

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

|                       |             |
|-----------------------|-------------|
| Bloomberg             | COFORGE IN  |
| Equity Shares (m)     | 334         |
| M.Cap.(INRb)/(USDb)   | 560.7 / 6.5 |
| 52-Week Range (INR)   | 2005 / 1120 |
| 1, 6, 12 Rel. Per (%) | -10/-18/30  |
| 12M Avg Val (INR M)   | 4182        |

#### Financials & Valuations (INR b)

| Y/E Mar          | FY25  | FY26E | FY27E |
|------------------|-------|-------|-------|
| Sales            | 120.5 | 165.4 | 200.9 |
| EBIT Margin (%)  | 13.0  | 13.5  | 14.0  |
| PAT              | 8.4   | 15.0  | 19.9  |
| EPS (INR)        | 30.2  | 46.4  | 58.9  |
| Adj. PAT         | 10.0  | 15.7  | 19.9  |
| Adj. EPS (INR)   | 25.2  | 44.2  | 58.9  |
| Adj. EPS Gr. (%) | -8.7  | 75.5  | 33.3  |
| BV/Sh. (INR)     | 193.4 | 214.5 | 243.8 |

#### Ratios

|            |      |      |      |
|------------|------|------|------|
| RoE (%)    | 13.9 | 17.1 | 20.7 |
| RoCE (%)   | 16.3 | 16.7 | 17.9 |
| Payout (%) | 60.3 | 50.0 | 50.0 |

#### Valuations

|               |      |      |      |
|---------------|------|------|------|
| P/E (x)       | 66.5 | 37.9 | 28.4 |
| P/BV (x)      | 8.7  | 7.8  | 6.9  |
| EV/EBITDA (x) | 27.2 | 18.6 | 14.9 |
| Div Yield (%) | 0.9  | 1.3  | 1.8  |

#### Shareholding pattern (%)

| As On    | Jun-25 | Mar-25 | Jun-24 |
|----------|--------|--------|--------|
| Promoter | 0.0    | 0.0    | 0.0    |
| DII      | 52.3   | 49.9   | 47.3   |
| FII      | 37.4   | 40.2   | 41.4   |
| Others   | 10.3   | 9.9    | 11.3   |

FII Includes depository receipts

**CMP: INR1676** **TP: INR2,240 (34%)** **BUY**

### Consistent growth delivery

#### Cash flow conversion a key monitorable

- COFORGE reported strong 1QFY26 revenue growth of 8.0% QoQ in CC terms, above our estimate of 7.0% QoQ CC. The company reported an order intake of USD507m( +61% YoY) in 1Q with five large deals, resulting in a robust 12-month executable order book of USD1.55b. EBIT margin stood at 13.2%, below our estimate of 14%. PAT stood at INR3.1b (up 21.2%/142% QoQ/YoY). M&A expenses stood at INR19m compared to INR148m in 4QFY25.
- The company's revenue/EBIT/adj. PAT grew 8.2%/35.7%/138% YoY. We expect revenue/EBIT/adj. PAT to grow 33.1%/54.1%/61.8% YoY in 2QFY26.
- COFORGE's strong executable order book and resilient client spending across verticals bode well for its organic business. That said, softer cash flow performance during the quarter may exert pressure on the return profile. We now value COFORGE at 38x (vs 40x earlier) FY7 EPS, arriving at a TP of INR 2,240, implying 34% potential upside.

#### Our view: TTH momentum to sustain on continued Sabre ramp-up

- **Consistent revenue traction; Sabre ramp-up gives TTH a solid lift:** COFORGE reported yet another quarter of high single-digit (8%) sequential CC growth. The TTH vertical accounted for ~62% of incremental growth, led by the ongoing ramp-up of the Sabre deal, with further acceleration expected in 2Q. BFSI is also set for a growth rebound next quarter, with the large-deal pipeline remaining robust.
- **Deal TCV funnel remains firm:** COFORGE's executable order book for the next 12 months rose 46% YoY to USD1.55b. While deal TCV (ex-Sabre) has remained range-bound at ~USD500m in recent quarters, cross-sell initiatives with Cigniti are beginning to yield results, enabling COFORGE to win large deals. Management aims to close 20 large deals in FY26 (vs. 14 in FY25).
- **EBIT margin (ex one-offs) was flat QoQ:** EBIT margins were maintained in 1Q despite ramp-up costs, higher depreciation (AI data centers), and visa costs typically incurred in 1Q. Third party costs( sub-con costs) were 10.5% in 1QFY26 (vs 9.4% in 4QFY25) as deals ramped-up. We expect margins to improve sequentially, driven by the unwinding of ESOP costs. However, we do note that large deal ramp-ups could lead to a flatter margin recovery curve. We estimate FY26 EBIT margin at 13.5% (vs the company's guidance of 14%).
- **Free cash flow conversion:** Management reiterated its OCF/EBITDA conversion guidance of 65-70%; we believe this is par for a high-growth IT services company. However, FCF was **negative** this quarter, primarily due to elevated capex related to AI data center investments tied to a large deal. Owning an AI data center asset outright may provide long-term value to COFORGE; however, continued elevated capex could hurt the company's return profile. That said, management expects capex to normalize going forward, with major investments now largely behind.

