

Results Miss; Margins to moderate due to higher M&A costs

- Coforge reported a miss on CC Rev growth of 1.6% QoQ (DE:1.9%) due to decline in BFS (-4%). Adj. EBITDA margin down 111bps QoQ to 17.9% (DE:18.1%) due to visa & onsite ramp-up (wage hike moved to Q2).
- Mgmt. expects Adj. EBITDA margin gains of 50bps YoY for both H1FY25 and FY25 (flat at reported level). We expect 8.5% organic growth, while note some risk on steep OPM recovery outlook.
- We tweak our FY25/FY26E EPS estimates by 1.1%/1.2%, following a slight miss in Q1 performance. Maintain 'Reduce' rating with revised TP of Rs.6,150 (earlier Rs.5,250) at 32x FY26E (TP revised up given Reduced uncertainty around M&A/Growth commentary).

Deal wins remain strong; Growth to sustain backed by NTM deals

Coforge reported an order intake of \$314mn in Q1 (up 19% YoY on TTM basis). It added 10 new logos & signed 2 large deals, one each in BFS & Airline. Its BFS segment declined 4% QoQ due to temporary pause in transitions but is expected to sustain momentum while Insurance segment (up 0.7% QoQ) after 2qtr decline, is expected to grow here-on led by ramp-up of earlier deals. Overall, mgmt. remains confident backed by robust NTM order book (+19% YoY) and Headcount (up 10% YoY) addition of 1.9k QoQ.

Expect moderation in margins owing to M&A and ESOP costs

OPM stood at 13.6%, down 80bps QoQ mainly due to higher employee costs (up 110bps QoQ as % of rev), owing to lateral adds and onsite effort shift along with higher visa costs. We expect OPM to remain impacted in FY25E, owing to inorganic integration and high ESOP costs.

Cigniti acquisition to be integrated starting Q2

Coforge acquired 28% of Cigniti and took control of Board effective 5th July and is expected to take stake to 51%-54% by Q2, pending SEBI's approval of open offer. For Q1, Cigniti reported 2.4% QoQ growth and Adj. Margin stood at 12.6% (up 150bps QoQ). It also reported several onetime cost totalling Rs. 393mn which inc. provision on cancellation of govt. export incentive (Rs.300mn), TDS on ESOPs for prior years (Rs. 55mn) and long-term service bonus (Rs. 35mn). Mgmt. expects growth to be superior Vs Coforge and margins to improve significantly over Q2-Q4.

Earnings Concall Highlights

Commentary: 1) BFS and Insurance to report strong growth in Q2, 2) Wage hike effective from Q2 (130-150bps impact), 3) To acquire OptML by Q2FY25 and 4) Q1 PAT (down 40% QoQ) had one-time M&A costs of Rs. 953mn.

Key Data	
Nifty	24,509
Equity / FV	Rs 660mn / Rs 10
Market Cap	Rs 389bn
	USD 4.7bn
52-Week High/Low	Rs 6,847/ 4,287
Avg. Volume (no)	7,37,633
Bloom Code	COFORGE IN

	Current	Previous
Rating	Reduce	Reduce
Target Price	6,150	5,250

Change in Estimates				
(Rs.bn)	Current		Chg (%) /bps	
	FY25E	FY26E	FY25E	FY26E
Revenue	117	138	(1.8)	0.1
EBITDA	19	24	(7.5)	(3.3)
EBITDA (%)	16.1	16.7	(99)	(60)
APAT	11	14	0.3	0.1
EPS (Rs)	162	195	(1.1)	(1.2)

Valuation (x)			
	FY24A	FY25E	FY26E
P/E	46.3	37.6	31.6
EV/EBITDA	26.2	20.4	16.4
ROE (%)	24.1	21.9	20.5
RoACE (%)	24.7	22.1	20.5

Q1FY25 Result (Rs Mn)			
Particulars	Q1FY25	YoY (%)	QoQ
Revenue	24,008	8.1	1.8
Total Expense	19,921	4.5	3.0
EBITDA	4,087	29.7	(3.9)
Depreciation	815	7.7	In
EBIT	3,272	36.7	(3.9)
Other Income	(272)	78.9	(39.8)
Interest	0		
EBT	2,047	(8.7)	(28.4)
Tax	654	34.8	16.0
RPAT	1,332	(19.4)	(40.5)
APAT	2,285	38.2	(2.1)
		(bps)	(bps)
Gross Margin	32.1	324	(100)
EBITDA (%)	17.0	284	(100)
NPM (%)	5.5	(189)	(394)
Tax Rate (%)	31.9	1032	1221
EBIT (%)	13.6	285	(81)

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	291.4	292.0	290	(0.2)	0.7	Rev. missed, led by decline in BFS segment.
INR Revenue	24,008	24,358	24,154	(1.4)	(0.6)	
EBIT	3,272	3,264	3,095	0.2	5.7	OPM beat, due to lower ESOP costs and absence of wage-hike
EBIT, margin	13.6	13.4	12.8	20 bps	80 bps	
PAT	1,332	2,144	2,251	(37.9)	(40.8)	PAT miss higher, due to one-offs M&A costs and tax.

