

SELL
 TP: Rs 7,072 | ▼ 23%

COFORGE

| IT Services

| 24 January 2025

On the journey to becoming a Tier-1

- 3QFY25 was blockbuster quarter 8.4% growth QoQ in CC terms (our estimate-2.8%. Belied seasonality)
- Our math indicates ~15% organic growth for FY25 compared to ~10% hinted at 9 months back. Would still fall short of Persistent on this
- Retain sell rating on valuation despite increasing EPS and Target PE multiple

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Robust revenue growth and margin outperformance: It was up 8.4% QoQ in CC terms (our estimate - 2.8%) with revenue growth being broad based across geography, industry verticals, and service lines. The revenue run rate grew 60% in under two years, from US\$1bn to US\$1.6bn. EBITDA margin for 3Q was 17.8%, up 122bps sequentially, beating our estimate of 17.3%.

Strong order book and deal momentum: Four large deals were closed in 3Q, including one within the Cigniti client portfolio. The 12-month signed order book reached US\$1.37bn, up 40.1% YoY. Order intake for 3Q was US\$501mn, marking the second consecutive quarter over US\$500mn. The deal pipeline remains strong, with larger deals driven by legacy modernization and AI-based solutions.

Positive Commentary on Demand Environment: Travel: The sector shows resilience despite inflationary pressures, driven by strong growth in travel tech, loyalty platforms, legacy modernization, and airline network expansion. Airports are transforming into digital hubs. **BFS:** Demand continues to be strong across key areas, particularly operational resilience and regulatory compliance, supporting sector stability. Same is seen across **Government** vertical too. **Insurance:** Expected to see sustained demand in the coming year, driven by the ongoing transformation of the SMB market.

Retain sell: We have upgraded the EPS and Target PE multiple on better-than-expected execution. We think Coforge is addressing a broader market post-acquisition of Cigniti as it gets in healthcare, retail, Hi-Tech and Manufacturing. That is the positive we see in Coforge versus Persistent systems. However, executing better on organic growth and on ROIC. The cross-sell opportunities are immense. The larger deals in BFS it is getting is probably at the expense of incumbents. As it attains US\$2bn in size it might get invited to more deals.

Key changes

| Target | Rating |
|--------|--------|
| ▲ | ◀ ▶ |

| | |
|------------------|---------------------|
| Ticker/Price | COFORGE IN/Rs 9,196 |
| Market cap | US\$ 7.1bn |
| Free float | 99% |
| 3M ADV | US\$ 46.6mn |
| 52wk high/low | Rs 10,027/Rs 4,287 |
| Promoter/FPI/DII | 0%/43%/48% |

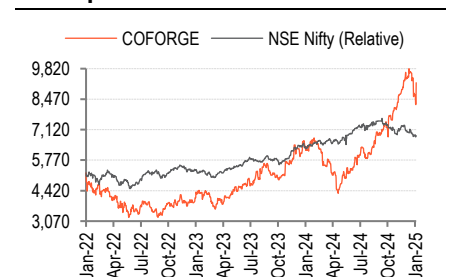
Source: NSE | Price as of 23 Jan 2025

Key financials

| Y/E 31 Mar | FY24A | FY25E | FY26E |
|-------------------------|--------|----------|----------|
| Total revenue (Rs mn) | 91,790 | 1,23,319 | 1,54,968 |
| EBITDA (Rs mn) | 14,960 | 18,601 | 26,530 |
| Adj. net profit (Rs mn) | 8,084 | 8,420 | 14,854 |
| Adj. EPS (Rs) | 131.4 | 127.1 | 214.4 |
| Consensus EPS (Rs) | 131.4 | 151.0 | 204.4 |
| Adj. ROAE (%) | 24.1 | 17.0 | 22.5 |
| Adj. P/E (x) | 70.0 | 72.3 | 42.9 |
| EV/EBITDA (x) | 40.9 | 33.0 | 23.0 |
| Adj. EPS growth (%) | 15.5 | (3.2) | 68.6 |

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



Key points from the results and the analyst call

- 3Q was exceptionally strong, with revenue at US\$397.1mn, much higher than our estimate, representing QoQ CC revenue growth was 8.4% and YoY CC revenue growth was 40.3%. We were anticipating a CC QoQ revenue growth of 2.8%.
- Revenue growth was well-balanced across geographical units, industry verticals, and service lines. Revenue run rate has grown almost 60% in less than two years, from US\$1bn to approximately US\$1.6bn
- Cigniti business grew 3.5% CC sequentially, while non-Cigniti business grew 9.4% CC sequentially.
- Consolidated adjusted EBITDA margin for the quarter was 17.8%, up 122 bps sequentially. It was better than our estimate of 17.3%
- The quarter faced headwinds due to furloughs, impacting EBITDA margin by approximately 50 bps
- ESOP cost for the quarter was 2.1% of revenue, up 130 bps from the previous quarter, in line with guidance. This increase was due to new ESOP grants made toward the end of 2QFY25. ESOP costs are expected to marginally decrease over the next two quarters and stabilize at 100 bps of revenue from 3QFY26, providing a tailwind to EBITDA margins in FY26
- Cigniti's EBITDA margin improved by 600 bps to 17.3% from around 11% three quarters ago.
- Despite amortization of intangibles from the Cigniti acquisition, EBIT margin stood at 11.8% for the quarter. We were expecting an EBIT margin of 11.3%
- The 12-month signed order book stands at US\$1.37bn, up 40.1% YoY. The base quarter only had standalone Coforge
- The firm's order intake was US\$501mn in 3Q, marking the second consecutive quarter with over US\$500mn in order intake.
- Cigniti business was fully integrated in 2Q, with its EBITDA margin rising by more than 600 bps to 17.3% from around 11% three quarters ago.
- BFS grew 20.4% YoY, insurance grew 20.3% YoY, travel grew 43.4% YoY and government outside India grew 48% YoY, other emerging verticals grew 88.2% YoY
- The Americas grew 9.2% QoQ and EMEA grew 8.9% QoQ
- Top 5 accounts grew 13.5% QoQ and 22.5% YoY, while Top 10 accounts grew 14.4% QoQ and 23.1% YoY. These top clients come from Coforge's non-Cigniti portfolio. The growth is attributed to key account program management, which ensures a focused approach to managing relationships with major clients
- Utilization stood at 81%, which includes 2.5%-3% accounted for by trainees, meaning the utilization for laterals is around 84%. The company believes maintaining utilization around 83%-84% is sustainable

- The company has created a new offering to reverse engineer legacy mainframe applications using GenAI, offering 25% to 30% time and cost savings for large modernization programs
- The overall demand environment is showing a gradual improvement across all sectors.
 - In the travel sector, there is impressive resilience and growth despite ongoing inflationary pressures. Coforge is seeing strong growth in the travel vertical, which is rebounding after a softer year previously. The growth is primarily driven by demand in the travel tech space, such as platforms focused on loyalty, legacy modernization, and network expansion by airlines. In addition, airports are increasingly reinventing themselves as digital hubs or digital malls. The travel sector has shown resilience despite inflationary pressures, and IATA forecasts a 7% growth in revenue passenger kilometers for the next year.
 - In BFS, demand continues across multiple micro areas, particularly operational resilience and regulatory compliance.
 - On the insurance vertical, despite the California fires, the outlook remains positive. The SMB market in insurance is undergoing a transformation, with increasing demand for partners with domain industry platform experience. The firm remains optimistic about the insurance vertical's performance in the upcoming year
 - Positive demand trends are observed in government sector as well
- The company said that the deal pipeline is shaping up well, with a significant point being that large deals they are pursuing are disproportionately larger than those in the past. This growth is fuelled by legacy modernization efforts that are increasingly AI-infused and by functional expertise in key areas
- The large deal signed by Cigniti involved a limited amount of cross-selling of existing Coforge services. The cross-sell pipeline typically takes about three quarters to settle, and cross-sell synergies are expected to start reflecting in 4QFY25 or 1QFY26 revenue data for Cigniti going forward.
- As Coforge grows from US\$2bn to US\$3bn in revenue, the firm expects to sustain its advantages in winning deals and challenging incumbents. Three primary factors are driving the growth:
 - Maturing partnerships with core enterprise players like ServiceNow, Microsoft, Salesforce, Pega, and Duck Creek.
 - Investments in capabilities such as the Quasar AI platform, which are beginning to yield results and accelerate revenue growth.
 - Deep functional expertise, which is becoming more valuable in an AI-infused environment, especially in working with hyperscalers and AI platform players.
- Regarding deal wins, the firm expects the strong pipeline to continue, and there is confidence in maintaining or accelerating the deal win run rate moving forward.

