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August 12, 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 Q1FY25

Pursuant to Regulation 30 read with Schedule III and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and in continuation to our letter dated July 31, 2024, please find enclosed herewith Transcript of Earnings Conference Call on Company's Operational and Financial Performance for Q1FY25, held on Tuesday, August 6, 2024.

This is for your information and records.

Thanking you,

Yours truly,

For Protean eGov Technologies Limited

Maulesh Jagat Kantharia.
Digitally signed by Maulesh Jagat Kantharia.
Date: 2024.08.12 19:44:22 +05'30'

Maulesh Kantharia
Company Secretary & Compliance Officer
FCS 9637

Encl.: As above

"Protean eGov Technologies Limited Q1 FY25 Earnings Conference Call"

August 06, 2024

MANAGEMENT: **MR. SURESH SETHI – MANAGING DIRECTOR & CEO**
MR. JAYESH SULE – WHOLE-TIME DIRECTOR & COO
MS. PUSHPA MANI – HEAD (INVESTOR RELATIONS)

Moderator: Ladies and gentlemen, good day and welcome to the Protean eGov Technologies Limited Q1 FY25 Earnings 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Pushpa Mani – Head, Investor Relations of Protean eGov Technologies Limited. Thank you, and over to you, ma'am.

Pushpa Mani: Thanks, Sejal. Good evening, everyone. We welcome you all to the Q1 FY25 Results Discussion. You must have received the Results and Investor Presentation of the Company, which is available on BSE as well as on the Company's website.

As usual, we will start the forum with the opening remarks by our leadership team. We will then open the floor for your questions. Should you have any queries that remain unanswered during this conference call, please feel free to reach out to us. Management on this call would be represented by Mr. Suresh Sethi – Managing Director and Chief Executive Officer; Mr. Jayesh Sule – Whole-Time Director & Chief Operating Officer; and myself, Ms. Pushpa Mani – Head of Investor Relations.

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

With this, I would now invite our MD – Mr. Suresh Sethi - to give opening remarks. Thank you and over to you, sir.

Suresh Sethi: Thank you, Pushpa. Good evening, everyone. Thank you for joining us for the Q1 FY25 Earnings Call of Protean eGov Technologies Limited. We are grateful for your continued support and interest.

I will start by talking about the financial performance during the 1st Quarter of this Fiscal Year:

The revenue from operations has decreased by 11% year-on-year. This is largely due to the fact that there was a degrowth on the overall issuance of PAN cards across the industry. And this in turn is attributable to the election activity during the 1st Quarter of this year. Despite that, the Company witnessed significant gain in market share within the PAN business.

Our market share improved from 50% in Q1 FY24 to 54% in Q1 FY25. This largely arrested the degrowth impact coming out of the overall industry slowdown. The total number of PAN cards issued by Protean in Q1 FY25 stood at 1 crore, and this was equally split between online and offline PAN card issuance. segment, we believe will continue to see momentum in the coming quarters on account of strong central and state government focus on introduction and saturation of various government initiatives and welfare schemes. Furthermore, India's young demographic continues to add nearly 12 million new workforce entrants every year, which will lead to continued demand for new PAN issuances.

Apart from the tax business and other businesses, the Pension services business posted a healthy double-digit growth of 13% year-on-year. During the quarter, 2.25 million new subscribers were onboarded for Atal Pension Yojana, registering a growth of almost 25% year-on-year. We also added 0.29 million new subscribers for NPS. This was a growth of 25% year-on-year. Also during the quarter, 760 new corporates were onboarded. The pension sector also received a thrust from the current financial budget. As we saw in the budget, there was a proposal to include minors into the NPS scheme. This significantly widened the NPS coverage and expanded the market with approximately 40 crore minors coming into the ecosystem. This makes NPS a more inclusive life cycle instrument promoting savings from an early stage.

There was another initiative called out during the budget, wherein the NPS contribution by employers for private sector employees was increased from 10% to 14%, thus making it a much more lucrative instrument for saving. These developments again clearly show the strong intent of the government in driving the pension penetration in the country. As stated earlier, we continue to maintain a 100% market share under the Atal Pension Yojana, the flagship scheme of the government for the economically weaker sections of the society. Given the nascent stage of the pension industry in India and the strong support provided by the government, we remain very optimistic about the future growth in this line of business.

In terms of our Identity services business, again, there was a significant thrust from the finance budget. We could clearly see that this business is more aligned with the entire digitization thrust (time stamp 6:05) across the country and is towards making digital payments and enabling digital lending a big opportunity. As a result, we saw significant double-digit growth also in this line of business. There was a year-on-year growth of almost 27% coming from this business. And we see again, along with India's digitization story, this continues to become a very strong vector of growth for us going forward.

