

|                 |   |
|-----------------|---|
| Estimate change | ↓ |
| TP change       | ↓ |
| Rating change   | ↔ |

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|                       |             |
|-----------------------|-------------|
| Bloomberg             | COFORGE IN  |
| Equity Shares (m)     | 61          |
| M.Cap.(INRb)/(USD\$)  | 294.1 / 3.6 |
| 52-Week Range (INR)   | 5051 / 3210 |
| 1, 6, 12 Rel. Per (%) | -1/7/15     |
| 12M Avg Val (INR M)   | 1557        |

## Financials & Valuations (INR b)

| Y/E Mar           | 2023  | 2024E | 2025E |
|-------------------|-------|-------|-------|
| Sales             | 80.1  | 94.8  | 109.0 |
| EBIT Margin (%)   | 17.5  | 17.6  | 18.0  |
| PAT               | 6.9   | 10.3  | 12.2  |
| EPS (INR)         | 113.6 | 166.2 | 197.3 |
| Adj. PAT          | 8.1   | 10.4  | 12.2  |
| Adj. EPS (INR)    | 130.6 | 166.0 | 194.0 |
| Adj. EPS Gr. (%)  | 15.5  | 27.1  | 16.9  |
| BV/Sh. (INR)      | 504.8 | 596.5 | 714.9 |
| <b>Ratios</b>     |       |       |       |
| RoE (%)           | 27.1  | 30.0  | 29.5  |
| RoCE (%)          | 23.7  | 24.9  | 25.3  |
| Payout (%)        | 49.0  | 40.0  | 40.0  |
| <b>Valuations</b> |       |       |       |
| P/E (x)           | 36.7  | 28.9  | 24.7  |
| P/BV (x)          | 9.5   | 8.0   | 6.7   |
| EV/EBITDA (x)     | 20.7  | 17.2  | 14.4  |
| Div Yield (%)     | 1.3   | 1.4   | 1.6   |

## Shareholding pattern (%)

| As On    | Mar-23 | Dec-22 | Mar-22 |
|----------|--------|--------|--------|
| Promoter | 30.2   | 40.0   | 40.1   |
| DII      | 32.2   | 26.7   | 25.7   |
| FII      | 25.4   | 21.3   | 22.4   |
| Others   | 12.2   | 12.0   | 11.8   |

FII Includes depository receipts

**CMP: INR4,813 TP: INR4,460 (-7%) Neutral**

## Healthy deal momentum to help deliver FY24 guidance...

### ...but the strong outlook already priced in

- Coforge (COFORGE) posted 1QFY24 revenue growth of 2.7% QoQ in CC terms, below our estimate of 3.2%. Reported revenue stood at USD271.8m (up 2.8% QoQ/13.9% YoY). The growth was broad-based across verticals and service lines with Insurance/ BFS leading the growth pack at +4.7%/+3.1% QoQ, while TTH was up 1.2% QoQ.
- The company recorded the highest ever TCV wins during the quarter with two large deals in BFS vertical having a TCV of USD300m (for five years) and USD65m, taking the overall deal signed in 1Q to USD531m (BTB of 2.0x). This resulted in a robust 12- month executable order book of USD897m (+20.4% YoY), despite adverse macros. COFORGE maintained its FY24 USD CC revenue growth guidance of 13-16% YoY.
- The growth momentum continued for Insurance and BFS verticals, aided by ramp-up of large deals and robust growth in top accounts. Management indicated that while the demand environment is stressed, the company is winning disproportionately against its peers on differentiated value offerings. The strong delivery is reflected in winning two large deals in 1QFY24, which should support the growth momentum for FY24. Despite the modest revenue miss, COFORGE reported net hiring of 1,000 employees to support the anticipated volumes. We expect the company to deliver revenue growth at the upper end of the guidance band of 13-16% CC YoY, which will result in FY23-25E USD revenue CAGR of 15.2%.
- However, 1QFY24 EBITDA margin came in below our estimate, with 360bp QoQ decline vs. our estimated decline of 90bp QoQ. This was primarily due to the full impact of compensation, bigger bench and continued investment in Sales team. Management, however, remained confident of a margin recovery aided by the margin-accretive large deal ramp ups, increase in utilization and improved offshore mix. COFORGE has guided for a flat YoY Adj. EBITDA margin for FY24. We have cut our FY24/25E EBIT margin by 50bp, resulting in a 22% INR PAT CAGR over FY23-25.
- We believe the robust outlook is already factored into the price and we do not see any potential upside from here. Our TP of INR4,460 implies 23x FY25E EPS. We reiterate our **NEUTRAL** rating on fair valuations.