Source: Company, Dolat Capital

Change in Estimates

For FY25E/FY26E - We revise our revenue growth estimates by -1.5%/+0.1% led by moderate change in organic growth and integration of Cigniti/OptML acquisition financials for 9M/12M for FY25/FY26E respectively. We also expect gains coming from scale as well as integration largely negated by higher M&A and ESOP charges resulting in OPM change by -21bps/+5bps. Consequently, we downward revise our EPS estimates by -1.1%/-1.2%.

Exhibit 2: Change in Estimates

Particulars (Rs. mn)	FY23A	FY24A	FY25E			FY26E		
	Actual	Actual	Old	New	Chg.(%)	Old	New	Chg.(%)
USD Revenue	1,002	1,119	1,422	1,401	(1.5)	1,628	1,630	0.1
YoY growth,	15.6	11.7	27.1	25.2	(191 bps)	14.5	16.4	189 bps
INR Revenue	80,146	91,790	1,18,952	1,16,793	(1.8)	1,37,572	1,37,740	0.1
YoY growth,	24.6	14.5	29.6	27.2	(235 bps)	15.7	17.9	228 bps
EBIT	10,665	11,702	15,527	14,999	(3.4)	18,175	18,270	0.5
EBIT Margin,	13.3	12.7	13.1	12.8	(21 bps)	13.2	13.3	5 bps
Net Profit	6,938	8,177	10,778	10,806	0.3	13,534	13,551	0.1
EPS (Rs)	111.5	131.2	163.3	161.5	(1.1)	194.6	192.2	(1.2)

Source: Company, Dolat Capital

What to expect next Quarter

We have factored in revenue growth of 24% QoQ in CC for Q2FY25, driven by ramp-up of strong deal wins in BFS and Insurance, as well as revenue contribution from Cigniti acquisition (20%) and OptML acquisition, with implied organic revenue growth of 3.4%. Adj. EBITDA margin to decline by 165bps to 16.2%, while OPM is expected to contract by 239bps to 11.2% due to wage hike impact (140bps) & higher ESOP costs.

Exhibit 3: What to expect next Quarter

(Rs Mn)	Q2FY25E	Q1FY25	Q2FY24	QoQ (%)	YoY (%)
USD Revenue	361.3	291.4	278.1	24.0	29.9
INR Revenue	30,125	24,008	22,762	25.5	32.3
EBIT	3,386	3,272	2,702	3.5	25.3
PAT	2,375	1,332	1,810	78.3	31.2
EPS (Rs. Abs)	35.0	20.8	29.0	68.5	20.8
EBIT Margin (%)	11.2	13.6	11.9	(239 bps)	(63 bps)

Source: Company, Dolat Capital

Exhibit 4: Key Assumptions in our estimates

Assumptions Table	FY22A	FY23A	FY24A	FY25E	FY26E
CC Revenue growth (%)	37.9	22.2	13.2	25.6	16.4
USD Revenue growth (%)	38.0	15.6	11.7	25.2	16.4
USD/INR	74.2	80.0	82.1	83.4	84.5
INR Revenue growth (%)	37.9	24.6	14.5	27.2	17.9
EBIT Margins (%)	13.8	13.3	12.7	12.8	13.3
EPS growth (%)	44.6	4.6	17.6	24.6	19.0

Source: Company, Dolat Capital

Exhibit 5: Key Revenue Matrix

YoY Growth	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
CC Growth	24.3	22.8	21.1	20.7	18.4	14.1	12.0	9.0	7.8
USD Growth	19.5	16.0	13.6	13.8	13.9	12.6	12.0	8.5	7.2
INR Growth	25.2	24.9	24.0	24.5	21.4	16.2	13.0	8.7	8.1

Source: Company, Dolat Capital

Exhibit 6: Quarterly and YTD Trend

Particulars (Rs mn)	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
USD Revenue	271.8	278.1	282.0	286.8	291.4	7.2	1.6	1,001.7	1,118.7	11.7
INR Revenue	22,210	22,762	23,233	23,585	24,008	8.1	1.8	80,146	91,790	14.5
Operating Expense	19,059	19,288	19,221	19,334	19,921	4.5	3.0	66,896	76,902	15.0
Cost of revenues	15,795	15,897	15,713	15,773	16,296	3.2	3.3	55,449	63,178	13.9
as % of sales	71.1	69.8	67.6	66.9	67.9	(324 bps)	100 bps	69.2	68.8	(36 bps)
SG&A expenses	3,264	3,392	3,508	3,561	3,625	11.1	1.8	11,447	13,725	19.9
as % of sales	14.7	14.9	15.1	15.1	15.1	40 bps	0 bps	14.3	15.0	67 bps
EBITDA	3,151	3,474	4,012	4,251	4,087	29.7	(3.9)	13,250	14,888	12.4
Depreciation	757	772	811	846	815	7.7	(3.7)	2,585	3,186	23.2
EBIT	2,394	2,702	3,201	3,405	3,272	36.7	(3.9)	10,665	11,702	9.7
Other Income	(152)	(295)	(257)	(452)	(272)	78.9	(39.8)	(630)	(1,156)	83.5
PBT	2,242	2,407	2,944	2,857	2,047	(8.7)	(28.4)	9,512	10,450	9.9
Total Tax	485	528	516	564	654	34.8	16.0	2,061	2,093	1.6
PAT before MI	1,757	1,879	2,428	2,293	1,393	(20.7)	(39.2)	7,451	8,357	12.2
Minority Interest	104	69	48	55	61	(41.3)	10.9	513	276	(46.2)
PAT after MI	1,653	1,810	2,380	2,238	1,332	(19.4)	(40.5)	6,938	8,081	16.5
Reported EPS	26.5	29.0	38.1	35.9	20.8	(21.7)	(42.1)	111.7	129.5	15.9
Margins (%)						(bps)	(bps)			(bps)
EBITDA	14.2	15.3	17.3	18.0	17.0	284 bps	(100 bps)	16.5	16.2	(31 bps)
EBIT	10.8	11.9	13.8	14.4	13.6	285 bps	(81 bps)	13.3	12.7	(56 bps)
PBT	10.1	10.6	12.7	12.1	8.5	(157 bps)	(359 bps)	11.9	11.4	(48 bps)
PAT	7.4	8.0	10.2	9.5	5.5	(189 bps)	(394 bps)	8.7	8.8	15 bps
Effective Tax rate	21.6	21.9	17.5	19.7	31.9	1032 bps	1221 bps	21.7	20.0	(164 bps)