- Coforge does not see GenAI as deflationary but sees it as a significant enabler of business growth
- The ESOP cost will gradually reduce:
 - A reduction of about 20-25 bps in 4QFY25 due to the vesting in January.
 - A further reduction of 20-25 bps in 1QFY26 due to additional vesting in April
 - By 1QFY26, the cost will stabilize at around 1.5%, and by 3QFY26, it is expected to come down to around 1% of revenue, which will positively impact EBITDA and EBIT margins. EBIT margins are expected to improve from 11.8% currently to approximately 13.5% by 3QFY26 due to these factors
- 50 bps impact from furloughs in the current quarter was observed in both Banking and Insurance sectors. This is typically due to mandatory furloughs that occur towards the end of the December quarter. The impact from furloughs is expected to be reversed in the next quarter, which should lead to a tailwind on both revenues and margins, particularly in the Banking and Insurance verticals.
- Headcount stood at 33,094, with a net addition of 611 employees QoQ
- TTM Attrition was at 11.9%
- The Board of Directors approved the scheme of amalgamation of Cigniti with Coforge, subject to regulatory approvals. Under the proposed scheme, one equity share of Coforge (INR10 each fully paid) will be issued for every five equity shares of Cigniti (INR10 each fully paid). The merger is expected to be effective from April 1st, 2025, and the process will take approximately 12 months after approval. **The outstanding equity of Coforge is expected to expand from 66.86mn share to 69.34mn shares.**

Acquisition

- Coforge has entered into an agreement to buy out Xceltrait Inc which is a specialist in the implementation of ServiceNow's Financial Services Operations (FSO) and Customer Service Management (CSM) modules and brings deep expertise in the P&C insurance industry. With the consummation of the Proposed Transaction, the group will be able to leverage the abovementioned capabilities and expand across various Coforge accounts.
- The Target Company was incorporated on 03rd May is majorly operating in the USA. The revenue of the company for CY21, CY22 and CY23 is was US\$3.7 Mn, US \$ 4.5 Mn and US\$ 5.8Mn, respectively.
- The Proposed Transaction involves acquisition of 100% stake of the Target Company by Coforge Inc., with the aggregate purchase consideration of approximately US\$17.85mn, subject to completion of certain conditions precedents and further adjustments, in accordance with the Stock Purchase Agreement. The total consideration includes an initial payout of approximately US\$7mn and further earnout amount not exceeding US\$10.85mn payable to the stockholders of the Target Company in two tranches based on the achievement/performance of certain revenue and EBITDA targets of FY 26 & FY 27.

- The Proposed Transaction is expected to be completed by February 28, 2025 (or such other date as may have been agreed by Coforge Inc. and the Target Company)

View on the Indian IT services sector: We reinitiated coverage on the Indian IT Services with UW stance through a report on 1 January, 2025 (**Slow is the (new/old) normal**).

Current valuations are disconnected with fundamentals. Since 1 June 2024, Nifty IT has outperformed Nifty significantly. However, consensus earnings for FY25 and FY26 have not moved much during this period. It has been an entirely PE expansion story. Tier-1 and Tier-2 Indian IT services stocks are trading at +1 SD and +2 SD above their five-year means respectively. The PE premium of Tier-2 to Tier-1 is at its historic peak.

Current high PE multiples imply sharp growth pickup in FY25-FY27E. We think it will be slower. We do not believe structurally Indian IT services industry will see the pandemic's 'compressed transformation' type of demand in the foreseeable future. We believe the industry's structural USD organic revenue growth from here on will be lower than the ~7% CAGR – seen during FY15-FY20.

10-year study of valuations and earnings growth indicates that Indian IT stocks are currently trading at +2.1 SD to +18.3 SD higher valuations compared to the mean multiples during the FY15-FY20 period. Yes, we would admit that certain companies have undergone a structural change for the better, but not to the extent that the bulls assume and not all of them.

Multiple speed breakers post FY25 drives our underweight stance

- Trump policies raise uncertainty. The tariffs, the conditional tax breaks, the immigration push back, DOGE, etc all point to uncertainty in the coming days which may delay decision making.
- Higher for longer interest rate environment: One of reasons for optimism around the Indian IT service sector in recent quarters has been the view that US would achieve a soft landing in 2025 (which we define as 0.5- 1.5% real GDP growth) and that Fed Funds rate would be gradually lowered from the recent peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'. However, recent inflation prints, stronger GDP growth, and a higher fiscal deficit have raised concerns. With US 10-year yields rising to 4.7% from a September 2024 low of 3.6%, there are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US consumption in areas like housing, autos and retail.
- Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

- Gen AI – value compressive in the near term: Gen AI has significantly boosted revenue in semiconductors, data centers, and hyper scalers, but IT services have seen limited benefits. ROI remains a top concern arise due to heavy investment in surrounding services
- Massive hyper scaler AI capex should accentuate re-alignment in IT spend: Software players, including hyperscalers, are increasing capex on AI-related data centers. This will drive higher pricing, forcing enterprises to allocate more IT spend to cloud/SaaS
- Indian Tier-1 companies now face higher competition from Accenture, Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach \$85bn, double that in FY15. Due to the higher base now, growth may not be as rapid as it was when the base was lower
- The weak TCV for certain players in 1HFY25 and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE multiple used for TCS is 24.6x (which is the average PE multiple of TCS over the last 5 years less 1SD). This is by no means pessimistic. 24.6x is higher than the 23.6x multiple which was the mean multiple of the FY15-FY20 time frame when revenue growth was ~150bps faster. During the Global Financial Crisis (GFC) downturn, the stock traded in the single digit PE multiple territory. We are using a 1SD discount to the five-year PE as we believe that industry and TCS will see a 'slower for longer' growth situation.

Why use a PE multiple that is 1SD lower than 5-year mean of TCS:

Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27.

While the strong consensus estimates seem to imply a soft-landing macro scenario in the US, the higher probability event is a 'no landing, higher-for-longer interest rate' scenario which we believe has a 50-60% probability. The probability of a recession is also not insignificant (20% based on Bloomberg estimates).

Some of the speed breakers are industry/technology related, and some are related to the macro and policy environment especially in the US which is the key market for Indian IT services firms. Besides the US, we believe the European market macro looks quite bad (Europe – including UK – forms about 30-40% of revenue for Indian IT services firms) and corporate IT spending would be muted

Tier- 2 valuation reflects growth gap between it and Tier-1:

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

However, the current PE premium to the Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

| Y/E March (Rs mn) | 3QFY24 | 2QFY25 | 3QFY25 | YoY (%) | QoQ (%) | 3QFY25E | Dev (%) |
|--|---------------|---------------|---------------|--------------|------------|---------------|---------------|
| Net Sales (USD mn) | 282.0 | 369.4 | 397.1 | 40.8 | 7.5 | 375.4 | 5.8 |
| Net Sales | 23,233 | 30,623 | 33,182 | 42.8 | 8.4 | 31,685 | 4.7 |
| Direct Cost | 15,609 | 20,701 | 22,166 | 42.0 | 7.1 | 20,703 | 7.1 |
| Gross Profit | 7,624 | 9,922 | 11,016 | 44.5 | 11.0 | 10,983 | 0.3 |
| % of Sales | 32.8 | 32.4 | 33.2 | | | 34.7 | |
| SG&A | 3,508 | 4,859 | 5,126 | 46.1 | 5.5 | 5,494 | (6.7) |
| % of Sales | 15.1 | 15.9 | 15.4 | | | 17.3 | |
| EBITDA | 4,116 | 5,063 | 5,890 | 43.1 | 16.3 | 5,488 | 7.3 |
| EBITDA Margin (%) | 17.7 | 16.5 | 17.8 | | | 17.3 | |
| Depreciation | 811 | 1,243 | 1,268 | 56.4 | 2.0 | 1,286 | (1.4) |
| Cost of ESOPs | 104 | 222 | 700 | 573.1 | 215.3 | 634 | 10.5 |
| ESOP Cost (%age of sales) | 0.45 | 0.72 | 2.11 | | | 2.00 | |
| EBIT | 3,201 | 3,598 | 3,922 | 22.5 | 9.0 | 3,568 | 9.9 |
| EBIT Margin (%age of sales) | 13.8 | 11.7 | 11.8 | | | 11.3 | |
| Other Income | (257) | (173) | (327) | | | 125 | (362.5) |
| Acquisition Related Expenses | - | 201 | 162 | | | - | |
| Exceptional Items | - | 89 | - | | | - | |
| Profit Before Tax | 2,944 | 3,135 | 3,433 | 16.6 | 9.5 | 3,693 | (7.0) |
| Provision for Taxation - Current & Deferred | 516 | 799 | 874 | 69.4 | 9.4 | 739 | 18.3 |
| Effective Tax Rate | 17.5 | 25.5 | 25.5 | | | 20.0 | |
| Net Profit | 2,428 | 2,336 | 2,559 | 5.4 | 9.5 | 2,954 | (13.4) |
| Minority Share of Net Profit | 48 | 314 | 404 | | | 314 | |
| PAT attributable to equity shareholders after Minority Interest | 2,380 | 2,022 | 2,155 | (9.5) | 6.6 | 2,640 | (18.4) |
| NPM (%) | 10.2 | 6.6 | 6.5 | | | 8.3 | |