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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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### Valuation and changes to our estimates

- We believe COFORGE's strong executable order book and resilient client spending across verticals bode well for its organic business. Cross-sell opportunities in Cigniti remain highly synergistic for the company. That said, softer cash flow performance during the quarter may exert pressure on the return profile. We have cut our EPS estimates for FY26 by 5%, while largely maintaining our FY27 EPS estimates. We value COFORGE at 38x (earlier 40x) FY27E EPS with a TP of INR2,240, **implying a 34% potential upside. We reiterate our BUY rating on the stock.**

### Beat on revenues and miss on margins; TTH leads growth; deal TCV up 61% YoY

- COFORGE's revenue grew 8.0% QoQ CC (est. 7.0% CC). Reported USD growth was 9.6% QoQ.
- Growth was led by the TTH vertical (+31.2% QoQ), followed by Others (Healthcare, Retail, and Hi-Tech), which rose 12.8% QoQ.
- Order intake stood at USD507m (up 61% YoY). The company signed five large deals during the quarter. The 12-month executable order book rose 46.9% YoY to USD1.55b. The company added six new logos during the quarter.
- EBIT margin stood at 13.2%, below our estimate of 14%.
- Adj. EBITDA (pre-RSU) rose 10.5%QoQ/63.8% YoY to INR7.0b.
- Utilization grew 10bp QoQ to 82.1%. Net employee addition stood at 1,164, up 3.5% QoQ. Attrition was up 40bp QoQ at 11.3%.
- PAT stood at INR3.1b (up 21.2%/142% QoQ/YoY). M&A expenses stood at INR19m compared to INR148m in 4QFY25.

### Key highlights from the management commentary

- Budget continues to remain similar to last quarter, given the overhang of discussions around macro and tariffs.
- The discretionary nature of spending for the firm remains abated.
- Execution intensity remains a key differentiator, evident across every aspect, including sales, solutions, and M&A, with execution-led metrics becoming central.
- 1) Sustained large deal proposal submissions by the sales team are seen as a better approach with TCV/ACV already signed.
- 2) Execution spans across geo play, vertical play, and partnership scale.
- 3) Hyper-specialization in a few select verticals is essential to create differentiation. AI budgets are increasing at a double-digit rate; industry specialization will remain a key metric in the AI era.
- Real-world AI implementation demands robust infrastructure, data foundation, and AI Ops processors, enabling clients to scale effectively.
- The Sabre deal will continue to ramp up in 2Q; 3Q is expected to witness headcount stabilization. Sales execution rewards are credited only to net-new deals; renewals are excluded from incentive metrics.
- EBIT margin was impacted by amortisation from recent acquisitions and higher depreciation due to AI-powered team investments, large deal ramp-up, and visa costs (typically 1Q-loaded).

### Valuation and view

- We believe COFORGE's strong executable order book and resilient client spending across verticals bode well for its organic business. Cross-sell opportunities in Cigniti remain highly synergistic for the company. However, slightly poor cash flow metrics during the quarter weigh on margins due to higher amortization. We have cut our EPS estimates for FY26 by 5%, while largely maintaining our FY27 EPS estimates. We value COFORGE at 38x (earlier 40x) FY27E EPS with a TP of INR2,240, **implying a 34% potential upside. We reiterate our BUY rating on the stock.**

### Quarterly Performance (IND-AS)

(IND-AS)

