

Abstained giving growth guidance; Acquisition to be EPS dilutive

- Coforge reported CC Rev growth of 1.9% QoQ (below DE: 2.3%) led by growth in BFS. Deal win stood at \$774mn taking TMF executable orders up 17% to \$1bn. Adj. EBITDA margin up 102bps QoQ to 19% (DE: 19.5%).
- Mgmt. refrained from providing Rev. Growth guidance owing to sustained uncertainties but expects Adj. EBITDA margin expansion of 50bps for FY25 (flat on reported basis). We expect high single digit organic growth, while reported basis earnings may get slightly dilutive.
- We have scaled down our FY25/FY26E EPS est. (-5%/-3%) as we expect revenue growth (inorganic as well as 12M exec book growth led) to get negated by increased amortization charges and equity dilution (~12%). We upgrade to 'Reduce' rating (earlier Sell) with TP of Rs.5,250 at 27x FY26E.

Resilient execution drives record deal wins amidst uncertainty.

Coforge reported an order intake of \$774mn in Q4 (up 56% YoY on TTM basis). It added 8 new logos and signed 2 large deals, one each in BFS (\$400mn+) and Insurance (\$55mn Net New). Its BFS segment grew 6.5% QoQ, strongest among Indian IT peers led by ramp-up of deal wins. However, other segments remained muted (down 1.8% QoQ). Overall, mgmt. expects organic growth momentum to sustain backed by next 12m executable order book (+17% YoY) and believes Cigniti acquisition to be EPS accretive.

Expect moderation in growth, but similar margins for FY25E.

Management remained cautious about the depressed demand environment and refrained from providing growth guidance while margins are expected to remain impacted owing to high ESOP & M&A costs for FY25E. However, it shared to achieve Revenue of \$2bn and 150-250bps margin expansion by FY27E with the help of Cigniti Acquisition.

Cigniti acquisition to provide diversity and testing credentials.

Coforge expects the transaction will help to enter in a newer verticals, geos and ramp-up 'cross selling of AI/Automation offerings' across its customer base. We believe the transaction would drive quick scalability (for 9M in FY25) and large opportunity to upsell as at this point Cigniti offers Testing/Engg services and thus leave room for significant scope for bundling of full stack offerings with Cigniti.

Q4FY24 Result (Rs Mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)
Revenue	23,585	21,700	8.7	23,233	1.5
Total Expense	19,334	18,427	4.9	19,221	0.6
EBITDA	4,251	3,273	29.9	4,012	6.0
Depreciation	846	717	18.0	811	4.3
EBIT	3,405	2,556	33.2	3,201	6.4
Other Income	(452)	(487)	(7.2)	(257)	75.9
Interest	0	0		0	
EBT	2,857	1,546	84.8	2,944	(3.0)
Tax	564	379	48.8	516	9.3
RPAT	2,238	1,148	94.9	2,380	(6.0)
APAT	2,334	1,671	39.7	2,380	(1.9)
			(bps)		(bps)
Gross Margin (%)	33.1	29.6	352	32.4	75
EBITDA Margin (%)	18.0	15.1	294	17.3	76
NPM (%)	9.5	5.3	420	10.2	(75)
Tax Rate (%)	19.7	24.5	(477)	17.5	221
EBIT Margin (%)	14.4	11.8	266	13.8	66

CMP	Rs 4,986		
Target / Upside	Rs 5,250 / 5%		
NIFTY	22,648		
Scrip Details			
Equity / FV	Rs 660mn / Rs 10		
Market Cap	Rs 311bn		
	USD 3.8bn		
52-week High/Low	Rs 6,847 / 4,056		
Avg. Volume (no)	381,540		
Bloom Code	COFORGE IN		
Price Performance			
1M	3M	12M	
Absolute (%)	(12)	(22)	22
Rel to NIFTY (%)	(13)	(26)	(9)

Shareholding Pattern

	Sep'23	Dec'23	Mar'24
Promoters	0.0	0.0	0.0
MF/Banks/FIs	54.3	55.0	54.3
FIs	34.4	34.0	35.0
Public / Others	11.4	10.9	10.7

Valuation (x)

	FY24A	FY25E	FY26E
P/E	38.0	30.5	25.6
EV/EBITDA	20.9	14.9	12.4
ROE (%)	24.4	21.8	20.5
RoACE (%)	24.7	23.1	20.9

Estimates (Rs bn)

	FY24A	FY25E	FY26E
Revenue	91.8	119.0	137.6
EBITDA	14.9	20.4	23.7
PAT	8.2	10.8	13.5
EPS (Rs.)	131.2	163.3	194.6

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Exhibit 1: Quarterly performance versus estimates

Particulars (Rs mn)	Actual	Estimates		% Variation		Comment
		Dolat	Consensus	Dolat	Consensus	
USD Revenue	286.8	289.3	287	(0.9)	0.1	Rev. missed, led by decline in others vertical.
INR Revenue	23,585	24,043	23,848	(1.9)	(1.1)	
EBIT	3,405	3,703	3,722	(8.0)	(8.5)	OPM missed, due to higher ESOP costs
EBIT, margin	14.4	15.4	15.6	(100 bps)	(120 bps)	
PAT	2,238	2,678	2,668	(16.4)	(16.1)	PAT miss expanded, due to one-offs.