### Miss on both revenue and margins

- COFORGE's USD revenue growth of 2.7% QoQ CC was below our estimates of 3.2% QoQ CC. Reported USD growth was 2.8%.
- Growth was driven by BFS and Insurance with +3.1% QoQ and +4.7% QoQ growth, respectively, while TTH grew 1.2% QoQ.
- EBITDA margin (pre-RSU) of 16.0% was down 360bp QoQ, while EBITDA margin (post-RSU) of 14.9% was down 386bp QoQ – below our estimates.
- Adj PAT at INR1.8b declined 21% QoQ vs. our estimates of INR2.7b, on account of a miss on operating margin and higher minority interest.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Key highlights from the management commentary**

- The demand environment continues to be stressed. However, the deep vertical presence and differentiated horizontal offerings are insulating the company against the current environment. COFORGE remained confident on finding the right avenues and achieving growth within the guided band of 13-16%.
- Management was quite confident to get the order backlog executed on time as all these deals are signed contracts and hold integrity. It does not expect any material slippages to have any meaningful impact on its growth trajectory.
- The first quarter recorded higher order intake of USD531m; with that COFORGE has marked the sixth straight quarter of USD300m+ order intake. The intake included a five-year USD300m deal and another USD65m deal (both in BFS space).
- The USD300m deal is originating from a strong three-year old client relationship and it is on the vendor consolidation side, which has USD60m lock-in revenue every year for the next five years. Moreover, the deal is margin accretive.

**Valuation and view: guidance maintained; but valuation remains full**

- We expect COFORGE's robust growth performance and large deal wins to support growth in FY24.
- Strong execution, robust client mining, and continued investment in S&M have helped the company gain wallet share and deliver industry leading growth.
- However, we believe the robust outlook is already factored into the price and we do not see any potential upside from here on. **Our TP of INR4,460 implies 23x FY25E EPS. We reiterate our Neutral rating on fair valuations.**

**Quarterly Performance (Ind-AS)**

| Y/E March<br>(Consolidated) | FY23   |        |        |        | FY24   |        |        |        | FY23   | FY24E  | (INR m)        |         |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|---------|
|                             | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2QE    | 3QE    | 4QE    |        |        | Est.<br>1QFY24 | Var.    |
| Rev. (USD m)                | 239    | 247    | 252    | 264    | 272    | 285    | 294    | 306    | 1,002  | 1,157  | 275            | -1.1    |
| QoQ (%)                     | 2.7    | 3.4    | 1.9    | 5.0    | 2.8    | 4.9    | 3.2    | 3.9    | 15.6   | 15.5   | 4.0            | -117bp  |
| Revenue (INR m)             | 18,294 | 19,594 | 20,558 | 21,700 | 22,210 | 23,369 | 24,128 | 25,079 | 80,146 | 94,787 | 22,596         | -1.7    |
| YoY (%)                     | 25.2   | 24.9   | 24.0   | 24.5   | 21.4   | 19.3   | 17.4   | 15.6   | 24.6   | 18.3   | 23.5           | -211bp  |
| GPM (%)                     | 30.4   | 32.0   | 33.4   | 34.1   | 30.7   | 33.0   | 34.0   | 35.0   | 32.5   | 33.2   | 32.8           | -214bp  |
| SGA (%)                     | 13.9   | 13.7   | 14.9   | 14.5   | 14.7   | 14.8   | 14.8   | 14.8   | 14.3   | 14.8   | 14.2           | 50bp    |
| EBITDA (INR m)              | 2,922  | 3,449  | 3,615  | 4,076  | 3,329  | 4,066  | 4,440  | 4,865  | 14,062 | 16,701 | 4,029          | -17.4   |
| EBITDA Margin (%)           | 16.0   | 17.6   | 17.6   | 18.8   | 15.0   | 17.4   | 18.4   | 19.4   | 17.5   | 17.6   | 17.8           | -284bp  |
| EBIT (INR m)                | 2,292  | 2,835  | 2,991  | 3,359  | 2,572  | 3,295  | 3,643  | 4,038  | 11,477 | 13,549 | 3,284          | -21.7   |
| EBIT Margin (%)             | 12.5   | 14.5   | 14.5   | 15.5   | 11.6   | 14.1   | 15.1   | 16.1   | 14.3   | 14.3   | 14.5           | -295bp  |
| Other income                | -76    | -150   | 83     | -487   | -152   | 164    | 169    | 176    | -630   | 356    | 113            | -234.5  |
| ETR (%)                     | 22.2   | 17.7   | 23.3   | 18.3   | 20.0   | 22.5   | 22.5   | 22.5   | 20.4   | 22.1   | 23.0           | -12.9   |
| Minority Interest           | -222.0 | -195.0 | -77.0  | -19.0  | -104.0 | -103.8 | -103.8 | -103.8 | -513.0 | -415.4 | 49.3           | -310.9  |
| Adj. PAT                    | 1,501  | 2,016  | 2,282  | 2,327  | 1,831  | 2,577  | 2,851  | 3,162  | 8,126  | 10,420 | 2,665          | -31.3   |
| QoQ (%)                     | -29.3  | 34.3   | 13.2   | 2.0    | -21.3  | 40.7   | 10.6   | 10.9   |        |        | 14.5           | -3583bp |
| YoY (%)                     | 10.3   | 32.7   | 21.1   | 9.6    | 22.0   | 27.8   | 24.9   | 35.9   | 18.0   | 28.2   | 77.6           | -5555bp |
| Adj. EPS (INR)              | 24.2   | 32.5   | 36.7   | 37.4   | 29.2   | 41.0   | 45.4   | 50.3   | 130.6  | 166.0  | 42.8           | -31.9   |