Coming to the new businesses, aligned with India's visionary DPI framework built on open standards and protocols, Protean continues to expand its multi-sectoral reach towards e-commerce and transport, coming under the vertical of ONDC; Education and Skilling coming under ONEST, which is Online Network for Education, Skill, and Transformation; Agriculture; and Health. Over the last few years, the Company has accelerated investments in people, products and technology, and built centers of excellence in open source and open standards tech stacks, contributing to multi-sectors ODEs at an infrastructure and innovation level. During the quarter, we delivered several groundbreaking projects of national importance and launched a series of new products committed to driving (7:38) economic empowerment.

Let me start by first talking about the Agristack:

The Agristack establishes a robust framework for seamless data exchange between farmers, government bodies and private entities. This stack is being created as a DPI, a Digital Public Infrastructure, which is designed to revolutionize the data management and information sharing within the Agri sector, leading to enablement of multiple use cases starting from agri-lending to agri-marketplaces to insurance and advisory. Agri being primarily a state subject in India, this also means that data will reside in states in disparate formats and structures. By providing a DPI approach to it, it will empower stakeholders across the agricultural ecosystem to make informed decisions and optimize agricultural practices.

Again, as we saw, the Finance budget reflected a very strong government intent and continued support for creation of DPIs. There was a clear call out on multiple sectors of the economy, ranging from e-commerce, agri, education and skilling, health, law and justice and logistics. There was equally strong focus on creation of DPI apps and enablement of various MSME services, including credit, leveraging the data DPI. With regard to agriculture, there was call outs on land record digitization, creation of crop registries and issuance of Bhu-aadhaar, identity linked to land holding. So, all these initiatives therefore become very convergent with the thrust that the Company has in the area of building, providing and contributing for digital public infrastructure.

Along with Agristack, during the course of the last quarter, we also launched ProteanX, which is supporting digitally verifiable credentials. Just like we have verifiable identity, we are now talking about verifiable credentials, which takes it to the next level. This is a future-ready solution, enabling individuals and organizations to create, verify and store credentials using blockchain-based technology. Clearly over here, we are looking at use cases, whether it is with regard to sharing your information in the form of certificates, sharing your information in terms of your land records in the Agristack. As long as you have verifiable data, you are able to secure and consume services using the digital public infrastructure. So, ProteanX provides a very important linkage in creating a verifiable credential DPI which will work across multiple sectors of the economy.

Along with ProteanX, we also launched eSign Pro. The aim was again to strengthen and enhance one of the most critical DPIs, which supported digital signature and stamping products. It is again designed to cater to multiple sectors of the economy. This looks at sectors like BFSI, Real Estate, Healthcare, Education, and enables you to digitize documents like customer onboarding, legal agreements, student certificates, and records, at a fraction of the cost. It will enable creation of paperless journeys, and we anticipate a widespread adoption of eSign Pro.

Our other new business verticals in the space of Cloud and Infosec, Data Stack and international business - while at a nascent stage - are also demonstrating early wins and promising growth.

Our balance sheet continues to remain strong with cash and cash equivalent including marketable securities of more than Rs. 700 crores as on the end of Q1 FY25, and the Company continues to maintain a zero-debt status. To better utilize the cash on books and to maximize returns to our shareholders, we continue to also actively seek inorganic growth opportunities and specifically interested in businesses which provide us a faster go-to market and provide us with access to cutting-edge technologies and enable us to create a more enabled and tech-ready stack for the various lines of businesses that we are in. We remain strongly optimistic on the Digital India story and will continue to add value to enterprises, consumers, and governments through our unique combination of tech and expertise and e-governance.

With this, I would like to hand over to my colleague, Jayesh Sule – Whole-Time Director and Chief Operating Officer of the Company - for a detailed discussion on our financial performance. Jayesh, over to you.

Jayesh Sule: Thank you, Suresh. Good evening, everybody, and thanks again and welcome all of you to this earnings call.

As highlighted by Suresh, highly favorable tailwinds have emerged for us from the Union budget '24-25, and we are in the best position to embrace these developments and make the best use of our expertise into this space to support the digital transformation of India and develop digital public infrastructure across the country.

Moving on to our quarterly Financial Performance:

Consolidated revenue from operations for Q1 FY25 was at Rs. 197 crores, down 11% year-on-year, mainly due to degrowth in tax services vertical by 28% on a year-on-year basis, while both Pension services and Identity services continue to grow by double digits with growth of 13% and 27%, respectively.

PAN issuances de-grew mainly due to election activity. However, the segment will continue to see momentum in the coming quarters on account of strong central and state government focus on introduction and implementation of various government initiatives and welfare schemes. Moreover, Protean also gained overall market share from 50% in Q1 of FY24 to 54% in Q1 of FY25.

Our Pension services and Identity services are expected to see strong growth led by favorable government support and strong growth in the overall digital economy of the country. Additionally, our new businesses continue to see early momentum with Protean delivering several ground-breaking projects of national importance including multi-sector digital public infrastructure.