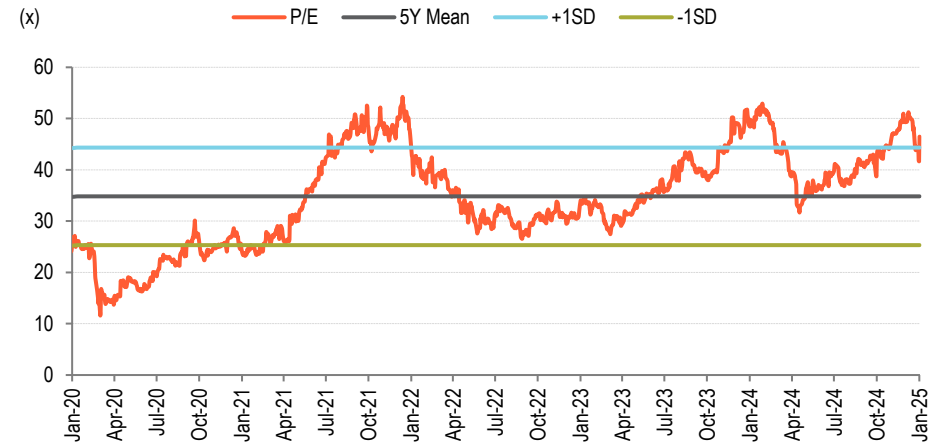
Source: Company, BOBCAPS Research

Fig 2 – Revised Estimates

| | New | | | Old | | | Change (%) | | |
|------------------------|----------|----------|----------|----------|----------|----------|------------|-------|-------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| INR/USD | 84.4 | 87.3 | 89.3 | 84.1 | 85.4 | 86.6 | 0.4 | 2.1 | 3.1 |
| USD Revenue (USD mn) | 1,471 | 1,776 | 2,042 | 1,425 | 1,656 | 1,866 | 3.2 | 7.2 | 9.4 |
| USD Revenue Growth (%) | 31.5 | 20.7 | 15.0 | 27.4 | 16.2 | 12.7 | | | |
| Revenue (Rsmn) | 1,23,319 | 1,54,968 | 1,82,278 | 1,19,270 | 1,41,477 | 1,61,670 | 3.4 | 9.5 | 12.7 |
| EBIT (Rsmn) | 15,235 | 20,870 | 25,398 | 14,920 | 19,018 | 22,275 | 2.1 | 9.7 | 14.0 |
| EBIT Margin (%) | 12.4 | 13.5 | 13.9 | 12.5 | 13.4 | 13.8 | | | |
| PAT (Rsmn) | 8,420 | 14,854 | 18,146 | 9,558 | 14,711 | 17,049 | (11.9) | 1.0 | 6.4 |
| EPS (Rs) | 127.1 | 214.4 | 261.9 | 139.7 | 209.9 | 243.2 | (9.0) | 2.1 | 7.7 |