Source: Company, DART

Change in Estimates

For FY25E/FY26E - We revise our revenue growth estimates by 15%/18% led by integration of Cigniti financials for 9M/12M for FY25/FY26e respectively (like for like basis the revenue CAGR is about 8%, down from 11% CAGR). We also expect that gains coming from scale as well as integration will be largely negated by amortization charges. Thus, we downward revise our EPS estimates by 5%/3%.

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	1,240	1,422	14.7	1,383	1,628	17.7
YoY growth,	15.6	11.7	10.6	27.1	1655 bps	11.5	14.5	296 bps
INR Revenue	80,146	91,790	1,03,698	1,18,952	14.7	1,16,840	1,37,572	17.7
YoY growth,	24.6	14.5	12.4	29.6	1724 bps	12.7	15.7	298 bps
EBIT	10,665	11,702	14,767	15,527	5.1	17,000	18,175	6.9
EBIT Margin,	13.3	12.7	14.2	13.1	(119 bps)	14.5	13.2	(134 bps)
Net Profit	6,938	8,177	10,732	10,778	0.4	12,520	13,534	8.1
EPS (Rs)	111.5	131.2	171.6	163.3	(4.8)	200.2	194.6	(2.8)

Source: DART, Company

What to expect next Quarter

We have factored in revenue growth of 2.5% QoQ in CC for Q1FY25, led by ramp-up of strong deal wins. Adj. EBITDA margin to decline by 107bps to 17.9%, while OPM is expected to contract by 144bps due to wage hike impact.

Exhibit 3: What to expect next Quarter

(Rs Mn)	Q1FY25E	Q4FY24	QoQ (%)	Q1FY24	YoY (%)
USD Revenue	294.0	286.8	271.8	2.5	8.2
INR Revenue	24,546	23,585	22,210	4.1	10.5
EBIT	3,191	3,405	2,394	-6.3	33.3
PAT	2,142	2,238	1,653	-4.3	29.6
EPS (Rs. Abs)	34.4	35.9	26.5	-4.3	29.4
EBIT Margin (%)	13.0	14.4	10.8	-144 bps	222 bps

Source: DART, Company

Valuation

Management remained confident of growth momentum backed by two large deal wins in BFS, and Insurance and continued focus on execution. However, the company sees an uncertain environment, which means that growth acceleration would be tough. We currently value COFORGE at 27x on FY26E Earnings of Rs.195 with TP of Rs. 5,250 per share and upgrade to 'Reduce' rating.

Exhibit 4: Key Assumptions in our estimates

Assumptions Table	FY22A	FY23A	FY24A	FY25E	FY26E
CC Revenue growth (%)	37.9	22.2	13.2	27.5	14.5
USD Revenue growth (%)	38.0	15.6	11.7	27.1	14.5
USD/INR	74.2	80.0	82.1	83.6	84.5
INR Revenue growth (%)	37.9	24.6	14.5	29.6	15.7
EBIT Margins (%)	13.8	13.3	12.7	13.1	13.2
EPS growth (%)	44.6	4.6	17.6	24.5	19.1

Source: Company, DART

Exhibit 5: Key Revenue Matrix

YoY Growth	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
CC Growth	37.0	24.3	22.8	21.1	20.7	18.4	14.1	12.0	9.0
USD Growth	35.0	19.5	16.0	13.6	13.8	13.9	12.6	12.0	8.5
INR Growth	38.2	25.2	24.9	24.0	24.5	21.4	16.2	13.0	8.7

Source: Company, DART.