## Key Performance Indicators

| Y/E March                          | FY23   |        |        |        | FY24E  |      |      |      | FY23   | FY24E |
|------------------------------------|--------|--------|--------|--------|--------|------|------|------|--------|-------|
|                                    | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     | 2Q   | 3Q   | 4Q   |        |       |
| Revenue (QoQ CC %)                 | 4.7    | 6.2    | 3.7    | 4.7    | 2.7    |      |      |      |        |       |
| <b>Margins</b>                     |        |        |        |        |        |      |      |      |        |       |
| Gross Margin                       | 30.4   | 32.0   | 33.4   | 34.1   | 30.7   | 33.0 | 34.0 | 35.0 | 32.5   | 33.2  |
| EBIT Margin                        | 12.5   | 14.5   | 14.5   | 15.5   | 11.6   | 14.1 | 15.1 | 16.1 | 14.3   | 14.3  |
| Net Margin                         | 8.2    | 10.3   | 11.1   | 10.7   | 8.2    | 11.0 | 11.8 | 12.6 | 10.1   | 11.0  |
| <b>Operating metrics</b>           |        |        |        |        |        |      |      |      |        |       |
| Headcount                          | 22,742 | 22,991 | 22,505 | 23,224 | 24,224 |      |      |      | 23,224 |       |
| LTM Attrition (%)                  | 18.0   | 16.4   | 15.8   | 14.1   | 13.3   |      |      |      | 14.1   |       |
| Deal Win TCV (USD b)               | 315    | 304    | 345    | 301    | 531    |      |      |      | 1,265  |       |
| <b>Key Verticals (YoY USD %)</b>   |        |        |        |        |        |      |      |      |        |       |
| BFS                                | 67.2   | 52.6   | 24.4   | 27.3   | 20.0   |      |      |      | 40.0   |       |
| Insurance                          | (10.3) | (7.8)  | (9.7)  | (1.7)  | 11.4   |      |      |      | (7.4)  |       |
| Travel and Transport               | 22.8   | 20.4   | 19.8   | 6.4    | 8.6    |      |      |      | 16.8   |       |
| <b>Key Geographies (YoY USD %)</b> |        |        |        |        |        |      |      |      |        |       |
| North America                      | 18.9   | 14.0   | 4.8    | 10.1   | 10.3   |      |      |      | 11.7   |       |
| Europe                             | 25.0   | 37.4   | 35.8   | 13.2   | 19.1   |      |      |      | 26.9   |       |