| Y/E March<br>(Consolidated) | FY25   |        |        |        | FY26E  |        |        |        | FY25     | FY26E    | Est.<br>1QFY26 | Var.<br>(%/bp) |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|----------|----------|----------------|----------------|
|                             | 1Q     | 2Q     | 3Q     | 4Q     | 1QE    | 2QE    | 3QE    | 4QE    |          |          |                |                |
| Rev. (USD m)                | 286    | 369    | 391    | 404    | 442    | 470    | 494    | 518    | 1,445    | 1,924    | 438            | 1.1            |
| QoQ (%)                     | 2.0    | 29.0   | 5.7    | 3.3    | 9.6    | 6.2    | 5.0    | 5.0    | 31.5     | 33.1     | 8.5            | 116bp          |
| Revenue (INR m)             | 23,751 | 30,623 | 32,581 | 34,099 | 36,886 | 40,762 | 42,801 | 44,941 | 1,20,507 | 1,65,390 | 37,450         | -1.5           |
| YoY (%)                     | 6.9    | 34.5   | 40.2   | 47.1   | 55.3   | 33.1   | 31.4   | 31.8   | 33.8     | 37.2     | 56.0           | -69bp          |
| GPM (%)                     | 32.2   | 32.4   | 33.4   | 34.1   | 34.1   | 34.2   | 33.5   | 34.2   | 33.6     | 34.0     | 35.0           | -90bp          |
| SGA (%)                     | 13.4   | 15.9   | 15.7   | 15.4   | 15.0   | 15.1   | 15.3   | 15.3   | 15.6     | 15.2     | 15.3           | -30bp          |
| EBITDA (INRm)               | 4,275  | 4,840  | 5,072  | 5,761  | 6,451  | 7,256  | 7,362  | 8,044  | 19,960   | 29,113   | 6,741          | -4.3           |
| EBITDA Margin (%)           | 18.0   | 15.8   | 15.6   | 16.9   | 17.5   | 17.8   | 17.2   | 17.9   | 16.6     | 17.6     | 18.0           | -51bp          |
| EBIT (INRm)                 | 3,558  | 3,597  | 3,907  | 4,507  | 4,859  | 5,544  | 5,650  | 6,269  | 15,684   | 22,322   | 5,243          | -7.3           |
| EBIT Margin (%)             | 15.0   | 11.7   | 12.0   | 13.2   | 13.2   | 13.6   | 13.2   | 14.0   | 13.0     | 13.5     | 14.0           | -83bp          |
| Other income                | -516   | -173   | -329   | -300   | 246    | -122   | -128   | -135   | -1,080   | -140     | -112           | -319.0         |
| ETR (%)                     | 34.4   | 25.5   | 25.5   | 22.2   | 18.2   | 23.0   | 23.0   | 24.0   | 25.7     | 22.3     | 24.5           | -25.8          |
| Minority Interest           | -61.0  | -314.0 | -404.0 | -461.0 | -390.0 | -433.6 | -433.6 | -433.6 | -1,240.0 | -1,690.8 | -25.7          | 1419.4         |
| Reported PAT                | 1,310  | 2,021  | 2,142  | 2,611  | 3,174  | 3,741  | 3,818  | 4,229  | 8,372    | 14,962   | 3,848          | -17.5          |
| QoQ (%)                     | -41.6  | 54.3   | 6.0    | 21.9   | 21.6   | 17.8   | 2.1    | 10.8   |          |          | 47.4           |                |
| YoY (%)                     | -21.4  | 11.7   | -10.0  | 16.3   | 142.3  | 85.1   | 78.2   | 62.0   | 0.9      | 78.7     | 186.4          |                |
| Extra-ordinary items        | 953    | 290    | 162    | 261    | 749    | 0      | 0      | 0      | 1,666    | 1,462    | 0.0            |                |
| Adj. PAT                    | 2,263  | 2,311  | 2,304  | 2,872  | 3,923  | 3,741  | 3,818  | 4,229  | 9,750    | 15,711   | 3,848.0        |                |
| EPS (INR)                   | 4.2    | 6.0    | 6.3    | 7.7    | 9.4    | 11.1   | 11.3   | 12.5   | 25.2     | 44.2     | 11.3           | -17.3          |

### Key Performance Indicators

| Y/E March                   | FY25   |        |        |        | FY26E  | FY25   |
|-----------------------------|--------|--------|--------|--------|--------|--------|
|                             | 1Q     | 2Q     | 3Q     | 4Q     | 1Q     |        |
| Revenue (QoQ CC %)          | 1.6    | 26.3   | 8.4    | 3.4    | 8.0    |        |
| Margins                     |        |        |        |        |        |        |
| Gross Margin                | 32.2   | 32.4   | 33.4   | 34.1   | 34.1   | 33.6   |
| EBIT Margin                 | 15.0   | 11.7   | 12.0   | 13.2   | 13.2   | 13.0   |
| Net Margin                  | 5.5    | 6.6    | 6.6    | 7.7    | 8.6    | 6.9    |
| Operating metrics           |        |        |        |        |        |        |
| Headcount                   | 26,612 | 32,483 | 33,094 | 33,497 | 34,187 | 33,497 |
| Attrition (%)               | 11.4   | 11.7   | 11.9   | 10.9   | 11.3   | 10.9   |
| Deal Win TCV (USD b)        | 314    | 516    | 501    | 2,126  | 507    | 3,457  |
| Key Verticals (YoY USD %)   |        |        |        |        |        |        |
| BFS                         | 11.3   | 23.6   | 18.3   | 30.9   | 30.2   | 21.3   |
| Insurance                   | (5.1)  | 12.3   | 18.3   | 11.7   | 17.7   | 9.3    |
| Travel and Transport        | 6.6    | 30.0   | 40.8   | 55.9   | 88.9   | 33.2   |
| Key Geographies (YoY USD %) |        |        |        |        |        |        |
| North America               | 9.6    | 48.2   | 66.4   | 64.7   | 69.5   | 47.1   |
| Europe                      | 4.2    | 15.7   | 18.4   | 15.3   | 20.6   | 13.5   |



