enable the ONDC transactions. For these registry and gateway services, as of date, we are directly compensated by ONDC as a market institution. And this is something which naturally at this stage is done at the ONDC level.

This could very well like UPI become a market participant compensated model going down the line. So that is one stream of revenue. The other revenue is more on the lines of SaaS model. I would split that part into two sorts of services. One is where you are providing buyer and seller technology. It could be to enable digital commerce for buyers and sellers. To enable open finance on ONDC, it could be lenders and borrowers. To enable transport and mobility on ONDC, it could be riders and taxis or transport services. So in all these cases, it's a SaaS model where we provide buying and selling technology and this is given to corporates in all likelihood. Over here, there's an AMC model and then there's a SaaS model which plays with it.

The third part is more like extension services. So, as you look at various other enabling requirements on an ONDC platform, you have extension services like reconciliation and settlement modules. You have issuance and grievance modules. You have catalogue as a service. So all this technology is again something we built and adapt to plug into the ONDC ecosystem. These again are provided to various network participants who want to engage with ONDC ecosystem to enable payments or completion of payment for a buy and sell. So, that is where we provide our technology which again runs on a SaaS model.

This in a way is the 2-tier structure of our revenues coming from ONDC and as I mentioned earlier some of the ONDC numbers you would be familiar with are getting published today. ONDC itself is showing very strong growth in terms of the growth of the network. Today we

have almost 2,80,000 plus sellers who are there and this is the ecosystem that has got created. Similarly the number of transactions on ONDC are growing significantly. These are the various cases where we are seeing that ONDC adoption and penetration is growing in the country.

Sumangal Pugalia: Sure. So currently for the gateway services we are not getting a percentage of the transaction as of now. You see that in the future that is some kind of a revenue model that Protean will pursue?

Suresh Sethi: Yes, so that is something that we are expecting that will happen in the long run because that is largely the way the digital public infrastructure gets compensated. Ultimately the infrastructure is created for the common good and all common good is ultimately made sustainable by the participants who are using that to consume services or get value out of it.

Sumangal Pugalia: Sure. So last question, maybe I'll come back later, on the depreciation for this quarter there seems to be a quarter-on-quarter rise also. So is there some explanation you can provide for that?

Sudeep Bhatia: From time to time, we do the physical verification of the assets and there are certain assets which are basically out of their life. On those assets we have booked this depreciation. This is only a one-off entry.

Sumangal Pugalia: Sure. Thanks.

Moderator: Thank you. Next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Good afternoon sir. Thanks for the opportunity. Coming to the ECL expression that you gave and also if I refer to the expansion in 3Q out of the total write-off that we take around 20% was going to the net impact on Protean. How are if I look at this quarter almost INR13.5 crores seems to be a net impact. So I just wanted to check if there is some change in assumption here and what is incremental net impact that we expect on the INR28 crores that is written off over the next two year?

Suresh Sethi: So I'll just mentioned that when we're taking this at a gross level, that's one clarification and as I mentioned earlier, at a gross level the impact over the next two years is going to be in the near-about of INR 28 crore. That again is the worst-case scenario provided we don't get any payments during the course of this period.

And this again comes in because it is outstanding over a certain period of time which we've taken as a call to say that it is sovereign debt and very much recoverable, we do realize that provisions should be made. On this gross is what we had indicated that whatever we get paid, a part of it flows through to our vendor partners. This is anywhere between 50% - 80%, which goes out as a payable. So, you know there is a payable concept which goes through so in a worst case scenario let's get there's no recovery then 28 is a gross but then the payables would get adjusted at that stage, but which we don't envisage as I mentioned, because we expect this money to come through and historically also we've seen that earlier on also, we have got our payments as delayed

as 7 to 10 years after the due date. So money has always come. It is only a matter of process and procedure that needs to be followed for that to happen.

Sudeep Bhatia: And just to mention that as we speak, over the last maybe one quarter or thereabout, I mean, I'm just referring to the most recent conversations directly with the government, the seniors in the department themselves are monitoring this, and they want to make sure that any overdue and backlog gets cleared on priority.

Rohan Mandora: So, essentially the payables are not getting reduced in this provision that you're creating right now. It's only the receivables that are existing. That will be the correct understanding?

Suresh Sethi: That's right.