Source: Company, Dolat Capital

Earnings call KTAs

- **Revenue** grew by 1.6% QoQ in CC terms in Q1FY25. Miss was due to muted growth in BFS vertical (down 4.1% QoQ) and India government business.
- **Margin Commentary:** Adj. EBITDA (before ESOP) margin contracted by 111bps QoQ at 17.9%, and down by 100bps QoQ on reported basis to 17% due to higher visa and onsite ramp-up costs.
- **Vertical Commentary: 1) BFSI:** Temporary normalization led to decline, but mgmt. now expects to drive robust double-digit growth for FY25, **2) Travel:** Seeing tech spend inch up in Airlines, given 11% YoY increase in passenger demand. Coforge works with 5 out of top 10 airlines in the world and is expecting strong demand in hospitality and logistics due to AI automation and **3) Insurance:** Seeing rebound; expects growth to significantly improve led by strong ramp-up.
- **ESOP:** These costs declined by 13% YoY to Rs. 199mn. New ESOP scheme implemented, and mgmt. expects to see 160-170bps ESOP costs (as % of revenue) in FY25 vs 1.23% in FY24 which may impact OPM in FY25.
- **Deals TCV:** Coforge saw TCV win \$314mn (includes 2 large deals). Out of 2 deals, 1 is from Banking while another is from airline. 12M executable order book stood at \$1.1bn, up 19% on YoY basis.
- **Outlook:** Coforge expects Adj. EBITDA margin expansion of ~50bps YoY in H1FY25 and in FY25. The company will likely give an industry average hike in FY25 (effective Q2) which may impact margins in the near term.
- **PAT:** Reported PAT of Rs. 1.3bn (down 40% QoQ) mainly on account of an exceptional one-off item of Rs. 953mn related to Cigniti transaction related costs and also towards recent QIP. Adj. PAT stood at Rs. 2.3bn (down 2% QoQ).
- **Hiring:** Headcount stood at 26.6K, up by 1.9k QoQ (250 are graduate engineers, 45% in BPO). Utilization declined by 10bps QoQ to 81.6%, while Attrition declined further by 10bps to 11.4%.
- **Dividend:** Announced DPS of Rs. 19 per share, effective August 2nd.
- **Debt:** Repaid non-convertible bond of \$41mn which will lower interest cost.
- **Cigniti Acquisition:** Coforge acquired 28% stake (7.63mn shares) in Cigniti Ltd at (at avg price of Rs. 1,404 per share -ex-transaction costs) at Rs. 10.7bn and assumed control on Board as of 5th July. It is expected to acquire around 51-54% ownership in Q2 (remaining via Open offer) post SEBI approval for open offer at average price of Rs. 1,415 per share which amounts to approx. Rs. 20.5bn which will be funded by use of cash raised through QIP. It will be followed by merger process that will take 9-12months. Effective date of merger is expected to be April 1st, 2025. Mgmt. expect its margins to be 16%+ for the remaining part of the year.
- **QIP:** Coforge did QIP on May 28th and issued 4.9mn shares to 143 institutional buyers at price of Rs. 4,600 per share, raising Rs 22.4bn cash to fund Cigniti acquisition which resulted in equity dilution of 8%.
- **OptML Acquisition:** Coforge has entered into an asset purchase agreement with OptML Inc., where it will acquire customer contracts, KMP, employees and Sub-cons/vendors of OptML Inc with initial payout of \$6.6mn for 51% stake and remaining to be paid based on achievement of financial performance. The transaction is expected to be completed by Q2FY25. OptML CY23 turnover stood at \$10.8mn (will add 100bps to Coforge' revenue).