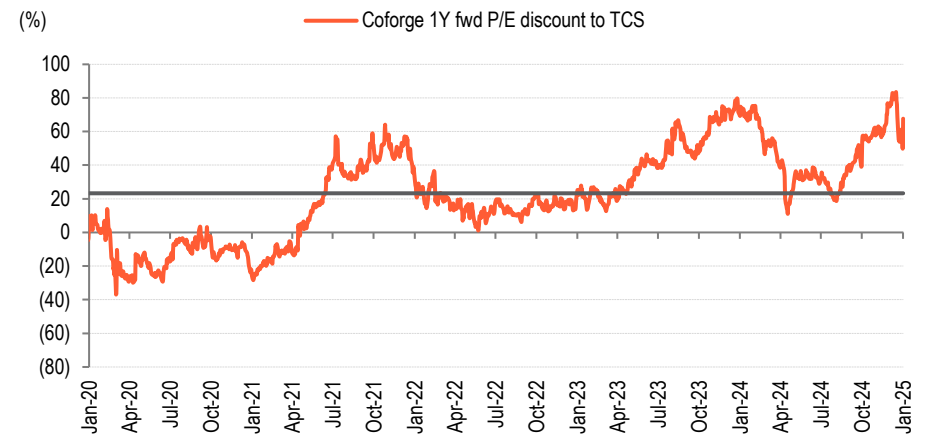
Source: Company, BOBCAPS Research

Fig 3 – 5 Yr PE trend



Source: Company, BOBCAPS Research

Fig 4 – Premium/ Discount to TCS



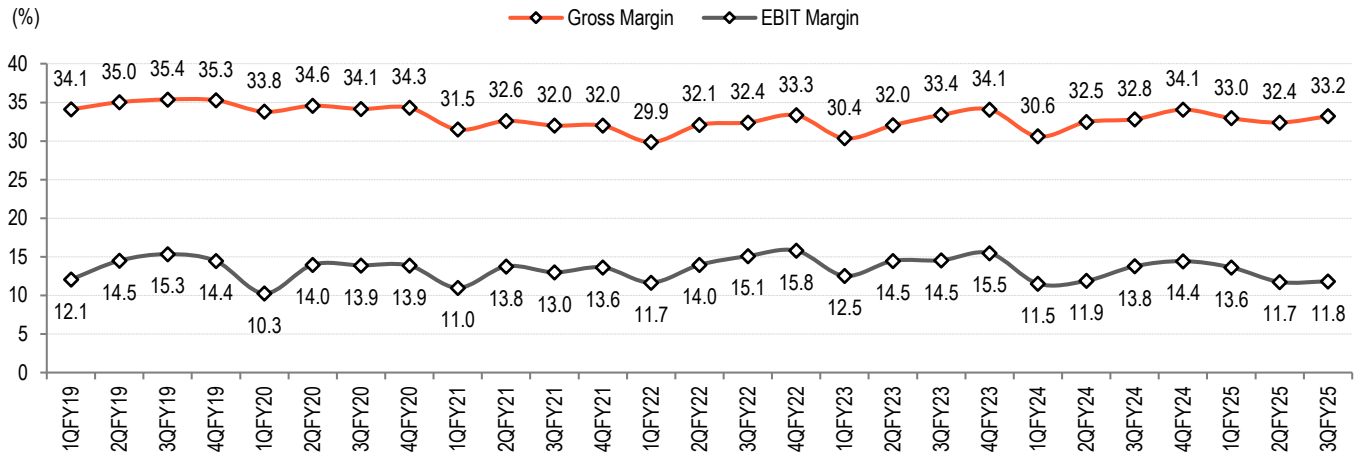
Source: Company, BOBCAPS Research

Fig 5 – P&L at a glance

| (Y/E March) | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E | FY27E |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|----------|----------|----------|
| Average INR/USD | 54.3 | 60.5 | 61.2 | 64.4 | 67.0 | 64.5 | 70.2 | 70.5 | 74.2 | 74.2 | 80.0 | 82.8 | 84.4 | 87.3 | 89.3 |
| Net sales (US\$ mn) | 373 | 381 | 388 | 416 | 417 | 464 | 523 | 593 | 628 | 867 | 1,002 | 1,119 | 1,471 | 1,776 | 2,042 |
| -Growth (%) | | 2.3 | 1.8 | 7.3 | 0.2 | 11.2 | 12.8 | 13.4 | 5.8 | 38.0 | 15.6 | 11.7 | 31.5 | 20.7 | 15.0 |
| Net Sales | 20,213 | 23,050 | 23,724 | 26,824 | 27,958 | 29,914 | 36,762 | 41,839 | 46,628 | 64,320 | 80,146 | 91,790 | 1,23,319 | 1,54,968 | 1,82,278 |
| -Growth (%) | 28.2 | 14.0 | 2.9 | 13.1 | 4.2 | 7.0 | 22.9 | 13.8 | 11.4 | 37.9 | 24.6 | 14.5 | 34.3 | 25.7 | 17.6 |
| Direct cost | 13,159 | 15,167 | 15,655 | 16,896 | 17,815 | 19,179 | 23,907 | 27,528 | 31,693 | 43,736 | 54,059 | 61,948 | 82,686 | 1,03,775 | 1,23,090 |
| Gross Profit | 7,054 | 7,883 | 8,069 | 9,928 | 10,143 | 10,735 | 12,855 | 14,311 | 14,935 | 20,584 | 26,087 | 29,842 | 40,633 | 51,193 | 59,187 |
| Gross Margin | 34.9 | 34.2 | 34.0 | 37.0 | 36.3 | 35.9 | 35.0 | 34.2 | 32.0 | 32.0 | 32.5 | 32.5 | 32.9 | 33.0 | 32.5 |
| SGA Expenses | 3,759 | 4,368 | 4,613 | 5,195 | 5,284 | 5,723 | 6,402 | 7,096 | 6,544 | 8,527 | 11,438 | 13,725 | 18,920 | 22,772 | 25,654 |
| % of sales | 18.6 | 19.0 | 19.4 | 19.4 | 18.9 | 19.1 | 17.4 | 17.0 | 14.0 | 13.3 | 14.3 | 15.0 | 15.3 | 14.7 | 14.1 |
| Acquisition Related Expenses | - | - | - | - | - | - | - | - | 46 | 269 | 9 | 96 | 1,316 | - | - |
| Cost of ESOPs | - | - | - | - | - | - | - | 17 | 481 | 633 | 587 | 1,061 | 1,796 | 1,890 | 1,573 |
| EBITDA | 3,295 | 3,515 | 3,456 | 4,733 | 4,859 | 5,012 | 6,453 | 7,198 | 7,864 | 11,155 | 14,053 | 14,960 | 18,601 | 26,530 | 31,960 |
| % of sales | 16.3 | 15.2 | 14.6 | 17.6 | 17.4 | 16.8 | 17.6 | 17.2 | 16.9 | 17.3 | 17.5 | 16.3 | 15.1 | 17.1 | 17.5 |
| Depreciation & Amortisation | 567 | 619 | 916 | 1,101 | 1,150 | 1,273 | 1,248 | 1,730 | 1,836 | 2,272 | 2,585 | 3,186 | 4,683 | 5,660 | 6,562 |
| % of sales | 2.8 | 2.7 | 3.9 | 4.1 | 4.1 | 4.3 | 3.4 | 4.1 | 3.9 | 3.5 | 3.2 | 3.5 | 3.8 | 3.7 | 3.6 |
| EBIT | 2,728 | 2,896 | 2,540 | 3,632 | 3,709 | 3,739 | 5,205 | 5,468 | 6,028 | 8,883 | 11,468 | 11,774 | 13,919 | 20,870 | 25,398 |
| % of sales | 13.5 | 12.6 | 10.7 | 13.5 | 13.3 | 12.5 | 14.2 | 13.1 | 12.9 | 13.8 | 14.3 | 12.8 | 11.3 | 13.5 | 13.9 |
| Other income (net) | 207 | 288 | 18 | 183 | 187 | 298 | 476 | 558 | 113 | (266) | (630) | (1,156) | (767) | 802 | 605 |
| Exceptional Items | - | - | 800 | 13 | 221 | - | 56 | 71 | 180 | - | 1,326 | 165 | 89 | - | - |
| PBT | 2,935 | 3,184 | 1,758 | 3,802 | 3,675 | 4,037 | 5,625 | 5,955 | 5,961 | 8,617 | 9,512 | 10,453 | 13,062 | 21,672 | 26,003 |
| -PBT margin (%) | 14.5 | 13.8 | 7.4 | 14.2 | 13.1 | 13.5 | 15.3 | 14.2 | 12.8 | 13.4 | 11.9 | 11.4 | 10.6 | 14.0 | 14.3 |
| Provision for tax | 750 | 803 | 540 | 831 | 820 | 950 | 1,404 | 1,278 | 1,302 | 1,468 | 2,061 | 2,093 | 3,459 | 5,201 | 6,241 |
| Effective tax rate (%) | 25.6 | 25.2 | 30.7 | 21.9 | 22.3 | 23.5 | 25.0 | 21.5 | 21.8 | 17.0 | 21.7 | 20.0 | 26.5 | 24.0 | 24.0 |
| Net profit | 2,185 | 2,381 | 1,218 | 2,971 | 2,855 | 3,087 | 4,221 | 4,677 | 4,659 | 7,149 | 7,451 | 8,360 | 9,603 | 16,470 | 19,762 |
| Minority Interest & share of profit/(loss) of associate | 52 | 76 | 79 | 170 | 220 | 285 | 188 | 236 | 104 | 530 | 513 | 276 | 1,183 | 1,616 | 1,616 |
| Net reported profit | 2,133 | 2,305 | 1,139 | 2,801 | 2,635 | 2,802 | 4,033 | 4,441 | 4,555 | 6,619 | 6,938 | 8,084 | 8,420 | 14,854 | 18,146 |
| -Growth (%) | 8.2 | 8.1 | (50.6) | 145.9 | (5.9) | 6.3 | 43.9 | 10.1 | 2.6 | 45.3 | 4.8 | 16.5 | 4.2 | 76.4 | 22.2 |
| -Net profit margin (%) | 10.6 | 10.0 | 4.8 | 10.4 | 9.4 | 9.4 | 11.0 | 10.6 | 9.8 | 10.3 | 8.7 | 8.8 | 6.8 | 9.6 | 10.0 |