Rohan Mandora: Okay. My second question was, if I look at the cash flow statement, there's an increase of around 47.6% in other financial assets year on year. So just want to understand what is that? This is under the changes in working capital. So what is this increase referring to?

Sudeep Bhatia: These were cash received during the last few days yet to be invested.

Rohan Mandora: Okay. So because they're under investments, we have not booked it under other financial assets. So just want to understand, is there some lien on these? Is it fixed deposit given on some business purposes? Some further clearance, that's a big amount, 47.6%?

Sudeep Bhatia: No, we haven't given any of these liens.

Rohan Mandora: Okay. So thirdly, of the total receivables that we have, what would be the amount attributable to business as usual receivables? And of the remaining amount, how much provision are we carrying against the remaining receivables?

Sudeep Bhatia: Okay. So in total, if we see, I mean, the business as usual receivables are in the range of about INR 130 crores. Majority of that, about 92% to 95% of that, will be within less than six months. And of the remaining, of course, there are certain provisions that have been made.

The provisions, majority of, or maybe 99% of these provisions relate to these government dues with respect to the income tax storage and the receivables coming from the income tax department, nothing else. In terms of the overall provisions that we are expecting as we've just mentioned that, apart from this remaining INR 28 crore exposure, there is nothing else, I mean, in the entire books.

Rohan Mandora: Got it. And so coming to the newer businesses, so on, ONDC, like Sir was explaining, on the SaaS-based revenue streams, because there are already certain network participants who are already present, have we entered into some relationship with the network participants on setting up of a buyer or seller technology or something on the enabling of reconciliation services? And by when can we see the monetization or revenue streams to come in from that line item? And overall for FY '25, what kind of revenues do we expect from cloud ONDC businesses?

Suresh Sethi:

Okay, so in terms of engagements with network participants, we are actively working and have enabled multiple buyer and seller apps. As you would have noted, we've also got into some key partnerships with large institutions, where we are providing them ONDC technology in a box or enabling their ecosystem partners & customers. These partnerships have been done with banks like Citi, HSBC, ICICI, Standard Chartered where we are building not just buyer-seller tech in some cases for them, but we are also providing them provisions to enable their supply chain and their systems onto the ONDC ecosystem.

We are likewise working with corporates and foundations. We today have enabled our distribution partners, like say a Spice Money or a Wangi with the buyer-supplier technology, because this could be B2B models or B2C models. And we are similarly working with some FBOs. So these revenues are already growing, though naturally, since it's a SaaS-based model, as adoption grows and more transactions happen, we expect these streams to improve. But these numbers are already flowing into our numbers. So you would see them as part of the numbers already reported.

We naturally expect promising growth on ONDC and the various categories that ONDC is today enabling, because it's not just digital commerce. There is also open finance, there's transport and mobility, there is similarly B2B ecosystem of supply chain management, which is coming through. So we do see promising growth, which will be led by the network adoption. Would be difficult for me to give you a forward-looking number as a commitment at this stage, but we definitely see growth over here. And if we see the underlying network growth, ONDC, as you've seen, has grown significantly. We are almost talking about 82 lakh transactions now happening in a month, and there's almost a 20% to 30% monthly growth that ONDC is seeing from an orders perspective. So these numbers are critical to bear in mind to say what sort of possible SaaS revenues can come out of this business.

Rohan Mandora:

Sure. And on the cloud business, any updates in respect to the new client conversions on the government side, on the financial entity side?

Suresh Sethi:

I think there's a business where I said there's definitely early momentum. Today we are having customers, so we have booked orders, and we have what I would term not as annuity revenue, but contract revenue, which is coming through. We have around more than double-digit clients at this stage who are availing our services.

We are working in a number of sectors, ranging from e-commerce to aggregators to SaaS vendors to manufacturing sector, public sector, where we are providing our cloud services. Similarly, equally important for us is that last year also went into getting a lot of critical certifications in place. So, we are now a MeitY -certified cloud. We have PCI DSS certification, SOC2, SOC3, and ISO certifications, which also give us a lot of ability to participate in more mandates as they come out.

Rohan Mandora:

Sure. Actually, this last question I had, if I look at slide seven of the presentation, the proportion of online PAN issuance has improved sharply in the last couple of years. And as I understand, the contribution margins that we make in online is better than offline. But this is not getting

reflected in our numbers. So just, if you can help me understand, like, how should one look at this next change in impacting the profitability?