## Key highlights from the management commentary

### Demand outlook

- Budget continues to remain similar compared to the last quarter, given the overhang of discussions around macro and tariffs.
- The discretionary nature of spending for the firm remains abated.
- Execution intensity remains a key differentiator, evident across every aspect, including sales, solutions, and M&A, with execution-led metrics becoming central.
- 1) Sustained large deal proposal submissions by the sales team are seen as a better approach with TCV/ACV already signed.
- 2) Execution spans across geo play, vertical play, and partnership scale.
- 3) Hyper-specialization in a few select verticals is essential to create differentiation. AI budgets are increasing at a double-digit rate; industry specialization will remain a key metric in the AI era.
- Real-world AI implementation demands robust infrastructure, data foundation, and AI Ops processors, enabling clients to scale effectively.
- The company reported growth of 8.0% QoQ CC. 2H is expected to be much stronger than 1H.
- Organically, 1Q saw 6% CC growth; 2Q is expected to be equally robust.
- The company reported an order intake of USD507m during the quarter; it signed five large deals and added six new logos.
- The 12-month executable order book stood at USD1.55b, up 46.9% YoY.
- 1Q growth was led by large deal ramp-up. The company aims to close 20 large deals in the current fiscal.
- The Sabre deal will continue to ramp up in 2Q; 3Q is expected to see headcount stabilization.
- Sales execution rewards are credited only to net-new deals; renewals are excluded from incentive metrics.
- Growth in the top 6-10 client buckets is expected to resume from 2Q.
- Integration with Cigniti is targeted for completion by December-January.
- **BFSI** reported YoY growth of 32%, with strong traction in large deals. BFSI growth is expected to bounce back in 2Q; pipeline remains strong.
- BFS clients are under pressure to improve ROE due to macro conditions and higher interest rates.
- The company has seen positive momentum in regulatory compliance, customer retention, and advanced risk management.
- Additionally, it has witnessed strong demand across lending, commercial banking, and regulation-focused services.
- The cloud-native infrastructure has become essential and is non-discretionary for banks.
- The medium-term outlook remains positive; large-deal pipeline remains solid.
- BFSI is expected to remain at ~27% of revenue and continues to pace ahead at the current run-rate.
- **TTH:** The Sabre deal ramp up led growth in 1Q. 2Q is expected to see growth due to a further ramp up.
- The company launched Coforge AgentSphere, a platform with 100+ foundational agents targeting specific industry pain-points across Travel, Financial Services, and Healthcare.
- Net employee addition: 1,164 in the quarter, up 3.5% QoQ.

### Margin performance and other comments

- FY26 EBIT margin target: 14% (according to management factsheet).
- The company's focus is shifting from adjusted EBITDA to EBIT margin commentary.
- EBIT margin was impacted by amortisation from recent acquisitions and higher depreciation due to AI-powered team investments, large deal ramp-up, and visa costs (typically 1Q-loaded).
- One-off impact of USD8.4m from AdvantageGo investment was offset by provisions for cybersecurity incident and a one-time employee bonus of USD5-5.5m.
- FCF was negative this quarter due to capex for a data center deal.
- Discounting on long-term contracts: For every USD100 billed, USD90 is booked as revenue and USD10 as other income. This unwinding is treated as accounting notional interest.
- Capex (~USD85m) was largely incurred in 4Q and 1Q—linked to the data center deal (of which USD62m has been completed).
- ESOP costs are expected to decline in coming quarters.
- Ramp-up expenses on large deals typically precede billing. Post 1Q, similar deal ramp-ups will help margin as operating leverage kicks in.
- Wage hikes are scheduled for 3Q and will be offset by lower ESOP costs.
- OCF/EBITDA is expected to remain in the 65-70% range, with the remaining allocated to working capital to support growth.
- Capex levels will taper down to normalized levels going forward.
- Depreciation and amortisation will normalize from here.
- Data center capex: The company owns and controls the asset; it is not client-dedicated.
- FCF for the quarter was weighed down by elevated capex.

### Exhibit 1: TTH led growth on the back of deal ramp-up

| Verticals<br>(QoQ, USD%) | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| BFS                      | 9.4    | 11.1   | 0.0    | 4.7    | 3.1    | 4.0    | 3.3    | 4.3    | -0.6   | 15.4   | -1.1   | 15.4   | -1.1   |
| Insurance                | -7.7   | 3.9    | -2.9   | 5.5    | 4.7    | 2.3    | -1.3   | -2.2   | -3.9   | 21.1   | 4.1    | -7.7   | 1.2    |
| Transportation           | -0.9   | 2.9    | 1.9    | 2.3    | 1.2    | 2.3    | -2.4   | -1.5   | 8.5    | 24.7   | 5.7    | 9.0    | 31.5   |
| Govt Outside             |        |        |        |        |        |        |        |        |        |        |        |        |        |
| India                    |        |        |        |        |        |        |        |        | 9.2    | 20.4   | -4.0   | 10.8   | 6.7    |
| Others                   | 8.5    | -4.7   | 8.7    | 7.0    | 2.1    | 0.5    | 4.0    | -30.6  | 13.3   | 53.5   | 17.6   | -6.4   | 12.6   |

Source: Company, MOFSL.