## Key highlights from the management commentary

## Demand outlook

- The demand environment continues to be stressed. However, the deep vertical presence and differentiated horizontal offerings are insulating the company against the current environment. COFORGE remained confident on finding the right avenues and achieving growth within the guided band of 13-16%.
- Management indicated that Travel, Transport and Hospitality (TTH) vertical is doing significantly well. It has not just sustained the volume from its existing accounts, but also gained higher wallet share from those accounts. However, TTH vertical is facing a supply crunch at this moment due to higher demand.
- Within BFS, the banks are struggling to take decisions in the short- to medium-term and they are monitoring the macros closely. Outside mortgage, asset wealth management and Retail & Commercial banking remained weak.
- The Mortgage part of the BFS is very small to have any meaningful impact on revenue; it does not foresee any worse from hereon for the mortgage business.
- On the insurance front, P&C is performing well on the Duck Creek side, where the client onboarding is strong and even the revenue stream is widening.
- Management was quite confident to get the order backlog executed on time as all these deals are signed contracts and hold integrity. It does not expect any material slippages to have any meaningful impact on its growth trajectory.
- The first quarter recorded higher order intake of USD531m; with that COFORGE has marked the sixth straight quarter of USD300m+ order intake. The intake included a five-year USD300m deal and another USD65m deal (both in BFS space).
- The USD300m deal is originating from a strong three-year old client relationship and it is on the vendor consolidation side, which has USD60m lock-in revenue every year for the next five years. Moreover, the deal is margin accretive.
- While another USD65m deal was won against one of the incumbents and it has 50% scope of Net New component.

**Margin performance and outlook**

- During the quarter, the company rolled out annual wage hikes for all the employees and honored all commitments to onboard campus hires. The compensation revision also included annual bonus and ESOP components.
- The margin contraction was in anticipated line of the company. It expects the margins to follow an earlier trend of wage hike cycle, where the impact in 1Q is prominent followed by gradual recovery for the rest of the year.
- It has maintained the full-year EBITDA (Pre-RSU) guidance of 18% in FY24.
- The company reiterated to improve its gross margin by 50bp and reclaim 18% operating margin in FY24.
- The substantial contraction in margin was due to wage hikes, visa cost, continued investment in talent, and increasing bench strength in anticipation of growth in top accounts.
- The cash & cash equivalents reduced by USD41m in 1QFY24 due to acquiring additional stake of 20% in its existing BPM unit (SLK Global).

**Exhibit 1: Broad-based sequential growth despite weak macro**

| Verticals      | Contribution to revenue | Growth - QoQ (USD) | Growth - YoY (USD) |
|----------------|-------------------------|--------------------|--------------------|
| BFS            | 31.1                    | 3.1                | 20.0               |
| Insurance      | 22.6                    | 4.7                | 11.4               |
| Transportation | 18.5                    | 1.2                | 8.6                |
| Others         | 27.8                    | 2.1                | 13.1               |

Source: Company, MOFSL

**Exhibit 2: Strong growth across geographies; ROW jumps 21% sequentially**

| Geography | Contribution to revenue | Growth - QoQ (USD) | Growth - YoY (USD) |
|-----------|-------------------------|--------------------|--------------------|
| US        | 49.7                    | 5.8                | 10.3               |
| EMEA      | 38.6                    | 0.2                | 19.1               |
| ROW       | 11.7                    | (0.6)              | 12.0               |

Source: Company, MOFSL

**Valuation and view: Guidance maintained, but valuation remains full**

- We expect COFORGE's robust growth performance and large deal wins to support growth in FY24.
- Strong execution, robust client mining, and continued investment in S&M have helped the company gain wallet share and deliver industry leading growth.
- However, we believe the robust outlook is already factored into the price and we do not see any potential upside from here on. **Our TP of INR4,460 implies 23x FY25E EPS. We reiterate our Neutral rating on fair valuations.**

**Exhibit 3: Revisions to our estimates**

|                 | Revised |        | Earlier |        | Change |        |
|-----------------|---------|--------|---------|--------|--------|--------|
|                 | FY24E   | FY25E  | FY24E   | FY25E  | FY24E  | FY25E  |
| INR/USD         | 82.0    | 82.0   | 82.1    | 82.0   | 0.0%   | 0.0%   |
| USD Revenue – m | 1,157   | 1,329  | 1,157   | 1,316  | 0.0%   | 1.0%   |
| Growth (%)      | 15.5    | 14.9   | 15.5    | 13.8   | 0bps   | 120bps |
| EBIT margin (%) | 14.3    | 14.7   | 14.8    | 15.2   | -50bps | -50bps |
| PAT (INR M)     | 10,420  | 12,180 | 11,409  | 12,470 | -8.7%  | -2.3%  |
| EPS             | 166.0   | 194.0  | 183.4   | 200.4  | -9.5%  | -3.2%  |