Sudeep Bhatia: Right, so basically, yes, the online PAN issuances are definitely increasing, and as part of the previous explanation and the projections also that we had provided, the overall online opportunity is definitely growing, while the physical issuances are almost staying flattish. So, the entire growth that we are observing over the last few quarters is actually coming from online PAN issuances.

Suresh Sethi: And you will anyway see the aggregate in terms of the operating margin. But within the tax business, this definitely has a positive impact. As you rightly said, the margins are better as you do online, because there is a sunk cost in the infrastructure. What you are doing does not have the requirement of an assisted model over here, the margins are better, but naturally there are various other things which go into the overall operating margins, which you are seeing at an aggregate level. But for this business, this is definitely creating the positive impact.

Sudeep Bhatia: And just also on your questions on this INR45 crore, on the last date, there was money that we received from the government and also there was FD maturity on that very day in the evening. So that is how it is reinvested. So no other reason. This is a one-off as I said.

Rohan Mandora: Sure sir. Thank you.

Moderator: Thank you. Next question is from the line of Dhaval Parekh from IIFL. Please go ahead.

Dhaval Parekh: Thank you so much for the opportunity sir, in your opening remarks, you highlighted that the investments that you are going to make in your newer businesses can have some bearing on the margins going ahead. So can you quantify what is the amount that you have budgeted for expanding our new businesses and the nature of such investments in FY'25?

Sudeep Bhatia: So, as you can see that while our existing business verticals, which are the core pillars as stated in the commentary as well as the press release. The three businesses are actually growing by 19% year-on-year overall top line. But at the same time you will appreciate that the similar result is not sort of coming at the profit level.

So, the whole reason over there is essentially the investment that we have made in the new business verticals in order to make sure that they have a continuous flow of investments and the capital is going in the technology. And basically that means that first you need to hire people and these people then create technologies. These technologies are sold in the marketplace and that is how the recovery happens.

So, over the last 18 months or thereabout, there are these significant investments that we have already made. We are hoping that all the expectation is that in the coming four quarters these businesses should start yielding sort of revenues to take care of their investments that are going for the year. But I think eventually to recover all the investments that we have made, there is, we expect that it should be 18 to 24 month trajectory for a full payback period.

Dhaval Parekh: I think we made 10% EBITDA margins in FY '24. So you expect that to continue or improve going ahead?

Sudeep Bhatia: Well, I wouldn't like to give a forward looking guidance, but I would say that, I would like to split it into two parts. The EBITDA margin on our existing three businesses which deliver more than 95% revenues is maintained and whatever you see in terms of the reduction, etc., that is largely coming out of the investments that we have made in the new businesses. So, you can do back of the hand calculation. We expect that the investments obviously, will continue to some extent, but at the same time, the recovery, all the revenue lines from the new business verticals, we expect these should grow from here.

Dhaval Parekh: Okay. That is very helpful. My second question is on the newer businesses, which we include the international, account aggregator and all the other new businesses. So for FY '25, what, from which segment do you expect improving revenue visibility going ahead? And are there any new projects that we have won recently or are expected to, and we can start monetizing it and then in this, within this year?

Suresh Sethi: So as I mentioned to you that during the course of last year, we actually, one expanded our Open Digital Ecosystem footprint. So beyond ONDC, we built the core agri-stack in the space of agriculture. And that is something which the core agri-stack is now going to power various use cases in the space of lending advisory, agri-related insurance, crop insurance, so on and so forth. Again, related very clearly to leveraging digital public infrastructure or consent-based data sharing enablement. And pilots are being established with multiple states across the country. So that is a line of business, which we naturally see, that foray happening over there in the space of agriculture.

The second area we expanded to it was in the space of education and skilling. And this is where, just like today, ONDC is connecting buyers and sellers. In this space there are four verticals or pillars to education and skilling transformation. One is in the space of education financing. Then there is learning, there is skilling, and there's jobs. So when we look at all these opportunities, that is, again, we've created an open network around which we bring together the providers and the seekers in enabling these journeys. So that is another new line of business that is growing in terms of the open digital ecosystems.

Equally important for us was the fact that we launched our complete open-source API stack, where we are looking at enabling digital journeys. So this becomes a very closely aligned business to the IDE business that we already run. As I mentioned, we are one of the top five ASA and KSA, which is authentication and KYC service agency to UIDAI providing third-party identity services.