Coming to our profitability: Adjusted EBITDA for Q1 FY25 stood at Rs 45 crore with EBITDA margin of 21.1% versus 20.4% in Q1 FY24. PAT for the quarter stood at Rs 21 crores with PAT margin of 9.8% versus 13.8% in Q1 of FY24, a reduction of 404 basis points year-on-year mainly due to Rs 11 crore of provision for doubtful debts. Adjusting for the provisioning, PAT margin stood at 14.9% in Q1 FY25, an improvement of 76 basis points year-on-year. As we have highlighted during our past quarterly calls, we are maintaining a provision for doubtful debts against sovereign receivables from the tax department in line with our financial prudence policy.

Post taking out this provision, the remaining exposure on account of this is INR 17 crore which, if remains outstanding, would be due for provisioning in FY26 as per our ECL policy.

I am happy to state that our balance sheet position continues to remain strong with cash and cash equivalents of more than INR 700 crores. We continue to maintain our debt free status and are looking to accelerate our internal cost levers at a sustainable rate. We continue to maintain strong cash flows while our investment in people and tech to build highly skilled team of full-stack engineers.

Moving ahead, I am proud to state that we stand on a solid foundation to help drive the development of India's digital public infrastructure, and pair that with a robust regulatory framework. Times ahead, are really exciting for the Company, and I thank each one of you for being a partner in India's journey towards digital transformation.

With that, I now open the floor for question-and-answer session. Thank you very much.

Moderator: The first question is from the line of CA Garvit Goyal from Nvest Analytics Advisory LLP. Please go ahead.

CA Garvit Goyal: The first question is on the ONDC side. So, just to understand the revenue model on ONDC in a better way, right now we are doing approximately 9 million transactions a month, which is expected to grow at 20% to 30% CAGR, as you mentioned in the presentation. That means by next year, annualized number should be around 50 crores transactions a year. So, right now we are not charging anything, but let's say average transaction value is Rs. 50 and if we charge a transaction cost of 0.5%, which means the total charges comes out to be 7.5 crores. So, I have two questions on it. One is, out of this 7.5 crores, how much share will Protean get? And secondly, apart from these transaction charges, what is the stream of revenue from ONDC for Protean, sir? That's my first question.

Suresh Sethi: Sure, thanks Garvit. I know ONDC is a big area of interest for all of us. So, I will just give you a sense on the ONDC revenue model. So, currently we are providing the base technology at the DPI level, which is at the infrastructure level. Today, we are a technology service provider, we power the entire ONDC network by providing the gateway services, which is basically the network on which all buy and sell transactions run, or rather where the discovery of the transactions happen. And we also provide the registry services, which hold the records of the buyers and the sellers and the logistic players. So, at an infrastructure level, there is one revenue model. At this stage, our cost of infrastructure and whatever tech development we are doing, that is reimbursed by ONDC. But as we have been saying earlier also, in line with any DPI, this will become self-sustaining, and over a period of time, it will move into a market model where it will be tried on a per transaction basis. So, while I know that you have done an assumption of a 50 basis point network fee, we are assuming that around 8 to 10 basis points is something we can see coming from the network as a transactional charge going forward and we are benchmarking it with some of the other DPIs which are out there, but it will naturally reach that point when there's a certain inflection point, at which the market pricing will come into play. Currently, we are being reimbursed by ONDC as an organization, for our provision of services as a technology service provider.

Other than that comes the innovation layer, which again falls into two categories. One is at an extension service level where you are providing various adapter services, connect services, reconciliation, settlement platform and catalog as a service. The other side is where you're providing buyer and supplier technologies. These are applications provided to both the demand and the supply sides. Now, these are applications which are being provided with an underlying SaaS model in play. So, we are largely looking at charging a one-time fee for creation of the tech or the app, and then we are looking at a transactional model for earning based on that. Now, depending on whatever is the ecosystem charge being paid by the seller or the buyer application, a part of that will flow to the provider of the technology, which is again a SaaS model. So, these are the three elements of monetization that we see in ONDC. At the infrastructure level, which is again transactional in nature, and at the innovation level, split into extension services and demand and supply technology.

CA Garvit Goyal: Any timelines when this will start kicking into our topline?

Suresh Sethi: At the infrastructure level, as I said, we are already being reimbursed by ONDC for the services we provide. It is more about the model moving from being paid by the network facilitator to being paid by the network participants, for usage of the network. On the other side, we have had a few customers who we have onboarded, both on the demand side and the supply side. And likewise, we are also working to provide other extension services to the market. So, those revenue streams are coming in. But naturally at this stage, we are again looking at the adoption of the network and whatever we are doing to contribute towards that adoption. This is still at early stage, but we are already getting revenue on these lines of business.

CA Garvit Goyal: Understood sir. Secondly, on our other verticals, Government of India has also passed a budget of 1.5 lakhs per year for employment skilling, and we are also working on one of the platform called ONEST. So, I want to understand what is the update on this decentralized network, where we are standing today, and what about the other key initiatives like Agritech etc.? So, when do you think these will account meaningfully to our topline?