### Exhibit 2: US and APAC contributed to growth

| Geography<br>(QoQ, USD%) | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | 3QFY24 | 4QFY24 | 1QFY25 | 2QFY25 | 3QFY25 | 4QFY25 | 1QFY26 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| US                       | 5.6    | 3.4    | -2.2   | 3.1    | 5.8    | 1.7    | -4.3   | 2.0    | 10.5   | 37.5   | 7.4    | 0.9    | 13.6   |
| EMEA                     | -4.8   | 7.9    | 6.7    | 3.2    | 0.2    | 2.8    | 4.5    | -0.1   | -3.0   | 14.3   | 7.0    | -2.7   | 1.5    |
| APAC                     | 18.7   | -11.3  | 4.9    | 21.1   | -0.6   | 3.2    | 15.2   | -9.3   | -1.4   | 21.3   | -6.7   | 38.1   | 13.0   |

Source: Company, MOFSL

### Valuation and view:

- We believe COFORGE's strong executable order book and resilient client spending across verticals bode well for its organic business. Cross-sell opportunities in Cigniti remain highly synergistic for the company. However, slightly poor cash flow metrics during the quarter weigh on margins due to higher amortization. We have cut our EPS estimates for FY26 by 5%, while largely maintaining our FY27 EPS estimates. We value COFORGE at 38x (earlier 40x) FY27E EPS with a TP of INR2,240, **implying a 34% potential upside. We reiterate our BUY rating on the stock.**

### Exhibit 3: Summary of our revised estimates

|                  | Revised |        | Earlier |        | Change |        |
|------------------|---------|--------|---------|--------|--------|--------|
|                  | FY26E   | FY27E  | FY26E   | FY27E  | FY26E  | FY27E  |
| INR/USD          | 86.4    | 86.7   | 86.4    | 86.7   | 0.0%   | 0.0%   |
| USD Revenue - m  | 1,924   | 2,317  | 1,905   | 2,306  | 1.0%   | 0.5%   |
| Growth (%)       | 33.1    | 20.4   | 31.8    | 21.0   | 130bps | -60bps |
| EBIT margin (%)  | 13.5    | 14.0   | 13.8    | 14.0   | -30bps | 0bps   |
| Adj. PAT (INR M) | 15,711  | 19,943 | 16,606  | 20,436 | -5.4%  | -2.4%  |
| EPS              | 46.4    | 58.9   | 48.9    | 60.2   | -5.1%  | -2.2%  |

Source: MOFSL

### Exhibit 4: Operating metrics

|                                       | 1QFY24       | 2QFY24       | 3QFY24       | 4QFY24       | 1QFY25       | 2QFY25       | 3QFY25       | 4QFY25       | 1QFY26       |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue mix Geography-wise (%)</b> |              |              |              |              |              |              |              |              |              |
| Americas                              | 49.7         | 49.4         | 46.6         | 47.7         | 50.8         | 55.1         | 56.0         | 54.7         | 56.7         |
| EMEA                                  | 38.6         | 38.8         | 40.0         | 40.1         | 37.5         | 33.8         | 34.2         | 32.2         | 29.8         |
| RoW                                   | 11.7         | 11.8         | 13.4         | 12.2         | 11.6         | 11.1         | 9.8          | 13.1         | 13.5         |
| <b>Revenue mix Vertical-wise (%)</b>  |              |              |              |              |              |              |              |              |              |
| BFS                                   | 31.1         | 31.6         | 32.2         | 33.7         | 32.3         | 29.4         | 27.5         | 30.7         | 27.7         |
| Insurance                             | 22.6         | 22.6         | 22.0         | 21.6         | 20.0         | 19.1         | 18.8         | 16.8         | 15.5         |
| Transportation                        | 18.5         | 18.5         | 17.8         | 17.6         | 18.4         | 18.1         | 18.1         | 19.1         | 22.9         |
| Manufacturing/Media/Others            | 27.8         | 27.3         | 28.0         | 19.5         | 21.3         | 25.9         | 28.7         | 25.9         | 26.7         |
| <b>Revenue mix (%)</b>                |              |              |              |              |              |              |              |              |              |
| Top Clients contribution (%)          |              |              |              |              |              |              |              |              |              |
| Top – 5                               | 25.1         | 23.5         | 22.7         | 23.0         | 21.0         | 18.7         | 19.8         | 18.0         | 20.7         |
| Top -10                               | 37.7         | 35.2         | 34.3         | 34.4         | 32.9         | 28.2         | 30.0         | 27.7         | 29.3         |
| <b>Fresh order Intake - USD m</b>     |              |              |              |              |              |              |              |              |              |
| USA                                   | 155          | 118          | 110          | 627          | 126          | 245          | 294          | 1828         | 272          |
| EMEA                                  | 346          | 138          | 172          | 102          | 96           | 184          | 93           | 170          | 140          |
| RoW                                   | 30           | 57           | 72           | 46           | 92           | 86           | 114          | 128          | 95           |
| Deals signed - USD m                  | 531          | 313          | 354          | 774          | 314          | 516          | 501          | 2126         | 507          |
| Executable Order Book (NTM) - USD m   | 897          | 935          | 974          | 1019         | 1070         | 1105         | 1365         | 1505         | 1550         |
| <b>Employee metrics</b>               |              |              |              |              |              |              |              |              |              |
| Billable Personnel                    | 22762        | 23131        | 23107        | 23243        | 25037        | 30434        | 30981        | 31354        | 32013        |
| Sales and Marketing                   | 363          | 360          | 368          | 388          | 442          | 575          | 583          | 586          | 594          |
| Others                                | 1099         | 1147         | 1132         | 1095         | 1133         | 1474         | 1530         | 1557         | 1580         |
| <b>Total</b>                          | <b>24224</b> | <b>24638</b> | <b>24607</b> | <b>24726</b> | <b>26612</b> | <b>32483</b> | <b>33094</b> | <b>33497</b> | <b>34187</b> |
| Utilization                           | 81           | 80           | 79.4         | 81.7         | 81.6         | 82.2         | 81.3         | 82           | 82.1         |
| Attrition                             | 13.3         | 13.0         | 12.1         | 11.5         | 11.4         | 11.7         | 11.9         | 10.9         | 11.3         |