We see these services becoming a value-added service stack, whether you're offering eKYC, you're offering eSign, you're building a stack on top of your foundational DPIs, and that is going to be very critical and the entire RISE with Protean which is our API stack and our AI-powered cKYC service, will enable various digital lending journeys and onboarding journeys.

So these are the new lines or I would say under the space of data and in the space of ODEs which we expect next year to add further momentum to our new ODE space and data space. Other than that, our focus remains on international and cloud and international is again a business where we are engaged with multiple countries. As we mentioned earlier this is about taking the India stack global. So we are focused in areas in the space of identity, foundational identity projects, taxation projects, social security and welfare projects. We are today engaged with a host of countries in Africa, Southeast Asia, more than 12. And we are today actively participating in multiple opportunities and have submitted bids.

So that is another line of business which should contribute in the course of the year as we go forward.

Dhaval Parekh: Okay, thank you so much, sir, for the elaborate answer.

Moderator: Thank you. Next question is from the line of Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

Garvit Goyal: Hello. Sir, my questions are all answered. Thanks for a very clear explanation.

Moderator: Thank you. Next question is from the line of Dhruv Shah from Dalal & Broacha Stock Broking Private Limited. Please go ahead.

Dhruv Shah: Thank you for the opportunity, sir. So my question is, so if I look at the data released by the government, so in terms of NPS and APY, the new subscriber base has not grown significantly. So if I look at APY the growth rate in terms of new subscriber used to be average around 15% and this year it's kind of flattish.

And in terms of NPS also, it used to be 1.6 million new subscribers and this year it's almost half, around 0.7 million. So can you explain what has led to this degrowth for FY24 and why we haven't been able to show new subscribers, add more subscribers?

Sudeep Bhatia: So just to mention, I mean, two facts. First, for Atal Pension Yojna Protean has 100% market share. And of the total accounts new accounts opened under the Atal Pension Yojna was around 1 crores accounts in FY23 now growing to 1.2 crores accounts in FY24. So there is definitely close to a 20% growth over there. The second is in terms of the NPS accounts, so there also we have seen almost a similar growth in terms of maybe around 15 lakh new subscribers who have come. And if we look at the overall end of period accounts, the overall accounts have grown to around 7.2 crores total accounts. So, I mean, we are, I mean, is there something else that you are referring to that we should mention?

Dhruv Shah: So, sir, I'm referring to the new subscriber base. So if I look at NPS in FY23, there were 1.6 million new subscribers. For FY24, it's just 0.7?

Sudeep Bhatia: In NPS, if I look at the total, you know, that is contributing to the revenue, was INR1.2 crores growing to INR1.4 crores. And within that, the Atal Pension Yojna account, as I said, this has certainly grown from INR1 crores to INR1.2 crores.

Dhruv Shah: Okay, Yes. And my second question is, so in the last quarter, you had mentioned about 13 bids in the international market. So can you shed some light? What are the status over there?

Suresh Sethi: No, so currently, most of these are still in the process of processing at the end of the governments or the institutions which are managing the bids. So currently, there has not been any further progress from last quarter.

Dhruv Shah: Sir, I have some more questions. I'll join back with you. Thank you.

Moderator: Thank you. Next question is from the line of Viraj Mithani from Jupiter Financial. Please go ahead.

Viraj Mithani: Yes, thank you for the opportunity, sir. And my question is, regarding the gateway services, we talked about a stream of revenues, can you elaborate more? I couldn't understand it. You know, are we making any money in transaction-based revenue right now on the ONDC platform?

Suresh Sethi: Yes, so the answer is yes, we are making money on the transaction-based services, which I mentioned was more in line of the B2B or the buyer and seller tech that we are powering today. There, if you remember, I spoke about some of the exclusive arrangements we have with banks, where we are offering them ONDC in a box. We are offering them, B2B or B2C applications for enabling their supply chains.

Similarly, we are working with other partners like foundations or distribution partners where we've got buyer technology out there. So those are transactional models. Your question with regard to gateway was that gateway today, and I was giving an example, is something like you can look at UPI today, right?

UPI today becomes the network around which, all banks are connected. And when you move money from, say, a bank A to a bank B, it goes through the UPI rail. So ONDC works similarly. So when you get onto a buyer application and you place an order, it is the gateway which is used to broadcast the order to the various sellers who can possibly give you that particular good or service that is being sought.