Suresh Sethi: So, see, all these are today contributing elements for us into our revenues, and I will just give you a sense of the stage where we are in these verticals/sectors. When we look at education and skilling, as we have spoken earlier, the Company is already invested and working in the space of education finance. For the last seven to eight years, we have been running education financing portals: One at the behest of the government, which is called Vidya Lakshmi, where we provide education loans; Second is a scholarship ecosystem being created under the product offering of Vidyasaarathi. Now when we look at a DPI approach to it, that is where ONEST came in, then we decided to move these assets into discovery on an open network, just like ONDC. So, you can come in through multiple apps, not just on our website, and you can likewise discover offers of loans or scholarships on an open network.

So, we have already made some of our assets discoverable on an open network. And we have had some early distribution of scholarships on the ONEST ecosystem. Just like ONDC,. Through ONSET, we are also providing the infrastructure technology at the gateway and the registry level. The ONEST ecosystem is now running on the ONDC rails only. So, we again get reimbursed by the network facilitator over here. So, we are already getting revenues coming at the infrastructure level for the education and skilling ecosystem. And we also have some revenues coming from the scholarship disbursement on the same.

With regard to Agri, as we have been saying earlier, we got the mandate from the central government to build a core Agristack. Largely, the work done by us was building the protocols of data exchange between center and state & building the consent framework for sharing of data. That is a space where we continue to work on. Now the Agristack is in a stage where almost 13 state governments are in the process of doing POC; their data exchange will be enabled and multiple use cases related to lending or related to insurance or advisory will start flowing through the Agristack. Again, for the Agristack, we have been reimbursed for the work we have done on the core Agristack, and we continue to look forward to multiple use cases coming for us to create more revenue pools coming out of the innovation layer on top.

Moderator: The next question is from the line of Apurva Sharma from BugleRock. Please go ahead.

Apurva Sharma: Can you throw some light on the opportunity size for eSignPro?

Suresh Sethi: eSignPro is all about enabling a paperless journey - your ability to sign a document digitally. Under the eSignPro documentation suite, we are also offering e-stamping services. Now, the market opportunity is that it can play a role in each and every account opening. Today when you open an account and you have to submit a form 60, 61, it can be digitally signed so you can enable an end-to-end digital journey. Similarly, for any sort of loans, especially when you're talking about business loans for MSMEs. MSME is a focus area for the government and has been called out during the budget also. So, all these loans which will get created where you have to do any sort of contract signing, the loan contract and you have to e-stamp it - eSignPro will again be looking at that as a market opportunity.

So, in my mind, the entire ecosystem of digital onboarding, digital lending, account opening, both for the individual and the business sector, is the complete ecosystem out there that is available to us with a product like eSignPro. ESign Pro for us, is form of a vertical integration. As you are aware, we have a very strong focus on provision of foundational identity. We are the only Company in the country today which provides all four facets of it, from eSign to eKYC to eAuthentication to online PAN validation. ESignPro comes atop that as a digital signature service, and we see a huge market opportunity in that.

Apurva Sharma: So, because we provide the entire stack, you see traction on this eSignPro maturing in some time? What is the timeframe that we are looking at? I mean, I'm not asking quarter by quarter, but just when do you see that?

Suresh Sethi: At the foundational level, when we are providing eSign as a service to enable other entities to run an application like eSignPro, there we almost have a 70% market share. ESignPro is an app layer built on top of eSign services. So, which basically means any corporate can adopt it and they can digitally start signing their documentation. A bank can adopt it and make sure that the consumers can do an eSignPro based signature on the loan or the account opening documentation they are submitting. So, to us, it's a business where we already have some customers and we expect to see immediate consumption. So, it's not a timeline in which we will be looking at a market getting created. It is happening day in and day out. Especially the BFSI entities, they are looking at making paperless processes. This becomes a very core component of that.

Moderator: The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora: Sir, just wanted to understand the DPI announcements that came in the budget. What could be the potential revenue opportunity? You have briefly touched upon the kind of projects, but if you were to map into the potential revenue opportunity incrementally, how should one look at that?

Suresh Sethi: To put a number to it, Rohan, it would be difficult. Largely, what we are seeing is that as a thrust and intent from a government's support point of view, the government almost called out quite a few lines of the business we are in. So, there was a clear call out on digital commerce, on health, agriculture, and education and skilling, four areas in which we are already contributing either at an innovation level or at an infrastructure level. The market size opportunity remains the same as we spoke about in each of the areas. When we look at ONDC, it is the digital commerce opportunity, the open finance opportunity. And today, retail penetration of digital commerce is somewhere in single digits, around 6% to 7%. If we look at some of the market data, it is a $55 billion market in the country today, which by projection is looking at building 5x up to almost $300 billion by 2030. So, that is the opportunity, and with the strong government thrust also coming in supporting an open DPI like ONDC, it clearly means that we would see acceleration of support coming in that space.