Source: MOFSL

## Exhibit 4: Operating metrics

|                                       | 1QFY22       | 2QFY22       | 3QFY22       | 4QFY22       | 1QFY23       | 2QFY23       | 3QFY23       | 4QFY23       | 1QFY24       |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue Mix Geography-wise (%)</b> |              |              |              |              |              |              |              |              |              |
| Americas                              | 51.6         | 52.2         | 53.3         | 49.9         | 51.3         | 51.3         | 49.2         | 48.3         | 49.7         |
| EMEA                                  | 35.3         | 32.5         | 33.7         | 39.8         | 36.9         | 38.5         | 40.3         | 39.6         | 38.6         |
| RoW                                   | 13.1         | 15.3         | 13.0         | 10.3         | 11.9         | 10.2         | 10.5         | 12.1         | 11.7         |
| <b>Revenue mix Vertical-wise (%)</b>  |              |              |              |              |              |              |              |              |              |
| BFS                                   | 21.1         | 24.1         | 28.4         | 27.7         | 29.5         | 31.7         | 31.1         | 31.0         | 31.1         |
| Insurance                             | 30.8         | 29.2         | 27.8         | 25.7         | 23.1         | 23.2         | 22.1         | 22.2         | 22.6         |
| Transportation                        | 18.9         | 18.6         | 18.3         | 20.1         | 19.4         | 19.3         | 19.3         | 18.8         | 18.5         |
| Manufacturing/Media/Others            | 29.2         | 28.1         | 25.5         | 26.5         | 28.0         | 25.8         | 27.5         | 28.0         | 27.8         |
| <b>Revenue Mix (%)</b>                |              |              |              |              |              |              |              |              |              |
| Top Clients contribution (%)          |              |              |              |              |              |              |              |              |              |
| Top – 5                               | 24.6         | 22.5         | 25.2         | 23.1         | 22.9         | 23.1         | 23.9         | 23.0         | 25.1         |
| Top -10                               | 35.9         | 33.0         | 36.1         | 35.0         | 35.5         | 35.8         | 36.3         | 35.5         | 37.7         |
| <b>Fresh order Intake - USD m</b>     |              |              |              |              |              |              |              |              |              |
| USA                                   | 46           | 123          | 91           | 158          | 123          | 141          | 208          | 130          | 155          |
| EMEA                                  | 227          | 114          | 110          | 104          | 151          | 134          | 113          | 113          | 346          |
| RoW                                   | 46           | 48           | 47           | 40           | 41           | 29           | 24           | 58           | 30           |
| Deals signed - USD m                  | 318          | 285          | 247          | 301          | 315          | 304          | 345          | 301          | 531          |
| Executable Order Book (NTM) - USD m   | 645          | 688          | 701          | 720          | 745          | 802          | 841          | 869          | 897          |
| <b>Employee Metrics</b>               |              |              |              |              |              |              |              |              |              |
| Billable Personnel                    | 18739        | 19579        | 20938        | 21294        | 21494        | 21692        | 21153        | 21815        | 22762        |
| Sales and Marketing                   | 258          | 297          | 281          | 278          | 285          | 291          | 317          | 350          | 363          |
| Others                                | 1494         | 910          | 911          | 928          | 963          | 1008         | 1035         | 1059         | 1099         |
| <b>Total</b>                          | <b>20491</b> | <b>20786</b> | <b>22130</b> | <b>22500</b> | <b>22742</b> | <b>22991</b> | <b>22505</b> | <b>23224</b> | <b>24224</b> |
| Utilization                           | 77           | 78.5         | 77.1         | 76.1         | 76.2         | 77.3         | 80.3         | 81.5         | 81           |
| Attrition                             | 12.6         | 15.3         | 16.3         | 17.7         | 18.0         | 16.4         | 15.8         | 14.1         | 13.3         |