Likewise, you know, all the buyers and sellers or what we term as the network participants are today registered onto registries so that they are available on the ONDC network. So the underlying gateway and registry tech is provided by us.

Now, this is at an ecosystem level. And today, whatever tech we are providing out there, ONDC as an institution which is managing the Open Network for Digital Commerce, today pays us for that. And down the line, since this is a public good which has been created to enable digital commerce and open finance, the expectation clearly is that end of the day, the market participants will start paying for the services basis which they are able to enable their commerce or enable their financial services. So very much like today, banks pay NPCI for utilization of the UPI network, we expect this model to, at some stage, become a market-facing model.

Viraj Mithani: So the SaaS model and all is on the other side of the ONDC. That's another way of doing it, is it?

Suresh Sethi: So the SaaS model is on the B2B side. And we are offering buyer and seller technology or lender and borrower technology, or we are offering any of the extension services, like reconciliation and settlement, or in terms of catalog as a service. So all those services are working on a SaaS model. The gateway works more on an actual intra-conversation at this stage.

Viraj Mithani: Okay, so my last question is, you talked about your presentation about cybersecurity, education and, agri on education, this thing, model. So would agri and education would be sort of a government-based avenue, like coming from government? Or would it be like from the transaction base, coming from the consumers, and be more of a transaction in nature and market-based revenue system? And what do you do in the cybersecurity setting? What kind of cybersecurity would be doing it? What kind of revenue would be coming there?

Suresh Sethi: Sure. So let me address both of them separately. So when you look at agri and when you look at education and skilling, so see both these businesses also have the equivalent of creating the digital public infrastructure. So DPI is like, today we have ONDC. In the space of agri, what I termed was we built the core agri stack. So that is where we got the mandate from the government in that case.

And under that, we built the ability to one, create the architecture or the framework for a universal farmer ID, so that each farmer can be uniquely identified. And subsequent to that, when you provided the foundational identity, then whatever assets the farmer has, whether it is land records, whether it is crops that they have sown and data around that. So all that data is digitized and the ability to share that data based on farmer consent, to be able to consume various services like say a loan or insurance or advisory, that is what is enabled.

So today we have built the, I would say the digital good, which is the core agri stack. Various use cases will run on top of it. So I would again, equate it to the ONDC. So the digital goods, naturally, initially the government invest, the government creates the initial good and then the network participants pay for it transactionally. So at this stage, naturally the mandate came from the government. But down the line, when we are looking at enabling farmers, farmer organizations, food producing organizations, we expect that they will be the participants who will be paying on a SaaS model.

So most of our contributions in the digital public infrastructure will always run on this 2 tier sort of equation, where the digital goods will maybe be, covered in terms of cost reimbursement initially by the central agency, which could also be the government. Down the line, it becomes a network model. All work which is done on top of it in terms of consumer and corporate tech, where the application layer comes in will always be a SaaS model, chargeable to the people who are consuming this digital good. So same will happen in education and scaling also. Does that address your question?

- Viraj Mithani:** Yes. If I'm allowed to ask one more regarding this exports, when we export this kind of tech to any other country, what will be the revenue model there?
- Suresh Sethi:** So I think most of the countries, since these interventions are at a digital public infrastructure level. So most of these engagements are today working through the government or through multilateral entity. So they are coming in the form of RFPs. And RFPs generally have a portion which is more connected to deployment of technology, which is building the core technology and deploying it. So there you get paid upfront or in a staggered manner once the deployment is completed. And then you have a managed services where you are running that particular stack for a number of years and it forms a part of an AMC.
- So there are two components. One will be the straight payment for the tech that we deploy, that we develop and deploy. And second will be an AMC which will stretch over a, generally we've seen it's a three to five year period.
- Viraj Mithani:** And what will be the size of this project, sir? If I may ask.
- Suresh Sethi:** So different projects have different sizes, but they can range from anywhere \$8 million, \$10 million to \$20 million. That's the sort of range we are seeing currently. It again depends on the country, the complexity, currently what is the stage of development within the country, the sort of population that we are trying to address. So various factors come in which define the size of the project.
- Viraj Mithani:** Thank you and all the best, sir.
- Suresh Sethi:** Thank you so much.
- Moderator:** Thank you. Next question is from the line of Sarvesh Gupta from Maximal Capital. Please go ahead.
- Sarvesh Gupta:** Good afternoon, sir. Sir, for the, you said 95% of the business is being contributed by the existing business. So around 5%, which is like INR45 crores of revenue, is coming from new businesses. And against that, sir, what would be your losses?
- Sudeep Bhatia:** Against that? Okay, so at a contribution level, we do this because underlying the entire infrastructure, technology, people, I mean, then after that, there is only math. So essentially, at a contribution level we are able to compute. But after that the entire thing, because the same servers are also being used for, say, for instance for a project A versus project B, or even, say, for tax or CRA. And therefore, it is even if I try to apportion, that will not reflect a good picture.
- Sarvesh Gupta:** No, but of course, let me apportion in the percentage of revenue, basically, right?
- Sudeep Bhatia:** Well, if you do, if you try to do that based on revenue, so just try to imagine there is a 200, so I'm just taking hypothetical numbers, there is a INR200 crores revenue coming from, say, the existing business, and there is, say, a INR10 crores revenue coming from the new business. And the entire cost, if you try to do an apportionment between 200 and 10, then all of a sudden, I