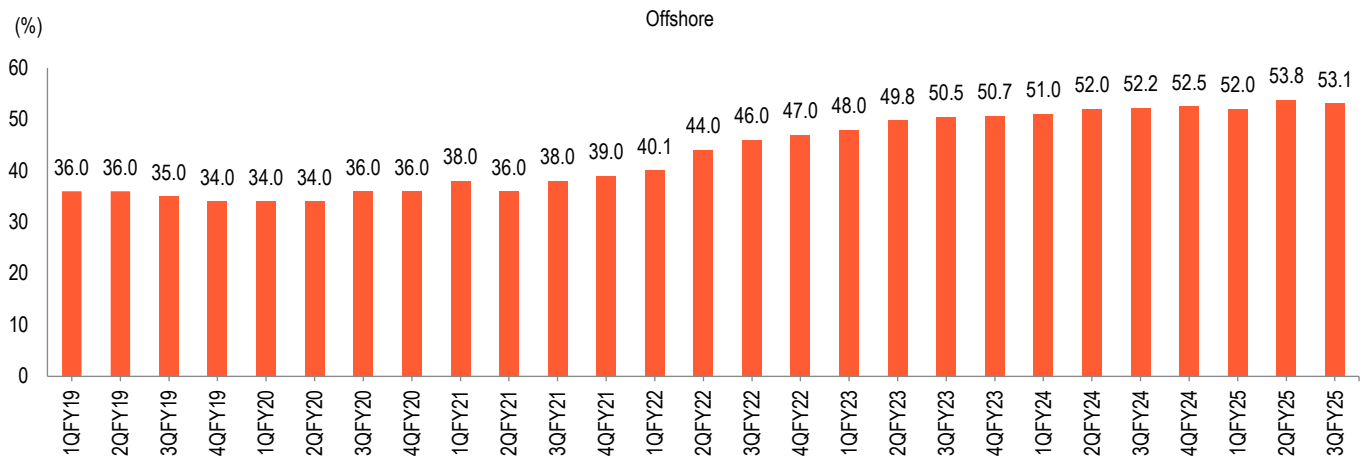
Source: Company, BOBCAPS Research

Fig 6 – Gross Margin and EBIT Margin



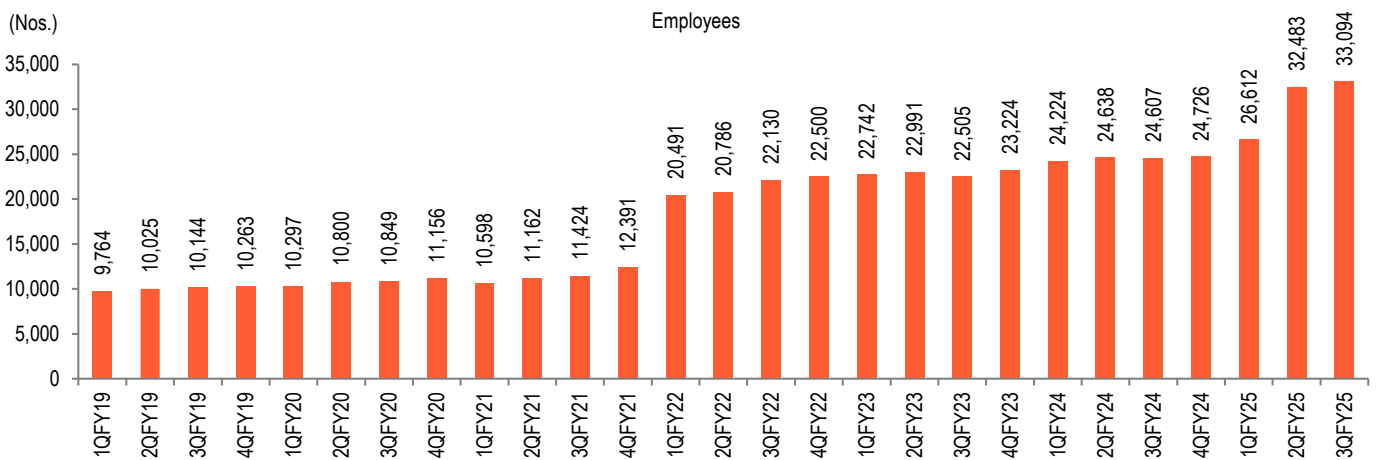
Source: Company, BOBCAPS Research

Fig 7 – Offshore contribution to revenue



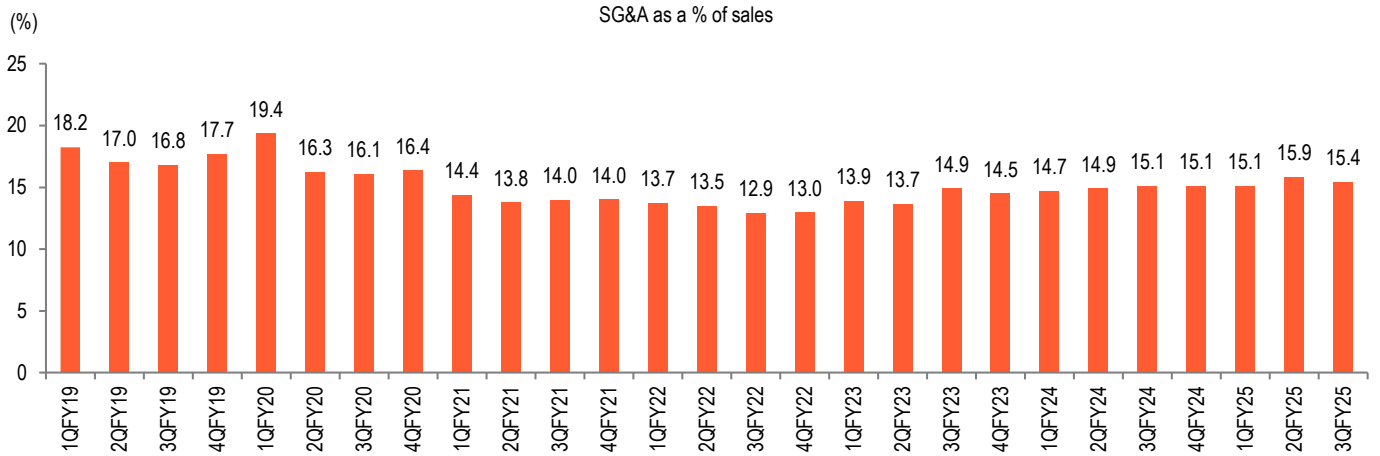
Source: Company, BOBCAPS Research

Fig 8 – Total No. of Employees



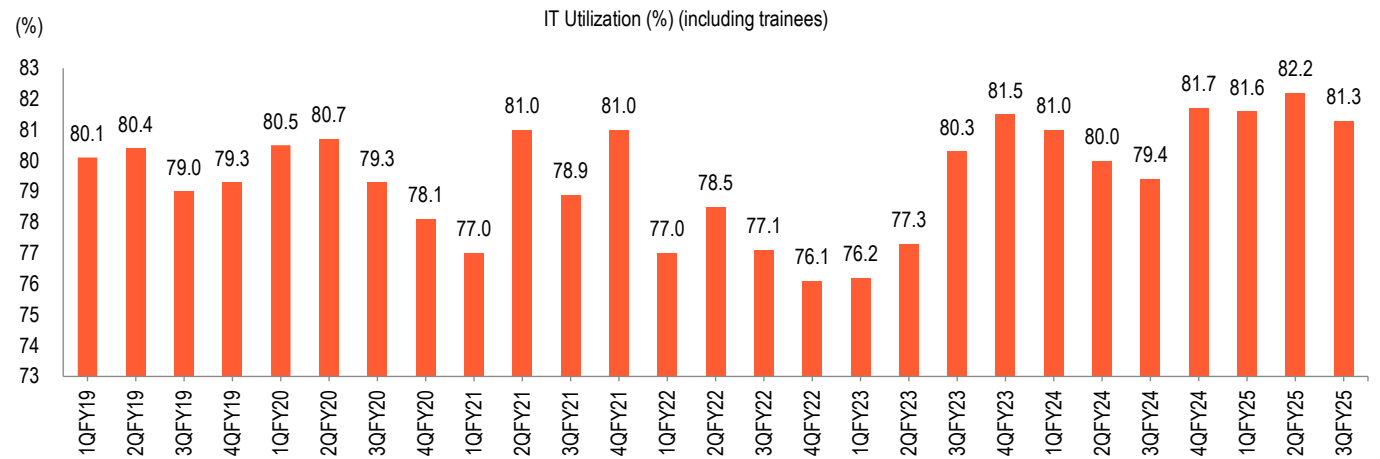
Source: Company, BOBCAPS Research

Fig 9 – SG&A as % of sales



Source: Company, BOBCAPS Research

Fig 10 – IT Utilization



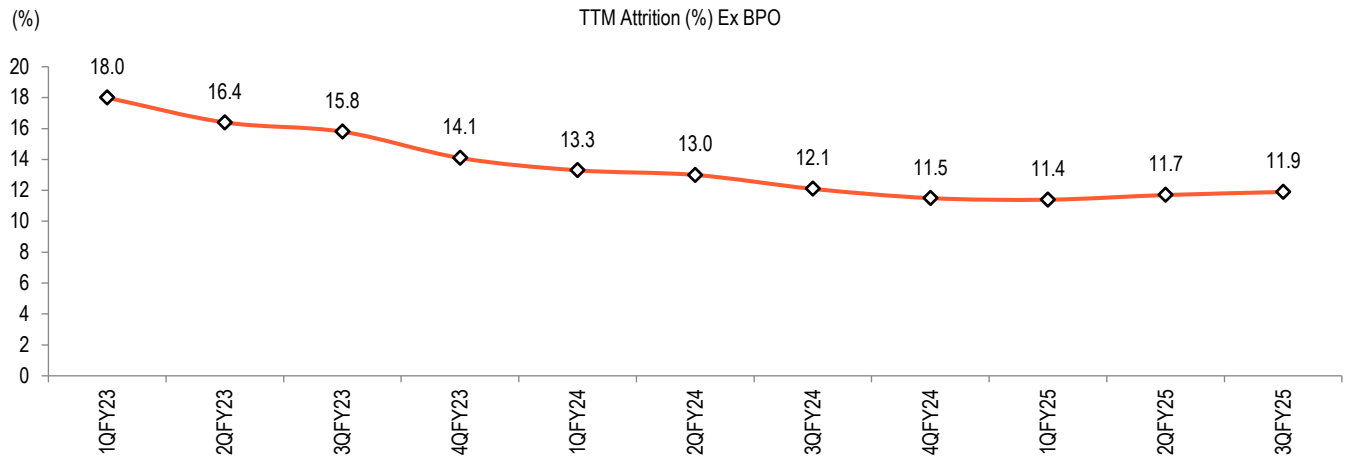
Source: Company, BOBCAPS Research

Fig 11 – Client concentration over the quarters



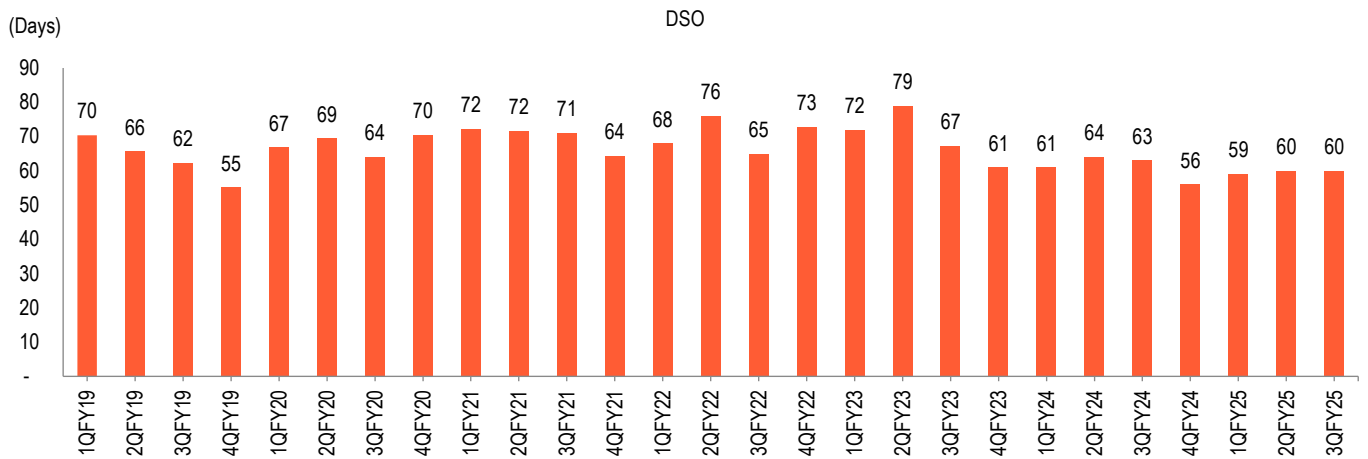
Source: Company, BOBCAPS Research

Fig 12 – Attrition trend



Source: Company, BOBCAPS Research

Fig 13 – DSO



Source: Company, BOBCAPS Research

Fig 14 – Quarterly Snapshot

| Year to 31 March | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|
| Rs mn | | | | | | | | | | | 663.64 |
| INR/USD | 76.5 | 79.3 | 81.9 | 82.4 | 82.2 | 82.7 | 83.3 | 83.1 | 83.4 | 83.8 | 84.4 |
| USD Revenue (USD mn) | 239 | 247 | 252 | 264 | 272 | 278 | 282 | 287 | 291 | 369 | 397 |
| INR Revenue | 18,294 | 19,594 | 20,558 | 21,700 | 22,210 | 22,762 | 23,233 | 23,585 | 24,008 | 30,623 | 33,182 |
| Gross margin | 5,555 | 6,278 | 6,860 | 7,394 | 6,796 | 7,388 | 7,624 | 8,034 | 7,911 | 9,922 | 11,016 |
| SGA | 2,543 | 2,682 | 3,063 | 3,150 | 3,264 | 3,392 | 3,508 | 3,561 | 3,625 | 4,859 | 5,126 |
| ESOP Cost | 90 | 147 | 182 | 168 | 216 | 519 | 104 | 222 | 199 | 222 | 700 |
| EBITDA | 2,922 | 3,449 | 3,615 | 4,076 | 3,316 | 3,477 | 4,012 | 4,251 | 4,087 | 4,841 | 5,190 |
| Depreciation and Amortisation | 630 | 614 | 624 | 717 | 757 | 772 | 811 | 846 | 815 | 1,243 | 1,268 |
| EBIT | 2,292 | 2,835 | 2,991 | 3,359 | 2,559 | 2,705 | 3,201 | 3,405 | 3,272 | 3,598 | 3,922 |
| Other income | (76) | (150) | 83 | (487) | (152) | (295) | (257) | (452) | (272) | (173) | (327) |
| PBT | 2,212 | 2,680 | 3,074 | 1,546 | 2,242 | 2,410 | 2,944 | 2,857 | 2,047 | 3,135 | 3,433 |
| Tax | 493 | 474 | 715 | 379 | 485 | 528 | 516 | 564 | 654 | 799 | 874 |
| PAT | 1,497 | 2,011 | 2,282 | 1,148 | 1,653 | 1,813 | 2,380 | 2,238 | 1,332 | 2,022 | 2,155 |
| EPS Adjusted (Rs) | 24.6 | 33.0 | 37.4 | 18.8 | 27.0 | 29.6 | 38.6 | 36.2 | 20.9 | 30.3 | 32.3 |
| YoY Growth (%) | | | | | | | | | | | |
| USD Revenue | 19.6 | 16.2 | 13.7 | 13.8 | 13.9 | 12.6 | 12.0 | 8.5 | 7.2 | 32.8 | 40.8 |
| INR Revenue | 25.2 | 24.9 | 24.0 | 24.5 | 21.4 | 16.2 | 13.0 | 8.7 | 8.1 | 34.5 | 42.8 |
| Gross profit | 27.2 | 24.6 | 27.7 | 27.3 | 22.3 | 17.7 | 11.1 | 8.7 | 16.4 | 34.3 | 44.5 |
| EBIT | 34.4 | 29.5 | 19.5 | 21.9 | 11.6 | (4.6) | 7.0 | 1.4 | 27.9 | 33.0 | 22.5 |
| Net Profit | 21.0 | 37.0 | 24.2 | (44.7) | 10.4 | (9.8) | 4.3 | 94.9 | (19.4) | 11.5 | (9.5) |
| QoQ growth (%) | | | | | | | | | | | |
| USD Revenue | 2.7 | 3.4 | 1.9 | 5.05 | 2.80 | 2.32 | 1.40 | 1.70 | 1.60 | 26.77 | 7.5 |
| INR Revenue | 5.0 | 7.1 | 4.9 | 5.6 | 2.4 | 2.5 | 2.1 | 1.5 | 1.8 | 27.6 | 8.4 |
| EBIT | (16.8) | 23.7 | 5.5 | 12.3 | (23.8) | 5.7 | 18.3 | 6.4 | (3.9) | 10.0 | 9.0 |
| Net Profit | (27.9) | 34.3 | 13.5 | (49.7) | 44.0 | 9.7 | 31.3 | (6.0) | (40.5) | 51.8 | 6.6 |
| Margins (%) | | | | | | | | | | | |
| Gross Margin | 30.4 | 32.0 | 33.4 | 34.1 | 30.6 | 32.5 | 32.8 | 34.1 | 33.0 | 32.4 | 33.2 |
| SGA | 13.9 | 13.7 | 14.9 | 14.5 | 14.7 | 14.9 | 15.1 | 15.1 | 15.1 | 15.9 | 15.4 |
| EBITDA | 16.0 | 17.6 | 17.6 | 18.8 | 14.9 | 15.3 | 17.3 | 18.0 | 17.0 | 15.8 | 15.6 |
| EBIT | 12.5 | 14.5 | 14.5 | 15.5 | 11.5 | 11.9 | 13.8 | 14.4 | 13.6 | 11.7 | 11.8 |