Source: Company, MOFSL



## Financials and valuations

| Income Statement    |               |               |               |               |                 | (INR m)         |                 |
|---------------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|
| Y/E March           | FY21          | FY22          | FY23          | FY24          | FY25            | FY26E           | FY27E           |
| <b>Sales</b>        | <b>46,628</b> | <b>64,320</b> | <b>80,146</b> | <b>90,089</b> | <b>1,20,507</b> | <b>1,65,390</b> | <b>2,00,916</b> |
| Change (%)          | 11.5          | 37.9          | 24.6          | 12.4          | 33.8            | 37.2            | 21.5            |
| Cost of revenue     | 31,692        | 43,736        | 54,059        | 60,179        | 80,017          | 1,09,163        | 1,33,096        |
| <b>Gross Profit</b> | <b>14,936</b> | <b>20,584</b> | <b>26,087</b> | <b>29,910</b> | <b>40,490</b>   | <b>56,227</b>   | <b>67,821</b>   |
| SGA expenses        | 6,545         | 8,527         | 11,438        | 13,694        | 18,799          | 25,113          | 30,137          |
| RSU costs           | 480           | 633           | 587           | 1,046         | 1,731           | 2,000           | 1,819           |
| <b>EBITDA</b>       | <b>7,911</b>  | <b>11,424</b> | <b>14,062</b> | <b>15,170</b> | <b>19,960</b>   | <b>29,113</b>   | <b>35,865</b>   |
| % of Net Sales      | 17.0          | 17.8          | 17.5          | 16.8          | 16.6            | 17.6            | 17.9            |
| Depreciation        | 1,836         | 2,272         | 2,585         | 2,972         | 4,276           | 6,791           | 7,827           |
| <b>EBIT</b>         | <b>6,075</b>  | <b>9,152</b>  | <b>11,477</b> | <b>12,198</b> | <b>15,684</b>   | <b>22,322</b>   | <b>28,038</b>   |
| % of Net Sales      | 13.0          | 14.2          | 14.3          | 13.5          | 13.0            | 13.5            | 14.0            |
| Other Income        | 113           | -266          | -630          | -1,153        | -1,080          | -140            | -522            |
| <b>PBT</b>          | <b>6,188</b>  | <b>8,886</b>  | <b>10,847</b> | <b>11,045</b> | <b>14,604</b>   | <b>22,182</b>   | <b>27,516</b>   |
| Tax                 | 1,302         | 1,468         | 2,208         | 2,209         | 3,326           | 4,781           | 6,879           |
| Rate (%)            | 21.0          | 16.5          | 20.4          | 20.0          | 22.8            | 21.6            | 25.0            |
| Extraordinary Items | 226           | 269           | 1,188         | 261           | 1,666           | 749             | 0               |
| Minority Interest   | 104           | 530           | 513           | 276           | 1,240           | 1,691           | 694             |
| <b>Adjusted PAT</b> | <b>4,782</b>  | <b>6,888</b>  | <b>8,126</b>  | <b>8,560</b>  | <b>10,038</b>   | <b>15,711</b>   | <b>19,943</b>   |
| Change (%)          | 1.4           | 44.0          | 18.0          | 5.3           | 17.3            | 56.5            | 26.9            |