Exhibit 6: Quarterly and YTD Trend

Particulars (Rs mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (%)	QoQ (%)	FY23	FY24	YoY (%)
USD Revenue	264.4	271.8	278.1	282.0	286.8	8.5	1.7	1,001.7	1,118.7	11.7
INR Revenue	21,700	22,210	22,762	23,233	23,585	8.7	1.5	80,146	91,790	14.5
Operating Expense	18,427	19,059	19,288	19,221	19,334	4.9	0.6	66,896	76,902	15.0
Cost of revenues	15,277	15,795	15,897	15,713	15,773	3.2	0.4	55,449	63,178	13.9
as % of sales	70.4	71.1	69.8	67.6	66.9	(352 bps)	(75 bps)	69.2	68.8	(36 bps)
SG&A expenses	3,150	3,264	3,392	3,508	3,561	13.0	1.5	11,447	13,725	19.9
as % of sales	14.5	14.7	14.9	15.1	15.1	58 bps	0 bps	14.3	15.0	67 bps
EBITDA	3,273	3,151	3,474	4,012	4,251	29.9	6.0	13,250	14,888	12.4
Depreciation	717	757	772	811	846	18.0	4.3	2,585	3,186	23.2
EBIT	2,556	2,394	2,702	3,201	3,405	33.2	6.4	10,665	11,702	9.7
Other Income	(487)	(152)	(295)	(257)	(452)	(7.2)	75.9	(630)	(1,156)	83.5
PBT	1,546	2,242	2,407	2,944	2,857	84.8	(3.0)	9,512	10,450	9.9
Total Tax	379	485	528	516	564	48.8	9.3	2,061	2,093	1.6
PAT before MI	1,167	1,757	1,879	2,428	2,293	96.5	(5.6)	7,451	8,357	12.2
Minority Interest	19	104	69	48	55	189.5	14.6	513	276	(46.2)
PAT after MI	1,148	1,653	1,810	2,380	2,238	94.9	(6.0)	6,938	8,081	16.5
Reported EPS	18.5	26.5	29.0	38.1	35.9	94.6	(5.7)	111.7	129.5	15.9
Margins (%)						(bps)	(bps)			(bps)
EBITDA	15.1	14.2	15.3	17.3	18.0	294 bps	76 bps	16.5	16.2	(31 bps)
EBIT	11.8	10.8	11.9	13.8	14.4	266 bps	66 bps	13.3	12.7	(56 bps)
PBT	7.1	10.1	10.6	12.7	12.1	499 bps	(56 bps)	11.9	11.4	(48 bps)
PAT	5.3	7.4	8.0	10.2	9.5	420 bps	(75 bps)	8.7	8.8	15 bps
Effective Tax rate	24.5	21.6	21.9	17.5	19.7	(477 bps)	221 bps	21.7	20.0	(164 bps)

Source: Company, DART.

Earnings call KTDs

- **Revenue** grew by 1.9% QoQ in CC terms in Q4FY24 led by strong execution in BFS vertical (up 6.5% QoQ).
- **Margin Commentary:** Adj. EBITDA (before ESOP) margin expanded by 102bps QoQ at 19%, but was up by 76bps QoQ on a reported basis to 18% as it saw flat QoQ growth in Direct expenses despite growing ESOP costs (up 41% QoQ). At an operating level, SG&A expenses were up 1.5% QoQ, at 15.1% of Sales. Coforge continues to invest heavily to enhance sales solutioning and sustain growth trajectory. Investments in scaling up alliances, advisory and analyst channels continues. Other expenses increased significantly (by 4.1% QoQ).
- **ESOP:** These costs increased 32% YoY to Rs. 222mn. New ESOP scheme implemented, and mgmt. expects to see 50-60bps higher esop costs (as % of revenue) in FY25 vs FY24, while tailwind of 70-100bps expected in FY26.
- **Vertical Commentary:** Vertical-wise growth was led by Banking and Financial Services (34%), reporting 6.5% QoQ growth, Travel vertical (18% of Rev) grew by 0.7% QoQ and Insurance vertical (22%) remained flat sequentially, while Other Verticals (27%) declined 1.8% QoQ.
- **Deals TCV:** Coforge saw TCV win \$774mn (includes 2 large deals). Out of 2 deals, 1 is from Banking (\$400mn+ deal with tenure of 6 yrs) while one is from Insurance (100% net new) worth \$55mn for 3 yrs tenure (\$17mn ACV for FY25). 12M executable order book stood at \$1bn, a 17% growth on YoY basis.
- **Outlook:** Coforge has refrained from giving revenue guidance due to a lot of uncertainties but expects Adj. EBITDA margin expansion of ~100bps led by higher offshoring and higher ESOPs. Coforge is expected to give a normal salary hike in FY25 (effective Q1) which may impact margins in the near term.
- **PAT:** The company reported PAT of Rs. 2.2bn (down 6% QoQ) mainly on account of an exceptional one-off item of Rs. 96mn related to provision on account of expenses incurred on ADR listing. Adj. PAT stood at Rs. 2.3bn (down 2.8% QoQ).
- **Hiring:** Headcount stood at 24.7K, up by 119 QoQ. Utilization expanded by 230bps QoQ to 81.7% while Attrition declined further by 60bps to 11.5%.
- **Dividend:** Announced DPS of Rs. 19 per share.
- **Debt:** Raised \$250mn debt for immediate funding and would be paid back post QIP.
- **Acquisition:** Coforge has signed a definitive agreement with promoters and select public shareholders of Cigniti Technologies Ltd. to acquire up to 54% approx. of share capital which will be funded by cash raised through QIP. Upon execution of Share Purchase Agreements, Coforge will also trigger a mandatory open offer. **Key synergies:** Mgmt. expects acquisition will help achieve \$2bn revenue run-rate along with margins improvement of 150-250bps by FY27. **Key rationale:** **1) Scale -up new verticals:** Acquisition will help create 3 new verticals scaled up verticals i.e. Retail (\$100mn+ rev), Healthcare (\$50mn+) and Technology (\$50mn+), **2) Expand to newer geographies:** Acquisition will help Coforge realize its objective of scaling up its presence across South-West, Mid-West and Western US markets as it is currently present in Eastern US markets and **3) Scale up AI led services:** The support provided will enable Coforge to capitalize on the considerable potential brought about by the expansion of AI for specialized Assurance Services. This acquisition will bring in 28 new Fortune 500 companies to its customer roster, allowing for the expansion of relationships by cross-selling additional services.
- **About Cigniti Tech:** Cigniti Technologies is a global leader in providing AI-driven, IP-led strategic digital assurance, software quality engineering, software testing, automation, and consulting services. The AI-led digital engineering services of Cigniti covers Data engineering services, Software product and Digital platform engineering, AI, and ML engineering services and Blockchain development. It reported revenue of \$219mn with OPM of 11% for FY24. It has grown its revenue at a CAGR of 13%+ (over FY19-24).