Exhibit 7: Vertical Trend for Q1FY25

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Transportation	53	18	4.5	4.9	2.3	46
BFS	93	32	(4.1)	9.6	(4.0)	(81)
Insurance	62	21	0.7	1.5	0.4	8
Others	61	21	9.4	11.5	5.3	108
Govt.	23	8	4.3	10.0	0.9	19
Total	292	100	1.7	7.3	4.9	100

Source: Company, Dolat Capital

Exhibit 8: Geography Trend for Q1FY25

Geography	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
America	145	50	6.3	7.6	8.6	187
EMEA	113	39	(1.9)	7.5	(2.2)	(49)
Rest of World	33	11	(5.1)	4.5	(1.8)	(38)
Total	291	100	1.6	7.2	4.6	100

Source: Company, Dolat Capital

Exhibit 9: Client Growth Trend for Q1FY25

Client	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Top 5	61	21	(7.2)	(10.3)	(4.8)	(104)
Top 6 - 10	35	12	6.1	1.3	2.0	43
Top 10	96	33	(2.8)	(6.4)	(2.8)	(61)
Non-Top 10	196	67	3.9	15.5	7.4	161
Total	291	133	1.6	7.2	4.6	39

Source: Company, Dolat Capital

Exhibit 10: Proforma P&L for combined entity (to be integrated starting Q2FY25)

P&L (Rs. mn)	FY23			FY24			Growth YoY (%)		
	Cigniti Tech	Coforge	Combined	Cigniti Tech	Coforge	Combined	Cigniti Tech	Coforge	Combined
Revenue	16,476	80,146	96,622	18,150	91,790	1,09,940	10.2	14.5	13.8
Total operating Exp.	14,099	67,339	81,438	15,933	77,513	93,446	13.0	15.1	14.7
EBITDA	2,377	12,807	15,184	2,218	14,277	16,495	(6.7)	11.5	8.6
Depreciation	264	2585	2,849	303	3,186	3,489	15.0	23.2	22.5
EBIT	2,113	10,222	12,335	1,914	11,091	13,005	(9.4)	8.5	5.4
EBIT Margin (%)	12.8	12.8	12.8	10.5	12.1	11.8	(228)	(67)	(94)
Net other Income	103	(187)	(84)	290	(758)	(468)	181	305	459
PAT	1,683	7451	9,134	1,656	8356	10,012	(1.6)	12.1	9.6
PAT Margin (%)	10.2	9.3	9.5	9.1	9.1	9.1	(109)	(19)	(35)

Source: Company, Dolat Capital, *Note: FY24 Cigniti PAT includes Rs. 203mn as one-time service rewards on completion of 25 yrs.

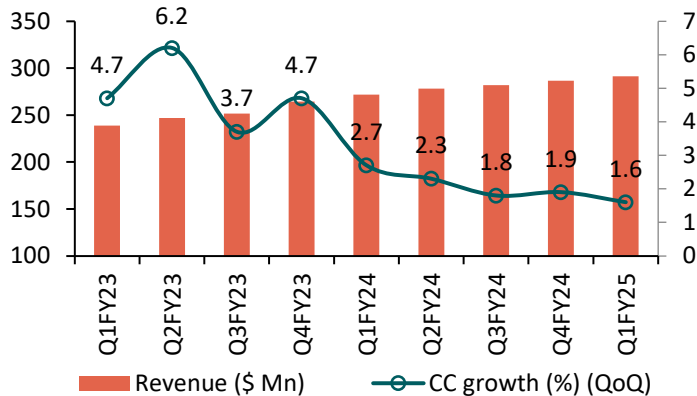
Exhibit 11: Revenue & Margin assumption for FY25E/26E for both the entity

Particulars	FY25			FY26		
	Cigniti	Coforge	Total	Cigniti	Coforge	Total
Revenue (\$ mn)	187	1213.9	1400.9	271	1359.1	1630.1
YoY Growth (%)	9.8	8.5	8.7	11.5	12.0	16.4
Adj. EBITDA Margin (%)	16.0	18.0	17.7	16.0	18.0	17.7

Source: Company, Dolat Capital, FY25 Cigniti revenue integrated for 9months (\$243mn annualized), while co. pointed it may reinstate Q1 as well Q1FY25 Cigniti Adj. EBITDA margin stood at 12.6% while mgmt. expects 16%+ for Q2/Q3/Q4.