| Balance Sheet                   |               |               |               |               |               | (INR m)         |                 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|
| Y/E March                       | FY21          | FY22          | FY23          | FY24          | FY25          | FY26E           | FY27E           |
| Share Capital                   | 606           | 609           | 611           | 618           | 669           | 669             | 669             |
| Reserves                        | 24,055        | 26,722        | 30,214        | 35,648        | 63,123        | 71,220          | 81,060          |
| <b>Net Worth</b>                | <b>24,661</b> | <b>27,331</b> | <b>30,825</b> | <b>36,266</b> | <b>63,792</b> | <b>71,889</b>   | <b>81,729</b>   |
| Loans                           | 5             | 3,365         | 3,382         | 3,399         | 67            | 67              | 67              |
| Minority Interest               | 0             | 983           | 874           | 1,003         | 19,498        | 19,498          | 19,498          |
| Other liabilities               | 2,043         | 6,073         | 4,360         | 5,094         | 13,750        | 18,871          | 22,925          |
| <b>Capital Employed</b>         | <b>26,709</b> | <b>37,752</b> | <b>39,441</b> | <b>45,762</b> | <b>97,107</b> | <b>1,10,326</b> | <b>1,24,218</b> |
| <b>Net Block</b>                | <b>3,902</b>  | <b>4,452</b>  | <b>4,455</b>  | <b>4,470</b>  | <b>7,682</b>  | <b>5,249</b>    | <b>1,988</b>    |
| CWIP                            | 2             | 86            | 46            | 232           | 24            | 24              | 24              |
| Intangibles                     | 5,690         | 14,821        | 16,299        | 16,133        | 49,726        | 48,368          | 46,802          |
| Investments                     | 0             | 0             | 0             | 0             | 0             | 0               | 0               |
| Deferred tax assets             | 4,245         | 7,976         | 9,970         | 14,217        | 19,860        | 27,257          | 33,112          |
| <b>Curr. Assets</b>             | <b>21,295</b> | <b>22,209</b> | <b>26,064</b> | <b>26,025</b> | <b>43,508</b> | <b>62,046</b>   | <b>79,103</b>   |
| Debtors                         | 8,895         | 13,894        | 16,131        | 18,039        | 25,771        | 30,812          | 37,431          |
| Cash & Bank Balance             | 7,999         | 4,468         | 5,699         | 3,213         | 7,956         | 18,679          | 26,921          |
| Investments                     | 247           | 67            | 88            | 139           | 2,333         | 2,333           | 2,333           |
| Other Current Assets            | 4,154         | 3,780         | 4,146         | 4,634         | 7,448         | 10,222          | 12,418          |
| <b>Current Liab. &amp; Prov</b> | <b>8,425</b>  | <b>11,792</b> | <b>17,393</b> | <b>15,315</b> | <b>27,375</b> | <b>36,301</b>   | <b>40,492</b>   |
| Trade payables                  | 3,398         | 6,160         | 6,481         | 8,062         | 9,883         | 18,546          | 22,529          |
| Other liabilities               | 4,802         | 5,316         | 10,552        | 6,836         | 16,786        | 16,786          | 16,786          |
| Provisions                      | 225           | 316           | 360           | 417           | 706           | 969             | 1,177           |
| <b>Net Current Assets</b>       | <b>12,870</b> | <b>10,417</b> | <b>8,671</b>  | <b>10,710</b> | <b>16,133</b> | <b>25,746</b>   | <b>38,611</b>   |
| <b>Application of Funds</b>     | <b>26,709</b> | <b>37,752</b> | <b>39,441</b> | <b>45,762</b> | <b>97,107</b> | <b>1,10,326</b> | <b>1,24,218</b> |

## Financials and valuations

### Ratios

| Y/E March  | FY21        | FY22        | FY23        | FY24        | FY25        | FY26E       | FY27E       |
|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>EPS</b> | <b>15.5</b> | <b>22.2</b> | <b>26.1</b> | <b>27.6</b> | <b>25.2</b> | <b>44.2</b> | <b>58.9</b> |
| Cash EPS   | 20.7        | 28.6        | 30.6        | 37.5        | 38.1        | 64.3        | 82.1        |
| Book Value | 81.4        | 89.7        | 101.0       | 122.5       | 193.4       | 214.5       | 243.8       |
| DPS        | 4.1         | 10.4        | 12.8        | 15.2        | 15.2        | 22.1        | 29.5        |
| Payout %   | 26.5        | 46.9        | 49.0        | 55.1        | 60.3        | 50.0        | 50.0        |