| PAT | 8.2 | 10.3 | 11.1 | 5.3 | 7.4 | 8.0 | 10.2 | 9.5 | 5.5 | 6.6 | 6.5 |

Source: Company, BOBCAPS Research

Fig 15 – Key Metrics

| | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| P and L (Rs mn) | | | | | | | | | | | |
| Revenue | 18,294 | 19,594 | 20,558 | 21,700 | 22,210 | 22,762 | 23,233 | 23,585 | 24,008 | 30,623 | 33,182 |
| EBITDA | 2,922 | 3,449 | 3,615 | 4,076 | 3,316 | 3,477 | 4,012 | 4,251 | 4,087 | 4,841 | 5,190 |
| PAT | 1,497 | 2,011 | 2,282 | 1,148 | 1,653 | 1,813 | 2,380 | 2,238 | 1,332 | 2,022 | 2,155 |
| Vertical Mix (%) | | | | | | | | | | | |
| BFS | 30 | 32 | 31 | 31 | 31 | 32 | 32 | 34 | 32 | 29 | 28 |
| Insurance | 23 | 23 | 22 | 22 | 23 | 23 | 22 | 22 | 21 | 19 | 19 |
| Transportation | 19 | 19 | 19 | 19 | 19 | 19 | 18 | 18 | 18 | 18 | 18 |
| Government (overseas) | | | | | | | | 8 | 8 | 8 | 7 |
| Others | 28 | 26 | 27 | 28 | 28 | 27 | 28 | 20 | 21 | 26 | 29 |
| Geographical Mix (%) | | | | | | | | | | | |
| Americas | 51 | 51 | 49 | 48 | 50 | 49 | 47 | 48 | 50 | 55 | 56 |
| EMEA | 37 | 39 | 40 | 40 | 39 | 39 | 40 | 40 | 39 | 34 | 34 |
| APAC | 12 | 10 | 11 | 12 | 12 | 12 | 13 | 12 | 11 | 11 | 10 |
| Revenue Mix - IT Business (%) | | | | | | | | | | | |
| Onsite | 52 | 50 | 50 | 49 | 49 | 48 | 48 | 48 | 48 | 46 | 47 |
| Offshore | 48 | 50 | 51 | 51 | 51 | 52 | 52 | 53 | 52 | 54 | 53 |
| IT Utilization (%) (including trainees) | 76.2 | 77.3 | 80.3 | 81.5 | 81.0 | 80.0 | 79.4 | 81.7 | 81.6 | 82.2 | 81.3 |
| Clients Concentration (%) | | | | | | | | | | | |
| Top 5 Clients | 23 | 23 | 24 | 23 | 25 | 24 | 23 | 23 | 21 | 19 | 20 |
| Top 10 Clients | 36 | 36 | 36 | 36 | 38 | 35 | 34 | 34 | 33 | 28 | 30 |
| Number of Client | | | | | | | | | | | |
| Between 1 to 5 million | 98 | 97 | 98 | 101 | 102 | 104 | 109 | 112 | 118 | 173 | 176 |
| Between 5 to 10 million | 24 | 26 | 23 | 23 | 24 | 23 | 23 | 24 | 25 | 29 | 31 |
| Above 10 million | 19 | 19 | 21 | 21 | 21 | 23 | 24 | 24 | 23 | 29 | 31 |
| Revenue by Project type | | | | | | | | | | | |
| Fixed Price Project | 52 | 50 | 50 | 50 | 49 | 49 | 51 | 52 | 50 | 43 | 45 |
| Time & Material | 48 | 50 | 50 | 50 | 51 | 51 | 49 | 49 | 50 | 58 | 55 |
| Service Line Mix (%) | | | | | | | | | | | |
| Product Engineering | 11 | 11 | 10 | 10 | 9 | 9 | 8 | 8 | 0 | 0 | 0 |
| Data & Integration | 23 | 23 | 24 | 24 | 24 | 25 | 26 | 25 | 27 | 23 | 22 |
| Intelligent Automation | 13 | 13 | 12 | 11 | 12 | 12 | 11 | 11 | 12 | 9 | 9 |
| CIMS | 18 | 18 | 19 | 19 | 20 | 19 | 19 | 19 | 19 | 17 | 19 |
| ADM | 24 | 26 | 27 | 28 | 26 | 27 | 27 | 27 | 0 | 0 | 0 |
| BPM | 11 | 10 | 9 | 9 | 10 | 10 | 9 | 9 | 9 | 8 | 8 |
| Engineering | | | | | | | | | 32 | 42 | 42 |
| Employees | 22,742 | 22,991 | 22,505 | 23,224 | 24,224 | 24,638 | 24,607 | 24,726 | 26,612 | 32,483 | 33,094 |
| TTM Attrition (%) Ex BPO | 18.0 | 16.4 | 15.8 | 14.1 | 13.3 | 13.0 | 12.1 | 11.5 | 11.4 | 11.7 | 11.9 |
| Profit and Loss Statement (in USD mn) | | | | | | | | | | | |
| Revenue | 239 | 247 | 252 | 264 | 272 | 278 | 282 | 287 | 291 | 369 | 397 |
| EBIT | 30 | 36 | 37 | 41 | 31 | 33 | 38 | 41 | 39 | 43 | 46 |
| PAT | 20 | 25 | 28 | 14 | 20 | 22 | 29 | 27 | 16 | 24 | 26 |
| Productivity Metrics | | | | | | | | | | | |
| Per Capita (Annualised) | | | | | | | | | | | |
| Revenue | 41,984 | 42,956 | 44,737 | 45,539 | 44,881 | 45,150 | 45,841 | 46,397 | 43,800 | 45,488 | 47,997 |
| EBIT | 5,271 | 6,221 | 6,494 | 7,025 | 5,144 | 5,312 | 6,250 | 6,633 | 5,900 | 5,290 | 5,614 |
| PAT | 3,443 | 4,413 | 4,955 | 2,401 | 3,323 | 3,560 | 4,647 | 4,359 | 2,402 | 2,973 | 3,085 |