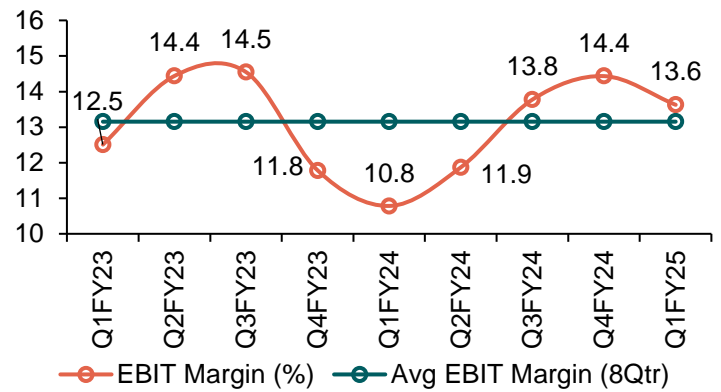
Story in Charts

Exhibit 12: Rev. grew 1.6% QoQ in CC terms



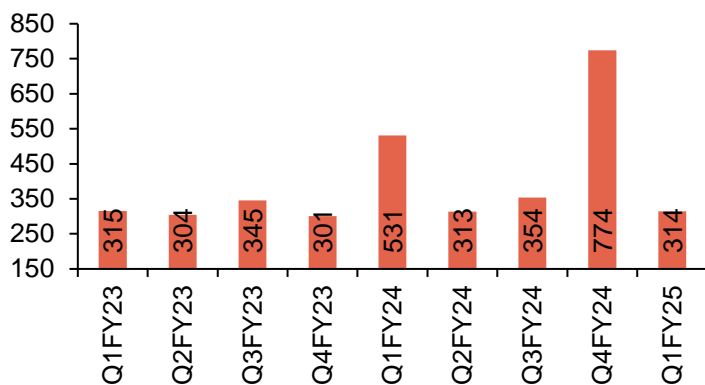
Source: Company, Dolat Capital

Exhibit 13: OPM declined by 80bps QoQ to 12.7%



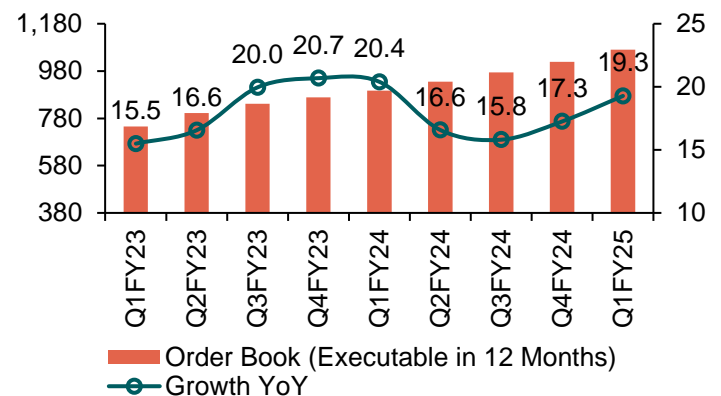
Source: Company, Dolat Capital

Exhibit 14: Deal wins in Q1 (\$314mn)



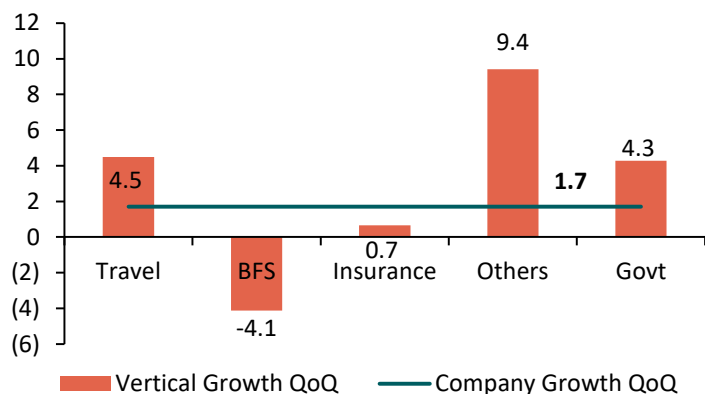
Source: Company, Dolat Capital

Exhibit 15: 12m Order Book rose to \$1.1bn (up 19% YoY)