Source: Company, MOFSL

## Financials and valuations

| Income Statement    |               |               |               |               |               |               | (INR m)       |                 |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Y/E March           | 2018          | 2019          | 2020          | 2021          | 2022          | 2023          | 2024E         | 2025E           |
| <b>Sales</b>        | <b>29,914</b> | <b>36,762</b> | <b>41,809</b> | <b>46,628</b> | <b>64,320</b> | <b>80,146</b> | <b>94,787</b> | <b>1,09,007</b> |
| Change (%)          | 7.8           | 22.9          | 13.7          | 11.5          | 37.9          | 24.6          | 18.3          | 15.0            |
| Cost of revenue     | 19,179        | 23,907        | 27,502        | 31,692        | 43,736        | 54,059        | 63,284        | 72,490          |
| SGA expenses        | 5,723         | 6,402         | 6,840         | 6,545         | 8,527         | 11,438        | 14,005        | 16,024          |
| RSU costs           | 0             | 0             | 17            | 480           | 633           | 587           | 797           | 872             |
| <b>EBITDA</b>       | <b>5,012</b>  | <b>6,453</b>  | <b>7,450</b>  | <b>7,911</b>  | <b>11,424</b> | <b>14,062</b> | <b>16,701</b> | <b>19,621</b>   |
| % of Net Sales      | 16.8          | 17.6          | 17.8          | 17.0          | 17.8          | 17.5          | 17.6          | 18.0            |
| Depreciation        | 1,273         | 1,248         | 1,730         | 1,836         | 2,272         | 2,585         | 3,152         | 3,597           |
| Other Income        | 298           | 476           | 461           | 113           | -266          | -630          | 356           | 327             |
| <b>PBT</b>          | <b>4,037</b>  | <b>5,681</b>  | <b>6,181</b>  | <b>6,188</b>  | <b>8,886</b>  | <b>10,847</b> | <b>13,905</b> | <b>16,351</b>   |
| Tax                 | 950           | 1,404         | 1,229         | 1,302         | 1,468         | 2,208         | 3,069         | 3,761           |
| Rate (%)            | 23.5          | 24.7          | 19.9          | 21.0          | 16.5          | 20.4          | 22.1          | 23.0            |
| Minority Interest   | 0             | 188           | 238           | 104           | 530           | 513           | 415           | 410             |
| <b>Adjusted PAT</b> | <b>3,087</b>  | <b>4,089</b>  | <b>4,714</b>  | <b>4,782</b>  | <b>6,888</b>  | <b>8,126</b>  | <b>10,420</b> | <b>12,180</b>   |
| Change (%)          | 9.5           | 32.5          | 15.3          | 1.4           | 44.0          | 18.0          | 28.2          | 16.9            |
| Extraordinary Items | 0             | 56            | 128           | 226           | 269           | 1,188         | 165           | 0               |
| <b>Reported PAT</b> | <b>3,087</b>  | <b>4,033</b>  | <b>4,586</b>  | <b>4,556</b>  | <b>6,619</b>  | <b>6,938</b>  | <b>10,255</b> | <b>12,180</b>   |

  