Source: Company, BOBCAPS Research

Fig 16 – QoQ and YoY growth of various parameters

| | FY22-23 | | | | FY23-24 | | | | FY25 | | |
|---|---------|--------|--------|-------|---------|-------|--------|--------|--------|-------|-------|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| QoQ Growth | | | | | | | | | | | |
| By Geography(%) | | | | | | | | | | | |
| Americas | 5.6 | 3.4 | (2.2) | 3.1 | 5.8 | 1.7 | (4.3) | 4.1 | 6.3 | 40.0 | 9.3 |
| EMEA | (4.8) | 7.9 | 6.7 | 3.2 | 0.2 | 2.8 | 4.5 | 2.0 | (1.9) | 10.7 | 8.8 |
| APAC | 18.7 | (11.3) | 4.9 | 21.1 | (0.6) | 3.2 | 15.2 | (7.4) | (5.1) | 23.4 | (5.1) |
| By Industry (%) | | | | | | | | | | | |
| BFS | 9.4 | 11.1 | 0.0 | 4.7 | 3.1 | 4.0 | 3.3 | 6.4 | (4.1) | 17.2 | 0.6 |
| Insurance | (7.7) | 3.9 | (2.9) | 5.5 | 4.7 | 2.3 | (1.3) | (0.1) | 0.7 | 13.1 | 5.8 |
| Transportation | (0.9) | 2.9 | 1.9 | 2.3 | 1.2 | 2.3 | (2.4) | 0.6 | 4.5 | 26.8 | 7.5 |
| Government (overseas) | | | | | | | | | 4.3 | 23.5 | (2.4) |
| Others | 8.5 | (4.7) | 8.3 | 7.3 | 2.1 | 0.5 | 4.4 | (29.4) | 9.4 | 56.3 | 19.1 |
| By Practice Split (%) - Reinstated | | | | | | | | | | | |
| Product Engineering | 0.8 | 3.4 | (3.9) | 0.8 | 1.7 | (3.1) | (11.1) | 1.7 | | | |
| Data & Integration | 8.8 | 2.5 | 5.5 | 3.7 | 4.5 | 4.4 | 6.4 | (0.3) | 10.5 | 7.3 | 3.8 |
| Intelligent Automation | 1.9 | 3.4 | (4.5) | (1.2) | 6.5 | 7.7 | (5.3) | 0.8 | 6.1 | (1.4) | 5.1 |
| CIMS | 3.9 | (0.5) | 8.4 | 7.3 | 8.2 | (5.4) | 3.6 | 2.8 | 2.1 | 13.6 | 19.4 |
| ADM | (1.8) | 10.3 | 5.5 | 9.0 | (5.0) | 6.3 | 3.3 | 2.5 | | | |
| BPM | 1.8 | (3.1) | (10.8) | 3.9 | 8.5 | 2.3 | (1.8) | 3.9 | 1.6 | 9.2 | 0.9 |
| Engineering | | | | | | | | | (7.1) | 67.4 | 6.2 |
| Revenues from Top Clients | | | | | | | | | | | |
| Top 5 | 1.8 | 4.3 | 5.5 | 1.1 | 12.2 | (4.2) | (2.0) | 3.0 | (7.2) | 12.9 | 13.8 |
| Top 10 | 4.2 | 4.3 | 3.4 | 2.7 | 9.2 | (4.5) | (1.2) | 2.0 | (2.8) | 8.7 | 14.4 |
| Onsite:Offshore Mix | | | | | | | | | | | |
| Onsite | 0.8 | (0.1) | 0.5 | 4.6 | 2.2 | 0.2 | 1.0 | 1.1 | 2.7 | 22.0 | 9.1 |
| Offshore | 4.9 | 7.3 | 3.4 | 5.5 | 3.4 | 4.3 | 1.8 | 2.3 | 0.6 | 31.2 | 6.1 |
| YoY Growth | | | | | | | | | | | |
| By Geography(%) | | | | | | | | | | | |
| Americas | 18.9 | 14.2 | 4.9 | 10.1 | 10.3 | 8.5 | 6.1 | 7.1 | 7.6 | 48.2 | 69.2 |
| EMEA | 25.0 | 37.7 | 35.9 | 13.2 | 19.1 | 13.5 | 11.2 | 9.8 | 7.5 | 15.7 | 20.4 |
| APAC | 8.6 | (22.5) | (8.2) | 33.7 | 12.0 | 30.3 | 43.0 | 9.4 | 4.5 | 25.0 | 3.0 |
| By Industry (%) | | | | | | | | | | | |
| BFS | 67.2 | 52.9 | 24.5 | 27.3 | 20.0 | 12.3 | 16.0 | 17.9 | 9.6 | 23.6 | 20.3 |
| Insurance | (10.3) | (7.6) | (9.7) | (1.7) | 11.4 | 9.7 | 11.5 | 5.5 | 1.5 | 12.3 | 20.3 |
| Transportation | 22.8 | 20.6 | 19.9 | 6.4 | 8.6 | 8.0 | 3.3 | 1.5 | 4.9 | 30.0 | 43.2 |
| Government (overseas) | | | | | | | | | NA | NA | NA |
| Others | 14.7 | 6.7 | 22.6 | 20.2 | 13.1 | 19.2 | 14.9 | (24.5) | (19.0) | 26.0 | 43.8 |
| By Practice Split (%) - Reinstated | | | | | | | | | | | |
| Product Engineering | (10.3) | (3.9) | 4.2 | 1.0 | 1.9 | (4.5) | (11.7) | (10.9) | | | |
| Data & Integration | 37.9 | 30.4 | 32.5 | 22.0 | 17.3 | 19.5 | 20.5 | 15.8 | 22.4 | 25.8 | 22.7 |
| Intelligent Automation | 3.9 | 2.4 | (4.2) | (0.6) | 3.9 | 8.2 | 7.3 | 9.4 | 9.1 | (0.1) | 10.9 |
| CIMS | 27.3 | 19.7 | 13.7 | 20.1 | 25.1 | 19.1 | 13.8 | 9.0 | 2.9 | 23.5 | 42.3 |
| ADM | 11.7 | 25.5 | 22.9 | 24.6 | 20.5 | 16.1 | 13.7 | 6.9 | | | |
| BPM | 58.0 | 4.2 | (9.3) | (8.6) | (2.5) | 2.9 | 13.3 | 13.3 | 6.1 | 13.3 | 16.3 |
| Engineering | | | | | | | | | (1.7) | 58.6 | 69.1 |
| Revenues from Top Clients | | | | | | | | | | | |
| Top 5 | 11.3 | 16.8 | 7.8 | 13.3 | 24.8 | 14.6 | 6.4 | 8.5 | (10.3) | 5.7 | 22.8 |
| Top 10 | 18.3 | 26.1 | 14.3 | 15.4 | 20.9 | 10.7 | 5.9 | 5.1 | (6.4) | 6.4 | 23.2 |
| Onsite:Offshore Mix | | | | | | | | | | | |
| Onsite | 3.8 | 4.2 | 4.2 | 5.8 | 7.3 | 7.7 | 8.2 | 4.5 | 5.0 | 27.8 | 38.2 |
| Offshore | 43.2 | 31.6 | 24.8 | 22.7 | 21.0 | 17.6 | 15.8 | 12.3 | 9.3 | 37.4 | 43.2 |

Source: Company, BOBCAPS Research

Financials

Income Statement

| Y/E 31 Mar (Rs mn) | FY23A | FY24A | FY25E | FY26E | FY27E |
|----------------------------|---------------|---------------|-----------------|-----------------|-----------------|
| Total revenue | 80,146 | 91,790 | 1,23,319 | 1,54,968 | 1,82,278 |
| EBITDA | 14,053 | 14,960 | 18,601 | 26,530 | 31,960 |
| Depreciation | 2,585 | 3,186 | 4,683 | 5,660 | 6,562 |
| EBIT | 11,468 | 11,774 | 13,919 | 20,870 | 25,398 |
| Net interest inc./(exp.) | 0 | 0 | 0 | 0 | 0 |
| Other inc./(exp.) | (630) | (1,156) | (767) | 802 | 605 |
| Exceptional items | 1,326 | 165 | 89 | 0 | 0 |
| EBT | 9,512 | 10,453 | 13,062 | 21,672 | 26,003 |
| Income taxes | 2,061 | 2,093 | 3,459 | 5,201 | 6,241 |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| Min. int./Inc. from assoc. | 513 | 276 | 1,183 | 1,616 | 1,616 |
| Reported net profit | 6,938 | 8,084 | 8,420 | 14,854 | 18,146 |
| Adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjusted net profit | 6,938 | 8,084 | 8,420 | 14,854 | 18,146 |