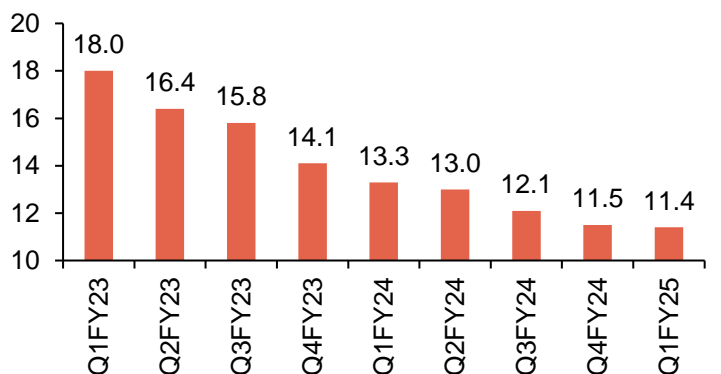
Source: Company, Dolat Capital

Exhibit 16: Travel vertical outperformed



Source: Company, Dolat Capital

Exhibit 17: Attrition (11.4%) declined by 10bps

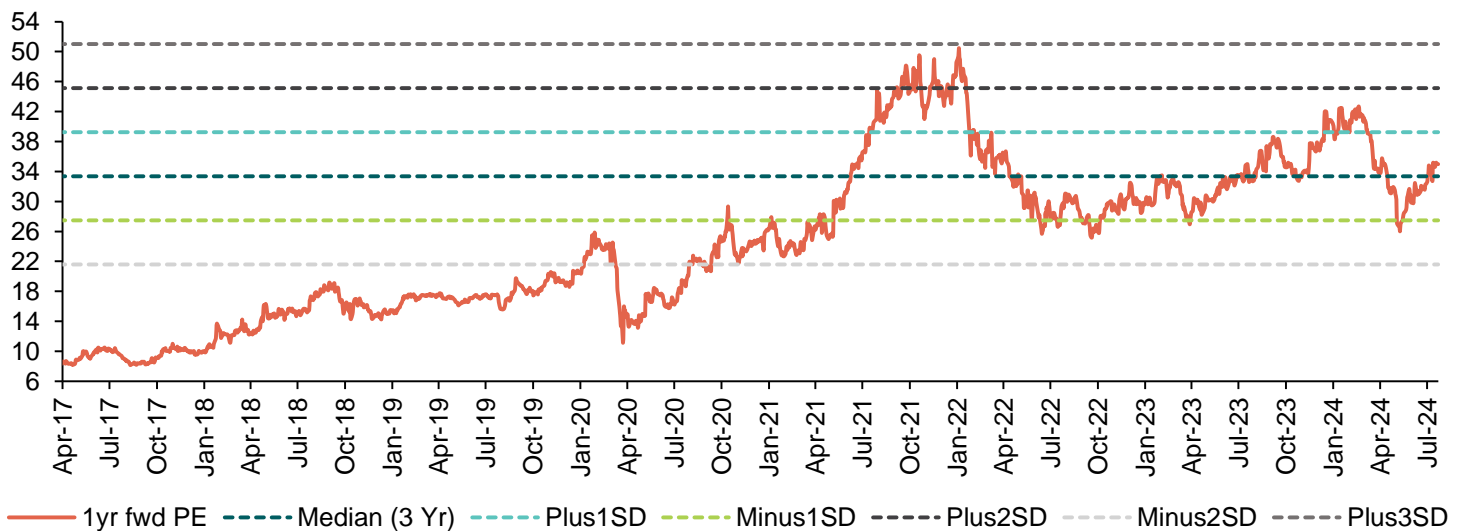


Source: Company, Dolat Capital

Valuation

Management remains confident on Coforge's growth trajectory, driven by healthy pipeline of large deal wins and continued focus on execution. Additionally, commentary suggests that uncertainty around growth will decrease going forward, and the company will gain from synergetic opportunities from Cigniti integration. Accordingly, we revise our TP to Rs. 6,150 (earlier Rs.5,250) valuing at 32x on FY26E earnings of Rs.192, largely in-line with current valuations and **maintain** 'Reduce' rating on the stock.

Exhibit 18: Coforge is currently trading at 35x vs 3-yr Median of 33.4x



Source: Company, Dolat Capital

Exhibit 19: Operating Metrics 1

Operating Metrics	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
\$ Revenue	238.7	246.9	251.7	264.4	271.8	278.1	282.0	286.8	291.4
CC growth (%) (YoY)	22.1	22.8	21.1	20.7	18.4	14.1	12.0	9.0	7.8
CC growth (%) (QoQ)	2.8	6.2	3.7	4.7	2.7	2.3	1.8	1.9	1.6
Geographical Amount									
America	122.7	126.8	122.3	127.7	135.1	137.4	131.4	136.8	145.4
EMEA	88.1	95.2	100.1	104.7	104.9	107.9	112.8	115.0	112.8
Rest of World	28.3	25.2	26.1	32.0	31.8	32.8	37.8	35.0	33.2
Geographical YoY Growth									
America	19.1	14.3	3.6	10.1	10.1	8.4	7.5	7.1	7.6
EMEA	25.1	38.0	34.2	13.2	19.0	13.4	12.6	9.8	7.5
Rest of World	8.4	(22.5)	(9.4)	33.7	12.2	30.2	44.8	9.4	4.5
Vertical Amount									
Transportation	46.4	47.7	48.0	49.7	50.3	51.4	50.1	50.5	52.7
BFS	70.6	78.3	77.3	82.0	84.5	87.9	90.8	96.7	92.7
Insurance	55.3	57.3	55.0	58.7	61.4	62.9	62.0	61.9	62.4
Others	67.0	63.8	68.2	74.0	75.6	75.9	79.2	77.7	61.2
Vertical YoY Growth									
Transportation	23.0	20.7	18.2	6.4	8.4	7.9	4.5	1.5	4.9
BFS	67.6	53.1	22.8	27.3	19.8	12.2	17.5	17.9	9.6
Insurance	(10.1)	(7.5)	(10.8)	(1.7)	11.2	9.6	12.9	5.5	1.5
Others	14.9	6.8	21.1	20.2	12.8	19.1	16.2	5.0	11.5
Order Data (\$ mn)									
America	123	141	208	130	155	118	110	627	126
EMEA	151	134	113	113	346	138	172	102	96
Rest of World	41	29	24	58	30	57	72	46	92
Order In-Take Total	315	304	345	301	531	313	354	774	314
Order Book (12M)	745	802	841	869	897	935	974	1,019	1,070
Growth YoY (%)	15.5	16.6	20.0	20.7	20.4	16.6	15.8	17.3	19.3
Revenue Coverage (%)	82.3	85.4	86.7	86.8	86.7	87.7	88.8	91.1	94.0%
Revenue Area Mix									
Off-Shore	50.0	50.0	50.0	50.0	51.0	52.0	52.2	52.5	52.0
On-Shore	50.0	50.0	50.0	50.0	49.0	48.0	47.8	47.5	48.0
Project Type Mix									
Fixed Project	51.9	49.8	50.4	50.2	48.9	49.3	51.0	51.5	50.4
T&M	48.1	50.2	49.6	49.8	51.1	50.7	49.0	48.5	49.6
Top Client Amount									
Top 5	54.8	57.1	59.4	60.8	68.2	65.4	64.0	66.0	61.2
Top 6 - 10 Client	30.1	31.4	30.8	33.1	34.2	32.5	32.7	32.7	34.7
Top 10 client	84.9	88.5	90.2	93.9	102.5	97.9	96.7	98.7	95.9
Non Top 10 Client	154.3	158.7	158.3	170.5	169.3	180.2	185.3	188.1	195.5
Top Client YoY Growth									
Top 5	11.6	19.5	6.4	13.1	24.5	14.5	7.8	8.5	(10.3)
Top 6 - 10 Client	33.6	40.7	27.6	19.3	13.6	3.7	6.2	(1.1)	1.3
Top 10 client	18.5	26.2	12.8	15.2	20.7	10.6	7.2	5.1	(6.4)
Non Top 10 Client	20.6	11.5	11.9	12.7	9.8	13.6	17.0	10.3	15.5