| Balance Sheet                   |               |               |               |               |               |               | (INR m)       |               |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Y/E March                       | 2018          | 2019E         | 2020          | 2021          | 2022          | 2023          | 2024E         | 2025E         |
| Share Capital                   | 615           | 618           | 625           | 606           | 609           | 611           | 611           | 611           |
| Reserves                        | 17,125        | 20,105        | 23,340        | 24,055        | 26,722        | 30,214        | 36,204        | 43,513        |
| <b>Net Worth</b>                | <b>17,740</b> | <b>20,723</b> | <b>23,965</b> | <b>24,661</b> | <b>27,331</b> | <b>30,825</b> | <b>36,815</b> | <b>44,124</b> |
| Loans                           | 179           | 100           | 48            | 5             | 3,365         | 3,382         | 2,582         | 1,082         |
| Minority Interest               | 222           | 75            | 0             | 0             | 983           | 874           | 874           | 874           |
| Other liabilities               | 2,710         | 1,670         | 2,443         | 2,043         | 6,073         | 4,360         | 5,156         | 5,930         |
| <b>Capital Employed</b>         | <b>20,851</b> | <b>22,568</b> | <b>26,456</b> | <b>26,709</b> | <b>37,752</b> | <b>39,441</b> | <b>45,427</b> | <b>52,010</b> |
| <b>Net Block</b>                | <b>4,500</b>  | <b>4,191</b>  | <b>4,013</b>  | <b>3,902</b>  | <b>4,452</b>  | <b>4,455</b>  | <b>3,933</b>  | <b>4,056</b>  |
| CWIP                            | 7             | 14            | 3             | 2             | 86            | 46            | 46            | 46            |
| Intangibles                     | 4,293         | 3,996         | 5,988         | 5,690         | 14,821        | 16,299        | 15,669        | 14,949        |
| Investments                     | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| Deferred tax assets             | 1,719         | 1,397         | 2,884         | 4,245         | 7,976         | 9,970         | 13,035        | 14,991        |
| <b>Curr. Assets</b>             | <b>16,179</b> | <b>17,992</b> | <b>21,510</b> | <b>21,295</b> | <b>22,209</b> | <b>26,064</b> | <b>34,110</b> | <b>40,956</b> |
| Debtors                         | 5,858         | 5,877         | 8,565         | 8,895         | 13,894        | 16,131        | 17,659        | 20,308        |
| Cash & Bank Balance             | 4,102         | 5,194         | 8,195         | 7,999         | 4,468         | 5,699         | 11,459        | 14,921        |
| Investments                     | 3,733         | 4,033         | 976           | 247           | 67            | 88            | 88            | 88            |
| Other Current Assets            | 2,486         | 2,888         | 3,774         | 4,154         | 3,780         | 4,146         | 4,903         | 5,639         |
| <b>Current Liab. &amp; Prov</b> | <b>5,847</b>  | <b>5,833</b>  | <b>7,942</b>  | <b>8,425</b>  | <b>11,792</b> | <b>17,393</b> | <b>21,365</b> | <b>22,988</b> |
| Trade payables                  | 1,453         | 1,647         | 2,634         | 3,398         | 6,160         | 6,481         | 10,388        | 11,946        |
| Other liabilities               | 3,685         | 3,852         | 4,979         | 4,802         | 5,316         | 10,552        | 10,552        | 10,552        |
| Provisions                      | 709           | 334           | 329           | 225           | 316           | 360           | 426           | 490           |
| <b>Net Current Assets</b>       | <b>10,332</b> | <b>12,159</b> | <b>13,568</b> | <b>12,870</b> | <b>10,417</b> | <b>8,671</b>  | <b>12,744</b> | <b>17,968</b> |
| <b>Application of Funds</b>     | <b>20,851</b> | <b>22,568</b> | <b>26,456</b> | <b>26,709</b> | <b>37,752</b> | <b>39,441</b> | <b>45,427</b> | <b>52,010</b> |

## Financials and valuations

### Ratios

| Y/E March  | 2018        | 2019        | 2020        | 2021        | 2022         | 2023         | 2024E        | 2025E        |
|------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| <b>EPS</b> | <b>51.3</b> | <b>66.5</b> | <b>75.5</b> | <b>77.4</b> | <b>110.9</b> | <b>130.6</b> | <b>166.0</b> | <b>194.0</b> |
| Cash EPS   | 72.4        | 85.9        | 101.2       | 103.4       | 143.2        | 153.0        | 213.5        | 251.3        |
| Book Value | 294.7       | 337.0       | 384.1       | 407.0       | 448.7        | 504.8        | 596.5        | 714.9        |
| DPS        | 15.0        | 15.0        | 31.0        | 20.5        | 52.0         | 64.0         | 66.4         | 77.6         |
| Payout %   | 29.2        | 22.6        | 41.0        | 26.5        | 46.9         | 49.0         | 40.0         | 40.0         |

### Valuation (x)

|                    |      |      |      |      |      |      |      |      |
|--------------------|------|------|------|------|------|------|------|------|
| P/E                | 93.5 | 72.1 | 63.5 | 62.0 | 43.2 | 36.7 | 28.9 | 24.7 |
| Cash P/E           | 66.2 | 55.8 | 47.4 | 46.4 | 33.5 | 31.3 | 22.5 | 19.1 |
| EV/EBITDA          | 56.1 | 44.3 | 38.9 | 35.7 | 25.5 | 20.7 | 17.2 | 14.4 |
| EV/Sales           | 9.4  | 7.8  | 6.9  | 6.1  | 4.5  | 3.6  | 3.0  | 2.6  |
| Price/Book Value   | 16.3 | 14.2 | 12.5 | 11.8 | 10.7 | 9.5  | 8.0  | 6.7  |
| Dividend Yield (%) | 0.3  | 0.3  | 0.6  | 0.4  | 1.1  | 1.3  | 1.4  | 1.6  |