### Valuation (x)

|                    |       |      |      |      |      |      |      |
|--------------------|-------|------|------|------|------|------|------|
| P/E                | 108.3 | 75.5 | 64.2 | 60.7 | 66.5 | 37.9 | 28.4 |
| Cash P/E           | 81.0  | 58.5 | 54.8 | 44.7 | 44.0 | 26.1 | 20.4 |
| EV/EBITDA          | 63.1  | 44.6 | 36.2 | 32.7 | 27.2 | 18.6 | 14.9 |
| EV/Sales           | 10.7  | 7.9  | 6.4  | 5.5  | 4.5  | 3.3  | 2.7  |
| Price/Book Value   | 20.6  | 18.7 | 16.6 | 13.7 | 8.7  | 7.8  | 6.9  |
| Dividend Yield (%) | 0.2   | 0.6  | 0.8  | 0.9  | 0.9  | 1.3  | 1.8  |

### Profitability Ratios (%)

|      |      |      |      |      |      |      |      |
|------|------|------|------|------|------|------|------|
| RoE  | 19.7 | 26.0 | 27.1 | 24.1 | 13.9 | 17.1 | 20.7 |
| RoCE | 18.0 | 23.7 | 23.7 | 22.8 | 16.3 | 16.7 | 17.9 |

### Turnover Ratios

|                          |      |      |      |      |      |      |      |
|--------------------------|------|------|------|------|------|------|------|
| Debtors (Days)           | 68   | 65   | 68   | 69   | 66   | 62   | 62   |
| Fixed Asset Turnover (x) | 11.8 | 15.4 | 18.0 | 20.2 | 19.8 | 25.6 | 55.5 |

### Cash Flow Statement

(INR m)

| Y/E March                    | FY21          | FY22          | FY23          | FY24          | FY25           | FY26E         | FY27E          |
|------------------------------|---------------|---------------|---------------|---------------|----------------|---------------|----------------|
| CF from Operations           | 7,121         | 9,089         | 10,532        | 11,834        | 15,060         | 22,337        | 27,741         |
| Cash for Working Capital     | 502           | -1,433        | -1,027        | -2,800        | -2,689         | -1,165        | -6,424         |
| <b>Net Operating CF</b>      | <b>7,623</b>  | <b>7,656</b>  | <b>9,505</b>  | <b>9,034</b>  | <b>12,371</b>  | <b>21,171</b> | <b>21,317</b>  |
| Net Purchase of FA           | -757          | -1,475        | -1,537        | -2,598        | -5,572         | -3,000        | -3,000         |
| <b>Free Cash Flow</b>        | <b>6,866</b>  | <b>6,181</b>  | <b>7,968</b>  | <b>6,436</b>  | <b>6,799</b>   | <b>18,171</b> | <b>18,317</b>  |
| Net Purchase of Invest.      | -1,597        | -8,089        | -1,179        | 120           | -18,911        | 0             | 0              |
| <b>Net Cash from Invest.</b> | <b>-2,354</b> | <b>-9,564</b> | <b>-2,716</b> | <b>-2,478</b> | <b>-24,483</b> | <b>-3,000</b> | <b>-3,000</b>  |
| Proceeds from Equity         | 18            | 51            | 18            | -3,516        | 21,831         | 0             | 0              |
| Proceeds from LTB/STB        | -697          | 2,139         | -1,315        | -573          | 19             | 33            | -103           |
| Dividend Payments            | -4,852        | -3,748        | -4,285        | -4,781        | -5,097         | -7,481        | -9,972         |
| <b>Cash Flow from Fin.</b>   | <b>-5,531</b> | <b>-1,558</b> | <b>-5,582</b> | <b>-8,870</b> | <b>16,753</b>  | <b>-7,448</b> | <b>-10,075</b> |
| <b>Net Cash Flow</b>         | <b>-262</b>   | <b>-3,466</b> | <b>1,207</b>  | <b>-2,314</b> | <b>4,641</b>   | <b>10,723</b> | <b>8,242</b>   |
| Exchange difference          | 66            | -65           | 24            | -172          | 102            | 0             | 0              |
| <b>Opening Cash Bal.</b>     | <b>8,194</b>  | <b>7,998</b>  | <b>4,467</b>  | <b>5,698</b>  | <b>3,212</b>   | <b>7,955</b>  | <b>18,678</b>  |
| Add: Net Cash                | -196          | -3,531        | 1,231         | -2,486        | 4,743          | 10,723        | 8,242          |
| <b>Closing Cash Bal.</b>     | <b>7,998</b>  | <b>4,467</b>  | <b>5,698</b>  | <b>3,212</b>  | <b>7,955</b>   | <b>18,678</b> | <b>26,920</b>  |

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| Explanation of Investment Rating |  |
|----------------------------------|--|
| Investment Rating                | Expected return (over 12-month)  |
| BUY                              | >=15%  |
| SELL                             | < - 10%  |
| NEUTRAL                          | > - 10 % to 15%  |
| UNDER REVIEW                     | Rating may undergo a change  |
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