Source: Company, Dolat Capital

Exhibit 20: Operating Metrics 2

Particulars	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Total Employees	22,742	22,991	22,505	23,224	24,224	24,638	24,607	24,726	26,612
Breakup									
India - Billable	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Outside India - Billable	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Sales and Marketing	285	291	317	350	363	360	368	388	442
Others	963	1,008	1,035	1,059	1,099	1,147	1,132	1,095	1,133
Utilization (%)	76.2	77.3	80.3	81.5	81.0	80.0	79.4	81.7	81.6
Attrition (%)	18.0	16.4	15.8	14.1	13.3	13.0	12.1	11.5	11.4
DSO	72	70	73	61	61	64	63	56	59
Client Bucket Data									
\$1mn Bucket	NA	NA	NA	NA	NA	NA	NA	NA	0
\$1-5mn Bucket	98	97	98	101	102	104	109	112	118
\$5-10mn Bucket	24	26	23	23	24	23	23	24	25
above \$10mn Bucket	19	19	21	21	21	23	24	24	23
New / Old Revenue									
Repeat Biz	230	232	231	242	260	264	262	264	278
New Biz	9	15	21	22	12	14	20	23	14
New / Old Revenue Growth									
Repeat Biz YoY	19.8	17.6	13.4	12.0	13.0	13.8	13.5	8.9	7.1
New Biz YoY	12.0	(4.5)	15.4	38.1	35.1	(5.5)	(4.4)	3.3	10.2
Practice Mix (\$ mn)									
Product Engineering	25.1	26.0	24.6	25.0	94.6	24.5	21.8	99.7	92.4
Data & Integration	55.7	57.1	59.4	62.2	64.9	67.4	71.7	71.6	78.9
Intelligent Automation	30.1	31.1	29.3	29.2	31.1	33.3	31.5	31.8	33.7
CIMS	43.5	43.3	46.2	50.1	54.1	50.9	52.7	54.2	55.3
ADM	57.9	63.8	66.3	73.0	NA	73.2	75.6	NA	NA
BPM	26.6	25.7	22.6	23.7	25.7	26.2	25.7	26.7	27.1

Source: Company, Dolat Capital

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Revenue	80,146	91,790	1,16,793	1,37,740
Total Expense	66,896	76,902	97,964	1,14,787
COGS	55,449	63,178	80,145	93,474
Employees Cost	0	0	0	0
Other expenses	11,447	13,725	17,818	21,312
EBIDTA	13,250	14,888	18,829	22,953
Depreciation	2,585	3,186	3,830	4,683
EBIT	10,665	11,702	14,999	18,270
Interest	0	0	0	0
Other Income	(630)	(1,156)	(782)	(420)
Exc. / E.O. items	(523)	(96)	0	0
EBT	9,512	10,450	14,217	17,850
Tax	2,061	2,093	3,234	4,239
RPAT	6,938	8,081	10,806	13,551
Minority Interest	513	276	177	60
Profit/Loss share of associates	0	0	0	0
Adjustments	523	96	0	0
APAT	7,461	8,177	10,806	13,551

Balance Sheet

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Sources of Funds				
Equity Capital	611	618	660	696
Minority Interest	874	1,003	1,180	1,240
Reserves & Surplus	30,214	35,648	61,820	68,744
Net Worth	30,825	36,266	62,480	69,439
Total Debt	3,382	4,366	4,516	4,666
Net Deferred Tax Liability	(3,174)	(5,117)	(5,227)	(5,412)
Total Capital Employed	31,907	36,518	62,949	69,933

Applications of Funds

Net Block	20,754	20,603	37,773	36,290
CWIP	46	232	232	232
Investments	0	0	32	47
Current Assets, Loans & Advances	32,277	34,659	46,715	57,100
Current Investments	0	0	0	0
Inventories	0	0	0	0
Receivables	17,903	19,503	23,863	27,125
Cash and Bank Balances	5,787	3,352	10,612	17,376
Loans and Advances	0	0	0	0
Other Current Assets	8,587	11,804	12,240	12,599
Less: Current Liabilities & Provisions	21,170	18,976	21,804	23,736
Payables	6,813	8,689	10,196	11,370
Other Current Liabilities	14,357	10,287	11,608	12,366
<i>sub total</i>				
Net Current Assets	11,107	15,683	24,911	33,364
Total Assets	31,907	36,518	62,949	69,933