### Profitability Ratios (%)

|      |      |      |      |      |      |      |      |      |
|------|------|------|------|------|------|------|------|------|
| RoE  | 17.6 | 21.1 | 21.1 | 19.7 | 26.0 | 27.1 | 30.0 | 29.5 |
| RoCE | 14.0 | 17.9 | 18.6 | 18.0 | 23.7 | 23.7 | 24.9 | 25.3 |

### Turnover Ratios

|                          |     |     |      |      |      |      |      |      |
|--------------------------|-----|-----|------|------|------|------|------|------|
| Debtors (Days)           | 66  | 58  | 63   | 68   | 65   | 68   | 65   | 64   |
| Fixed Asset Turnover (x) | 6.4 | 8.5 | 10.2 | 11.8 | 15.4 | 18.0 | 22.6 | 27.3 |

### Cash Flow Statement

| Y/E March                    | 2018          | 2019          | 2020          | 2021          | 2022          | 2023          | 2024E         | 2025E         |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| CF from Operations           | 3,951         | 5,240         | 5,633         | 7,121         | 9,089         | 10,532        | 13,310        | 15,778        |
| Cash for Working Capital     | -128          | -713          | -2,664        | 502           | -1,433        | -1,027        | -582          | -2,945        |
| <b>Net Operating CF</b>      | <b>3,823</b>  | <b>4,527</b>  | <b>2,969</b>  | <b>7,623</b>  | <b>7,656</b>  | <b>9,505</b>  | <b>12,729</b> | <b>12,833</b> |
| Net Purchase of FA           | -838          | -676          | -703          | -757          | -1,475        | -1,537        | -2,000        | -3,000        |
| <b>Free Cash Flow</b>        | <b>2,985</b>  | <b>3,851</b>  | <b>2,266</b>  | <b>6,866</b>  | <b>6,181</b>  | <b>7,968</b>  | <b>10,729</b> | <b>9,833</b>  |
| Net Purchase of Invest.      | -1,866        | -1,624        | 1,826         | -1,597        | -8,089        | -1,179        | 0             | 0             |
| <b>Net Cash from Invest.</b> | <b>-2,704</b> | <b>-2,300</b> | <b>1,123</b>  | <b>-2,354</b> | <b>-9,564</b> | <b>-2,716</b> | <b>-2,000</b> | <b>-3,000</b> |
| Proceeds from Equity         | 66            | 87            | 275           | 18            | 51            | 18            | 0             | 0             |
| Proceeds from LTB/STB        | 0             | -64           | -133          | -697          | 2,139         | -1,315        | -800          | -1,500        |
| Dividend Payments            | -810          | -1,086        | -1,469        | -4,852        | -3,748        | -4,285        | -4,168        | -4,872        |
| <b>Cash Flow from Fin.</b>   | <b>-744</b>   | <b>-1,063</b> | <b>-1,327</b> | <b>-5,531</b> | <b>-1,558</b> | <b>-5,582</b> | <b>-4,968</b> | <b>-6,372</b> |
| <b>Net Cash Flow</b>         | <b>375</b>    | <b>1,164</b>  | <b>2,765</b>  | <b>-262</b>   | <b>-3,466</b> | <b>1,207</b>  | <b>5,761</b>  | <b>3,461</b>  |
| Exchange difference          | 224           | -72           | 236           | 66            | -65           | 24            | 0             | 0             |
| <b>Opening Cash Bal.</b>     | <b>3,502</b>  | <b>4,101</b>  | <b>5,193</b>  | <b>8,194</b>  | <b>7,998</b>  | <b>4,467</b>  | <b>5,698</b>  | <b>11,458</b> |
| Add: Net Cash                | 599           | 1,092         | 3,001         | -196          | -3,531        | 1,231         | 5,761         | 3,461         |
| <b>Closing Cash Bal.</b>     | <b>4,101</b>  | <b>5,193</b>  | <b>8,194</b>  | <b>7,998</b>  | <b>4,467</b>  | <b>5,698</b>  | <b>11,458</b> | <b>14,920</b> |

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|----------------------------------|--|
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| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | < - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
| NOT RATED                        | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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