Agri, again as we all know, is a national subject where clearly the government is looking at enabling agri-marketplaces, agri-lending insurance. So, that entire ecosystem which is out there today is a market opportunity, but putting a revenue number to it would be difficult at this stage. So, I think a lot of the statements by the government, there might be some support coming in from the government, either through policy or through central mandates or in the form of monetary support, its going to accelerate the adoption in this space. That is the way we see it, but we are not able to put a number to it as of now as we speak.

Moderator: The next question is from the line of NGN Puranik from Enam Holdings. Please go ahead.

NGN Puranik: The Pension and Identity looks to be a great opportunity. I want to understand which are your solutions and platforms which can over a period of 2-3 years be a 100 million transaction potential? Regarding the identity management solutions you have, which other solutions can take you to a larger scale?

Suresh Sethi: Puranik, from a pure numbers' perspective, we are already doing millions of transactions. Let me talk about pension. So, annually we have a good growth rate, be it quarter-on-quarter or year-on-year, during the Q1 FY25, we added 2.25 million new subscribers on Atal Pension Yojana and almost 0.29 million subscribers on NPS. So, there are multiple number of transactions which happen in this space and annually if we look at it, these numbers clearly are strong numbers. We almost add one crore plus new subscribers' year-on-year, and it has been growing every year. This business clearly, we see a huge headroom because the pension penetration in our country is hardly 6% compared to developed economies like the US where it stands above 70% to 80%. So, there's a huge headroom over there. If we look at our economically weaker section flagship scheme of the government in Atal Pension Yojana, today the total number of subscribers is somewhere around 5.5 crores. And if I look at a comparison, the Jan Dhan accounts in the country today are almost over 50 crores. So, you see almost a 10x headroom to be able to grow and penetrate in that sector. We are also observing good annual growth. Last year during FY23-24, there was 24% growth. And we already saw that in Q1 itself, there was a 25% growth year-on-year. So, we see this as a strong area for growth.

Coming to Identity services, as I mentioned, our core businesses at the foundational identity level are running on four verticals, which is online PAN validation - this is a line of business in which we at times do almost 1 crore transactions a day at peak times. Then we have eKYC and E-auth, which is account opening using Aadhaar and any transaction authentication using Aadhaar, and similarly eSign. The numbers again in this space are running into crores when we look at even quarterly numbers. So, our online PAN validation, we did almost 76 crores transactions in the 1st Quarter. Again, eSign, eKYC, between all of them, were again 20-25 crore transactions. So, these numbers are already pretty large, and what we find is that there is significant quarter-on-quarter and year-on-year growth. Online PAN validation in the 1st Quarter grew almost 11%. EKYC grew a very strong 67% year-on-year, and Aadhaar authentication grew at almost 18%. So, these are again areas which are growing very strongly.

At the foundational level, it is these four facets of identity services. On top of this is where we have built our multiple products, which we call out under our Data Stack. So, first for us was the launch of the API marketplace which enables digital onboarding and lending, which we called RISE with Protean, which we launched somewhere in third quarter last year. We spoke about ProteanX is an attempt to provide verifiable credentials. So, if you are taking a loan and you want to submit some document, can it be digitally verified? We are enabling a digital and a paperless journey. eSign Pro again we spoke about earlier is something where we are offering a complete end-to-end digitization of paperwork and workflow management in terms of movement of that paper during the process of, maybe a loan provision or insurance or any of the other things we spoke about earlier. So, that is the data stack or the product stack which we are building on top of the foundational identity services which is going to have a B2B focus for us.

Moderator: The next question is from the line of Dhruv Shah from Dalal and Broacha. Please go ahead.

Dhruv Shah: So, my first question is on international market. So, we have been quite hopeful of receiving at least one bid from the international market, but what is taking so long and is there any kind of delay from their respective governments or is it from our end? So, if you can throw some light over there.

Suresh Sethi: So, our international focus is largely driven by taking India's DPI approach to enabling foundational identity, taxation, social security, and welfare. The areas which we play in the country, that is what we are taking into international markets. So, it's in a way a replication of the product capability that we have built over here and how do we take it to other countries. Over a period of time, we have naturally, since we spoke last quarter, we have expanded our engagement with more countries. We are now engaged actively with 12 countries. And as far as opportunities are concerned, we are now in 18 active opportunities, and we have also been happy to report that we have been shortlisted in two bids. So, most of these projects being at a national scale are in the form of government RFPs. They are either following multilateral funding, or they are being supported by the respective country governments and therefore they follow an RFP process. So, it is a long cycle time to an extent, but we are hopeful of making some inroads in this shortly.

Moderator: The next question is from the line of Mehak from Emkay Global. Please go ahead.