mean, this entire thing will look very awkward. I mean, we can do that, but at the same time, the company has currently not adopted any segment level reporting. So in future, as soon as, I mean, we start adopting this segment level, then I think there could be an audited way to publish these results also.

Sarvesh Gupta: And at the contribution level, are you losing money and what was the amount?

Sudeep Bhatia: At the contribution level, so in the overall financial statement, if you see, so there is a top line that is already published, and then there is a number in terms of the processing charges, so that will give you the contribution level, contribution margin.

Sarvesh Gupta: No, no, for the new businesses, what will be the losses for the identifiable cost against the new businesses?

Sudeep Bhatia: At a contribution level, we are not losing money. So for instance, if I am charging any revenue and the point in time cost is obviously less than the revenue. The investment in the technology team who have built this technology, that is that is largely said, dedicated to these new platforms or new sort of business vertical. That technology cost is largely the expenditure. Also, there are certain platforms, you know, which for instance, have gone live, and on that, the depreciation which is coming is you can also, you know, allocate towards the new business line.

Sarvesh Gupta: Understood, sir. And sir, on the old letters, I understood that this is how you have accumulated the ten year provisioning, but going on a going basis, let's say last year, how much of these, you know, long dated debtors are you building in every year now, going forward?

Sudeep Bhatia: There is no accumulation of this. So the, this is basically, an isolated set of data. So this is sovereign debt. And while we deal with multiple governments, municipal authorities and all that. So we are what we are talking about this long overdue debt, it is only coming from one particular project. And that is pertaining to the income tax department.

So there is no accumulation of this. There is a history that some of these dues get paid only after seven, eight, nine years. So for instance, for the entire period from 2004 to 2015, the entire money was paid in 2017. But, starting from that period, these are the overdue where, you know, we are trying to recover on our priority.

Sarvesh Gupta: So the current new debtors which are being made with the same department or same project, similar projects, they don't have, you don't fear that it will go beyond, let's say three months, four months, or what is the usual debtor fees or?

Sudeep Bhatia: No.

Sarvesh Gupta: Okay, sir. Thank you, sir. And all the best.

Sudeep Bhatia: Okay, Thank you so much.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question of the day. I now hand the conference over to Mr. Suresh Sethi, Managing Director Protean for closing comments.

Suresh Sethi: Sure. Thank you very much. As we mentioned, and I think as part of the conversation we just had with regard to the questions, we do see ourselves in a sweet spot here because with the growing focus on, I won't even say growing, but the continued momentum that we see in the Digital India story, the large macro environment, the fact that our core businesses continue to have strong growth prospects and also have a lot of headroom for growth.

The fact that our new lines of business, be it data stack, which will complement and strengthen our identity business, our work in the open digital ecosystems where there's a strong government push and there are enabling regulatory norms coming into place across multiple sectors and cloud and cybersecurity, which as more and more data and digitization happen, becomes a very critical complimentary in front play.

We see strong opportunities and global markets continue to be looking at the India DPI story with a lot of interest. And there is equal interest in the way the India DPI framework has been created in these countries for them to build their DPIs. So all areas look sort of on a positive trend and we are looking forward to a good FY'25 as we go forward. So thank you very much.

Moderator: Thank you. On behalf of Protean eGov Technologies, that concludes this conference. Thank you for joining us and you may now disconnect your lines.