E – Estimates

Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	30.8	31.2	31.4	32.1
EBIDTA Margin	16.5	16.2	16.1	16.7
EBIT Margin	13.3	12.7	12.8	13.3
Tax rate	21.7	20.0	22.7	23.8
Net Profit Margin	8.7	8.8	9.3	9.8
(B) As Percentage of Net Sales (%)				
COGS	69.2	68.8	68.6	67.9
Employee	0.0	0.0	0.0	0.0
Other	14.3	15.0	15.3	15.5
(C) Measure of Financial Status				
Gross Debt / Equity	0.1	0.1	0.1	0.1
Interest Coverage				
Inventory days	0	0	0	0
Debtors days	82	78	75	72
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	31	35	32	30
Working Capital days	51	62	78	88
FA T/O	3.9	4.5	3.1	3.8
(D) Measures of Investment				
AEPS (Rs)	119.9	131.2	161.5	192.2
CEPS (Rs)	161.5	182.3	218.8	258.6
DPS (Rs)	62.8	75.3	82.9	94.0
Dividend Payout (%)	52.4	57.4	51.3	48.9
BVPS (Rs)	495.4	581.7	934.0	985.0
RoANW (%)	23.9	24.1	21.9	20.5
RoACE (%)	25.8	24.7	22.1	20.5
RoAIC (%)	41.4	39.5	35.1	34.8
(E) Valuation Ratios				
CMP (Rs)	6076	6076	6076	6076
Mcap (Rs Mn)	3,89,485	3,89,485	3,89,485	3,89,485
EV	3,87,080	3,90,499	3,83,389	3,76,775
MCap/ Sales	4.9	4.2	3.3	2.8
EV/Sales	4.8	4.3	3.3	2.7
P/E	50.7	46.3	37.6	31.6
EV/EBITDA	29.2	26.2	20.4	16.4
P/BV	12.3	10.4	6.5	6.2
Dividend Yield (%)	1.0	1.2	1.4	1.5
(F) Growth Rate (%)				
Revenue	24.6	14.5	27.2	17.9
EBITDA	18.8	12.4	26.5	21.9
EBIT	20.1	9.7	28.2	21.8
PBT	10.4	9.9	36.1	25.6
APAT	12.8	9.6	32.2	25.4
EPS	12.5	9.4	23.2	19.0

E – Estimates

Cash Flow

Particulars	FY23A	FY24A	FY25E	FY26E
Profit before tax	9,512	10,449	14,217	17,850
Depreciation & w.o.	2,585	3,186	3,830	4,683
Net Interest Exp	0	0	782	420
Direct taxes paid	(2,800)	(3,661)	(3,234)	(4,239)
Change in Working Capital	(1,027)	(2,800)	(2,260)	(1,930)
Non Cash	1,235	1,860	0	0
(A) CF from Operating Activities	9,505	9,034	13,336	16,783
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(2,759)	(2,598)	(21,000)	(3,200)
Free Cash Flow	6,746	6,436	(7,664)	13,583
(Inc.)/ Dec. in Investments	0	0	(32)	(15)
Other	43	120	(782)	(420)
(B) CF from Investing Activities	(2,716)	(2,478)	(21,814)	(3,635)
Issue of Equity/ Preference	18	7	20,950	36
Inc./(Dec.) in Debt	(180)	967	150	150
Interest exp net	0	0	0	0
Dividend Paid (Incl. Tax)	(4,285)	(4,781)	(5,543)	(6,627)
Other	(1,135)	(5,063)	0	0
(C) CF from Financing	(5,582)	(8,870)	15,557	(6,441)
Net Change in Cash	1,231	(2,486)	7,079	6,707
Opening Cash balances	4,468	5,699	3,213	10,292
Closing Cash balances	5,699	3,213	10,292	16,999

E – Estimates

Notes

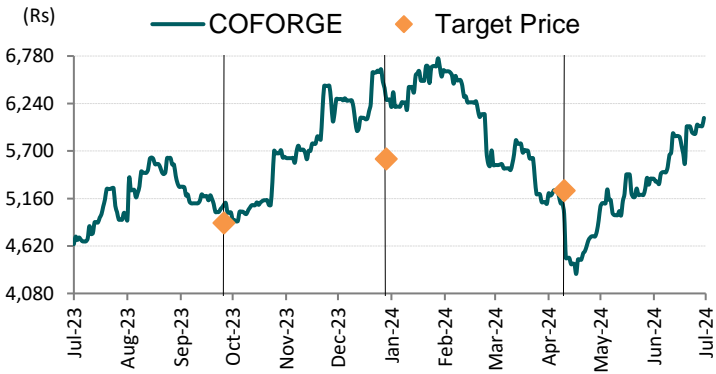
Stock Info and Rating History

Price Performance

Particulars	1M	3M	12M
Absolute (%)	13	16	31
Rel to NIFTY (%)	9	7	7

Shareholding Pattern

Particulars	Dec'23	Mar'24	Jun'24
Promoters	0.0	0.0	0.0
MF/Banks/FIs	55.0	54.3	47.3
FIIIs	34.0	35.0	41.4
Public / Others	10.9	10.7	11.3



Month	Rating	TP (Rs.)	Price (Rs.)
Oct-23	Sell	4,880	5,092
Jan-24	Sell	5,610	6,283
May-24	Reduce	5,250	4,986

*Price as on recommendation date

Notes

Dolat Rating Matrix

Total Return Expectation (12 Months)

Buy	> 20%
Accumulate	10 to 20%
Reduce	0 to 10%
Sell	< 0%

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