Mehak: So, recently you launched this new product, eSignPro. So, I just wanted more clarity in terms of the customer acceptance. And secondly, could you give some color on the competition in this market? Also, government has given the kind of a thrust with introduction of new welfare schemes, so how do you see the PAN card issuance shaping up in terms of the channel mix - currently it is at 50-50 contributed by the online and offline channels. So, just wanted to understand how is the channel mix expected to shape up in the coming quarters?

Suresh Sethi: If you look at it, we are building eSignPro on top of our foundational services. we are an ESP - which is an eSign service provider - which is certified by the Central Certifying Authority. We provide the services as an ASP. And that is where we are launching the product called eSignPro. But as an ESP, today we have a 70% market share. So, that is where we provide the foundational point on which other fintechs build their application layer. So, eSignPro is an attempt for us to get into the app layer of it.

So, to give you an example, if I'm today going to a bank and pitching the eSignPro suite of services, we are clearly giving them the ability to embed a journey into their application. So, if somebody is applying for a loan, and they want to digitally sign the document, then eSignPro as a documentation suite gets built into the application journey of the bank. Likewise, if we look at the underlying service, we already enable a lot of the market and the fintech players. And if we look at it from an application provider, that is where we are now entering into the market. Our eSignPro suite of services has also brought in the e-stamping service. It is again a unique combination, because when you combine eSign with the ability to e-stamp, you are actually able to then create a capability where you are bringing both processes together, and any loan documentation will always have a stamping requirement and a signature requirement. Other than that, naturally we are providing a strong ability for people to use it to manage dashboards, corporate and admin dashboards, your ability to sign the documents in a secure manner remotely, geo-tagging your signatures. So, a lot of new features and a complete suite of services is being offered over there, which in some way are differentiators for us vis-à-vis the competition in the market. And we expect the market to grow well from there.

Moderator: The next question is from the line of Bhavik Shah from MK Ventures. Please go ahead.

Bhavik Shah: I have two questions. First is the regarding the remaining 17 crore of ECL which we have - when will it be written off? And my second question is, do we want to provide any guidance for say FY25 and FY26?

Jayesh Sule: So, the remaining 17 crores, if it remains outstanding till the next year, it will be provided for in the books in FY26. As per our ECL policy term, anything remaining outstanding for more than three years, we provide for in the books. That's what it is.

Bhavik Shah: And sir, any guidance for FY25 and FY26?

Jayesh Sule: It's a forward-looking statement, so we won't be able to comment on this at this stage.

Suresh Sethi: And I think I just missed answering the second part of a question earlier. This was the online and offline PAN issuance. So, just adding to that, as we have been mentioning all along, that when we are doing an online issuance, from a margin perspective it is far better for us because a lot of the paperwork, storage, and the work involved with it, that goes away. And therefore, it becomes more lucrative to that extent. So, there has been a steady growth in terms of online issuances and as a split, if we look at it over the last 2-3 years from FY22 to, FY24, it has moved from 30% to 39% to 48%. And in the 1st Quarter FY25, we were at 50% online versus offline. So, that definitely adds to our EBITDA margins, because then the product becomes a higher margin product.

Moderator: The next question is from the line of Trisha from Boring AMC. Please go ahead.

Trisha: My first question was on ProteanX which is newly launched. Isn't this similar to Digi Locker?

Suresh Sethi: No, so Trisha, it's not similar to Digi Locker. Let me give you a different example to put some context. For example, what India did when we issued the Cowin certificate - we were issuing a certificate which had an embedded QR code. Now you could go anywhere, and the code could be scanned, and you could verify to say that this is an authentic certificate. So, the whole idea is that what we are trying to address over here.

For example, when you get an education certificate, when you take it to any entity - let's say you have to get a scholarship, and you have to show your education certificate - today it's a very broken process because when you submit a physical certificate, the receiving entity is not able to digitally verify if the certificate is authentic. ProteanX in a way solves for that. So, we have created a complete suite of services. To the issuer, we provide a Protean Studio on which they can start issuing digitally verifiable certificates. We are also provisioning for a wallet to the consumer. So, people like you and me, we can actually store our digital credentials in a wallet.

And if somewhere we have to give these credentials for sharing, for consuming any sort of service, then the same can be verified. So, ProteanX is today built on blockchain technology. It's a ledger-based trust which is created in the system, and you can remotely and digitally verify that the underlying credentials are valid. Now I agree with you that DigiLocker has some aspects out of it because when you are looking at your document in the DigiLocker, it is indicated over there that by DigiLocker that is a eSign or verified document, but if you have to share that document, then ProteanX gives you the additional ability to get a document which has an embedded verification credential in it.

Trisha: Okay, and the revenue potential will not be B2C, it will be a B2B revenue potential, right?

Suresh Sethi: So, it actually becomes a B2B2C because at one end, you are looking at a corporate push - So we'll be looking at educational institutions, hospitals, and any institution who is issuing any sort of certificates or invoices or anything, which can be digitally verifiable. At the consumer end, it becomes more of consumption. So, if there's a consumer wallet in which identity can be stored and the same identity can then be shared in a manner that it is verifiable, there will be a consumer app also. So, that is where the B2B2C part comes in. But on the other side is the B2B part where we are going to the issuers of various certificates.