Balance Sheet

| Y/E 31 Mar (Rs mn) | FY23A | FY24A | FY25E | FY26E | FY27E |
|---------------------------------|---------------|---------------|-----------------|-----------------|-----------------|
| Accounts payables | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | 17,393 | 15,315 | 35,506 | 28,521 | 33,676 |
| Provisions | 1,276 | 1,304 | 1,304 | 1,304 | 1,304 |
| Debt funds | 3,773 | 4,153 | 6,671 | 5,871 | 5,071 |
| Other liabilities | 3,567 | 4,039 | 28,716 | 29,009 | 29,426 |
| Equity capital | 611 | 618 | 669 | 693 | 693 |
| Reserves & surplus | 30,214 | 35,648 | 62,355 | 68,200 | 75,952 |
| Shareholders' fund | 30,825 | 36,266 | 63,024 | 68,893 | 76,645 |
| Total liab. and equities | 56,834 | 61,077 | 1,35,221 | 1,33,598 | 1,46,122 |
| Cash and cash eq. | 5,787 | 3,352 | 13,056 | 15,778 | 21,131 |
| Accounts receivables | 16,131 | 18,039 | 24,854 | 30,558 | 36,082 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 4,146 | 4,634 | 22,612 | 12,223 | 14,433 |
| Investments | 0 | 0 | 0 | 0 | 0 |
| Net fixed assets | 4,455 | 4,470 | 8,932 | 9,272 | 8,710 |
| CWIP | 46 | 232 | 96 | 96 | 96 |
| Intangible assets | 16,299 | 16,133 | 51,366 | 51,366 | 51,366 |
| Deferred tax assets, net | 3,757 | 5,583 | 5,670 | 5,670 | 5,670 |
| Other assets | 6,213 | 8,634 | 8,634 | 8,634 | 8,634 |
| Total assets | 56,834 | 61,077 | 1,35,221 | 1,33,598 | 1,46,122 |

Cash Flows

| Y/E 31 Mar (Rs mn) | FY23A | FY24A | FY25E | FY26E | FY27E |
|------------------------------------|----------------|----------------|-----------------|----------------|-----------------|
| Cash flow from operations | 14,369 | 7,333 | 11,089 | 19,830 | 23,747 |
| Capital expenditures | (4,915) | (3,783) | (44,242) | (6,000) | (6,000) |
| Change in investments | 0 | 0 | 0 | 0 | 0 |
| Other investing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from investing | (4,915) | (3,783) | (44,242) | (6,000) | (6,000) |
| Equities issued/Others | 0 | 0 | 22,400 | 0 | 0 |
| Debt raised/repaid | (7) | 380 | 2,518 | (800) | (800) |
| Interest expenses | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (3,907) | (4,673) | (5,081) | (9,009) | (10,395) |
| Other financing cash flows | 0 | 0 | 0 | 0 | 0 |
| Cash flow from financing | (3,914) | (4,293) | 19,837 | (9,809) | (11,195) |
| Chg in cash & cash eq. | 1,252 | (2,435) | 9,704 | 2,722 | 5,353 |
| Closing cash & cash eq. | 5,787 | 3,352 | 13,056 | 15,778 | 21,131 |

Per Share

| Y/E 31 Mar (Rs) | FY23A | FY24A | FY25E | FY26E | FY27E |
|----------------------|-------|-------|-------|-------|---------|
| Reported EPS | 113.8 | 131.4 | 127.1 | 214.4 | 261.9 |
| Adjusted EPS | 113.8 | 131.4 | 127.1 | 214.4 | 261.9 |
| Dividend per share | 64.0 | 76.0 | 77.0 | 130.0 | 150.0 |
| Book value per share | 504.5 | 586.6 | 944.6 | 994.1 | 1,106.0 |

Valuations Ratios

| Y/E 31 Mar (x) | FY23A | FY24A | FY25E | FY26E | FY27E |
|----------------|-------|-------|-------|-------|-------|
| EV/Sales | 7.6 | 6.7 | 5.0 | 3.9 | 3.3 |
| EV/EBITDA | 43.4 | 40.9 | 33.0 | 23.0 | 18.9 |
| Adjusted P/E | 80.8 | 70.0 | 72.3 | 42.9 | 35.1 |
| P/BV | 18.2 | 15.7 | 9.7 | 9.3 | 8.3 |

DuPont Analysis

| Y/E 31 Mar (%) | FY23A | FY24A | FY25E | FY26E | FY27E |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Tax burden (Net profit/PBT) | 72.9 | 77.3 | 64.0 | 68.5 | 69.8 |
| Interest burden (PBT/EBIT) | 82.9 | 88.1 | 86.3 | 103.8 | 102.4 |
| EBIT margin (EBIT/Revenue) | 14.3 | 12.9 | 12.4 | 13.5 | 13.9 |
| Asset turnover (Rev./Avg TA) | 207.7 | 215.5 | 169.5 | 151.3 | 167.6 |
| Leverage (Avg TA/Avg Equity) | 1.3 | 1.3 | 1.5 | 1.6 | 1.5 |
| Adjusted ROAE | 23.9 | 24.1 | 17.0 | 22.5 | 24.9 |

Ratio Analysis

| Y/E 31 Mar | FY23A | FY24A | FY25E | FY26E | FY27E |
|--|-------|-------|-------|-------|-------|
| YoY growth (%) | | | | | |
| Revenue | 24.6 | 14.5 | 34.3 | 25.7 | 17.6 |
| EBITDA | 26.0 | 6.5 | 24.3 | 42.6 | 20.5 |
| Adjusted EPS | 4.4 | 15.5 | (3.2) | 68.6 | 22.2 |
| Profitability & Return ratios (%) | | | | | |
| EBITDA margin | 17.5 | 16.3 | 15.1 | 17.1 | 17.5 |
| EBIT margin | 14.3 | 12.8 | 11.3 | 13.5 | 13.9 |
| Adjusted profit margin | 8.7 | 8.8 | 6.8 | 9.6 | 10.0 |
| Adjusted ROAE | 23.9 | 24.1 | 17.0 | 22.5 | 24.9 |
| ROCE | 23.3 | 22.3 | 15.4 | 15.5 | 17.7 |

Working capital days (days)

| | FY23A | FY24A | FY25E | FY26E | FY27E |
|-------------|-------|-------|-------|-------|-------|
| Receivables | 73 | 72 | 74 | 72 | 72 |
| Inventory | NA | NA | NA | NA | NA |
| Payables | NA | NA | NA | NA | NA |

Ratios (x)

| | FY23A | FY24A | FY25E | FY26E | FY27E |
|-----------------------------|--------------|------------|--------------|--------------|--------------|
| Gross asset turnover | 18.0 | 20.5 | 13.8 | 16.7 | 20.9 |
| Current ratio | 1.5 | 1.7 | 1.7 | 2.1 | 2.1 |
| Net interest coverage ratio | NA | NA | NA | NA | NA |
| Adjusted debt/equity | (0.1) | 0.0 | (0.1) | (0.1) | (0.2) |

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

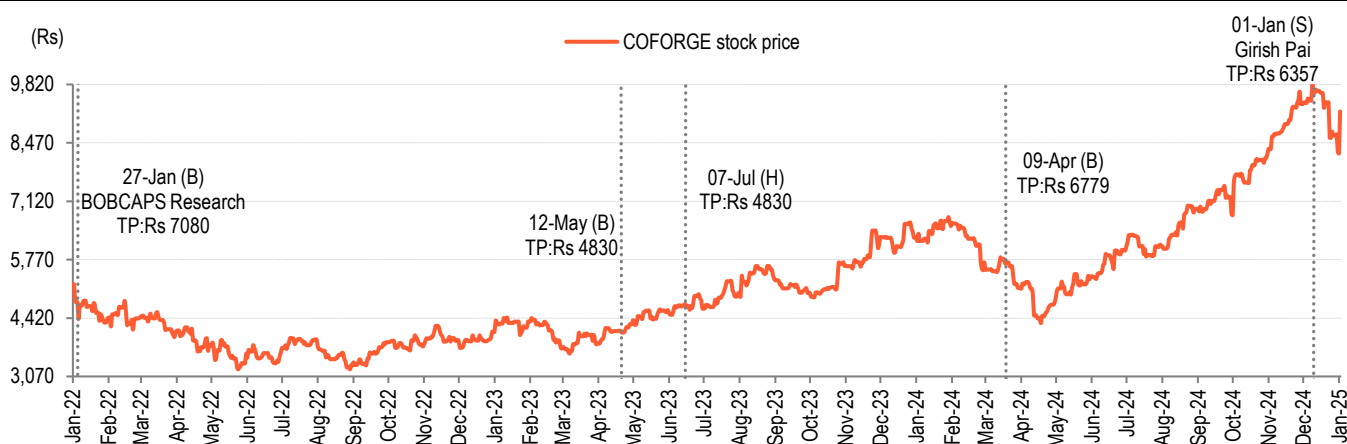
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): COFORGE (COFORGE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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