Moderator: The next question is from the line of Sumangal from RaRe Enterprise. Please go ahead.

Sumangal: So, I have a question on the new businesses. So, can you just explain the current revenue run rate we have – why is there a sequential decline? We understand that with the data segment picking up and furthermore ODE revenue kicking in, it should see a traction. So, any comment you can share on the new business and in the near term, what are the most visible revenue opportunities in the new business segment?

Suresh Sethi: In the new business, you're right, there's a decline from a quarter-on-quarter perspective, because in the last quarter of last year, there was some carry-over revenue from the previous quarter, and that's why the numbers got bunched up. It is a small number, and that's why you are seeing the difference.

There are four lines of business which we are putting under our new businesses. The first business is on the Data Stack, which is where you heard us talk about the products like eSignPro, ProteanX, RISE with Protean. This is something where we already have a market presence. We are providing foundational ID services. We are building the entire stack on top of it. So, we have already access to these customers because we deal with these corporates, and we are just providing a more value added and comprehensive suite of services. So, it's an immediate go to market as far as the Company is concerned.

Second comes the area of ODEs or the open digital ecosystems. We have been in this space invested with Open-Source Technologies over the last three years or so. One of the more matured ODEs we see is ONDC. The work being done in the space of education and skilling. Agri, health are still more nascent compared to ONDC. So, naturally with the growth that ONDC is showing with almost compounded quarterly growth rate of 60% over the last four quarters in terms of number of transactions, there is huge traction in the market and that is one area we feel will kick in earlier than others. The others continue to remain large opportunities because of the scale and size of the need out there.

The third area for us is Cloud and Infosec services. Now Cloud again is seeing huge demand because year-on-year, we are seeing that cloud adoption is moving into new sectors and we can clearly see the benefits it brings in terms of scalability, resilience, and security. It is something which each and every corporate entity is evaluating. Now in this particular space, we have got our own identification of target markets and niche. Clearly one part is that it's made in India cloud, which again the government is looking at positively because they want to bring indigenous tech stacks into the cloud technology. And it is a green cloud, we definitely have energy conservation parameters built into it, and we are targeting both our own thrust into DPI's and work that we do with the government and also the startup industry over there, as two specific segments in which we want to push the cloud services business. But again, over here, while we have revenues clocked in, it is early for us, and we will see during the course of this year how this business picks up.

And last but not least is the international business, where as I mentioned, we now have engagements running with multiple countries. We have expanded our country engagement base and the number of bids that we have participated in, with two shortlisted bids now in hand, we expect we'll be able to show some results on that international front pretty soon.

Moderator: The next question is from the line of Srinivas from Avendus Spark. Please go ahead.

Srinivas: I just had a couple of questions. Is it possible to give the bridge between what is adjusted EBITDA and EBITDA because the gap seems to be more than ECL loss.

Jayesh Sule: So, it's only the provisioning component which is the exceptional item. There is no other item. I don't know how you have computed that. But it's only the provisioning which is done for the doubtful debts.

Srinivas: Then I'm assuming other income is included in the EBITDA. That's the only other estimation that works out?

Jayesh Sule: That's right.

Srinivas: Other income is included in the EBITDA number?

Jayesh Sule: Yes.

Srinivas: Just wanted to get a sense of the tax revenues. Any broad break-up you can give between what proportion of revenues comes from fresh issuance and what will be other maintenance work on that?

Suresh Sethi: Fresh issuance is almost around 70%. And other than that, the remaining revenue would come for re-issuance, for any change request in terms of the PAN data itself, or any reprint of PAN cards and all. So, that's the way it goes.

Srinivas: My last question is we have taken almost Rs. 50 crores of write-offs in the last five quarters or maybe Rs. 85, Rs. 88 crores over the last four years. Just wanted to get a sense most of the ECL losses are all pertaining to that specific issue we had in income tax, or have we had issues in other aspects also, from an ECL point of view?

Jayesh Sule: Yes, these are largely receivables for the tax-related things and normal business income.

Moderator: The next question is from the line of Madhu Gupta from Quantum AMC. Please go ahead.

Madhu Gupta: So, in terms of fresh issuances and in terms of changes, how do the fees for each compare? Secondly, I would like to know in the 1st Quarter results, other expenses have grown very sharply. So, what has led to that big rise in the other expenses?

Jayesh Sule: Yes, the other expenses is largely the professional fees related to advisory thing. And others are broadly normal business expenses. So, it's only one exceptional item in the other expenses.

Madhu Gupta: And how do we see that going ahead?

Jayesh Sule: Some of them are kind of one-time expenses, largely, and that's it. We don't see any substantial increase.

Suresh Sethi: And on the PAN issuance front, the charge in terms of fresh issuance is higher. And when you're doing some of the changes in terms of reprint and all, that's a lower charge. But any change request is considered at the same rate as the fresh issuance. So, there is no change in that. So, you're earning the same revenue as you would do with the new PAN card issuance.

Moderator: The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra: So, my question is on the eSignPro - could you throw some more light in terms of what was the pricing model here? Is it going to be licensed implementation AMC model, or is it going to be SaaS kind of a model? And also, can we see some cannibalization of revenues from eSignPro to our existing revenues of identity services? Secondly, on the ONDC side, are we already charging this 10 bps in terms of transaction or are we going to shift to that? And if not, then when are we planning to shift to the transaction-based model in ONDC as well?

Suresh Sethi: Sure. So, Amit, in terms of eSignPro, it is likely going to be a transactional model of revenue coming over there. So, we are providing the app, and it's a SaaS model so the revenue model is per transaction charge. As far as cannibalization is concerned, I don't think we see much of that. I will tell you where we are coming from – It is a foundational service. So, in my mind, it is very similar to an ASA and AUA model. At one level you are providing the Central Certifying Authority-based certification of the eSign service, with which we power other FinTechs to provide their applications. Here we are actually going with our own application to the market. So, for us, it becomes an additional line of revenue. So, we are not just providing services to others as a certifying authority or as a certified authority, we are also directly now competing by providing application at the last mile. So, it just becomes a plus over there.

As far as ONDC is concerned, as I mentioned earlier, the 10-basis point was more of a projected assumption; in the sense that, when we look at other DPIs, that is what the network provider or the network TSP earns, but that model is currently not there in play. As of now, considering that while the network is going very strong, at this stage, ONDC as a network facilitator believes that they would like to not have the faction of charge coming to the network participants and therefore currently they reimburse us for the technology services that we are providing. There will be an inflection point, where again it will be largely determined by ONDC as the governing organization at which stage we will look at moving to a different model.

Moderator: The last question is from the line of Shubham Sehgal from SIMPL. Please go ahead.

Shubham Sehgal: Could you please just explain the pricing structure of your different segments, like your PAN card issuance, pension, and the identity services…so, what kind of pricing structure do we have in each segment, and how sticky are the prices? Are we forced to lower our prices? How will the prices go forward?

Jayesh Sule: Largely, the pricing is transaction based. We have three main sectors: tax, pension, and identity. If we take tax, we have the PAN services where the charge is per application fee - for new issuance or reissuance of a PAN card. So, it's for a per application. Similarly, we have TDS returns which get filed, that's based on number of records in the returns.

Pension services, we again have three types of charges. We have the account opening charge, annual maintenance charge, and the transaction charge. So, transaction charge is for every contribution which is made by a subscriber into the account. Typically for a government subscriber, there are 12 contributions in a year and then there could be one additional for arrears. So, for every transaction/contribution, there is a charge which we levy. So, annual fee is at the time of the entry and then there is AMC which is charged on a quarterly basis. These are the three types of charges for AMC. Coming to Atal Pension Yojana, we only have an account opening fee. There is no transaction charge in Atal Pension Yojana.

Moving on to identity services. First, we have the online PAN verification service. There is a transaction charge based on number of records. There is a per record charge and then there is a volume-based tariff. Then you have the Aadhaar authentication and eKYC. Similarly, there are various charges which are per transaction. And these are largely B2B transactions. We have a number of corporates using these services, and the billing is done to these corporates based on the volumes which get recorded during the period of their usage of transactions. And then lastly, there are government contracts, which are RFP based. And the pricing there is determined in the contract, which could be initial implementation and development cost which is charged, and then there's the annual maintenance fee for the tenure of the contract. It could be for three years or five years. So, these are largely two types of charging structure, which we have. One is transaction-based, and one is a kind of a project tenure cost.

Moderator: Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Suresh Sethi: thank you very much. As closing comments, we would just like to summarize saying that we currently see our set of businesses being split on seven verticals. As far as our traditional or legacy businesses are concerned, we have three strong businesses which continue to provide strong momentum to the Company. These are businesses which traditionally we have been running for a while, and there is strong headroom over there. Protean has a dominant position, and we have shown year on year good growth in these businesses, and these are consolidating cash cows for the Company.

As far as new businesses are concerned, there is early traction. Again, these are areas which are also very strongly supported by tailwinds, especially coming from the government thrust, both on the fronts of digitalization and financialization. , and with the budget calling out again a lot of support for areas in the space of DPIs, there is strong budgetary support for the new lines of business. As an organization, we run a very asset light model and there are strong cash inflows into the Company. The Company continues to maintain its debt-free status with a huge amount of investable funds, almost to the tune of Rs. 700 crores, which we have available to make any inorganic decisions for faster go-to-market or investment in cutting-edge technology. And we remain very positive about the times ahead from here. Thank you.

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