Exhibit 7: Vertical Trend for Q4FY24

Vertical	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Transportation	50	18	0.7	1.5	0.4	8
BFS	97	34	6.5	17.9	5.9	125
Insurance	62	22	(0.1)	5.5	(0.1)	(2)
Others	78	27	(1.8)	5.0	(1.5)	(31)
Total	287	100	1.7	8.5	4.7	100

Source: Company, DART

Exhibit 8: Geography Trend for Q4FY24

Geography	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
America	137	48	4.1	7.1	5.4	112
EMEA	115	40	2.0	9.8	2.2	46
Rest of World	35	12	(7.4)	9.4	(2.8)	(58)
Total	287	100	1.7	8.5	4.8	100

Source: Company, DART

Exhibit 9: Client Growth Trend for Q4FY24

Client	Amount (\$ mn)	Mix (%)	QoQ (%)	YoY (%)	Incremental Revenue (\$ mn)	% Contribution of Incremental Revenue
Top 5	66	23	3.0	8.5	2.0	41
Top 6 - 10	33	11	(0.1)	(1.1)	(0.0)	0
Top 10	24	8	(4.1)	48.2	(1.0)	(21)
Non-Top 10	165	57	2.4	6.4	3.9	81
Total	287	100	1.7	8.5	4.8	100

Source: Company, DART

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

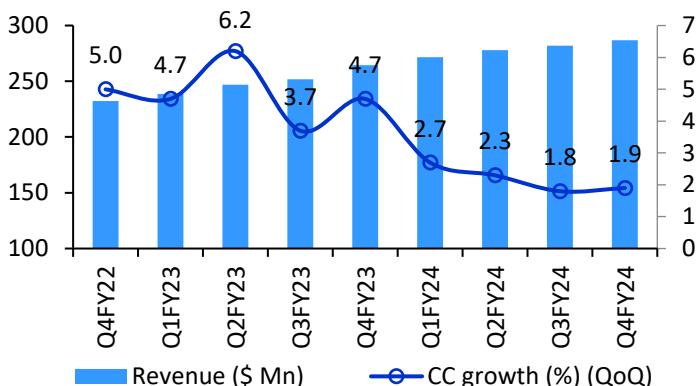
P&L (Rs. mn)	FY23			FY24			Growth YoY (%)		
	Cigniti Tech	Coforge	Combined	Cigniti Tech	Coforge	Combined	Cigniti Tech	Coforge	Combined
Revenue	16,476	80,146	96,622	18,150	91,790	1,09,940	10.2	14.5	13.8
Total operating Exp.	14,099	67,339	81,438	15,933	77,513	93,446	13.0	15.1	14.7
EBITDA	2,377	12,807	15,184	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, DART, *Note: FY24 Cigniti PAT includes Rs. 203mn as one-time service rewards on completion of 25 yrs.

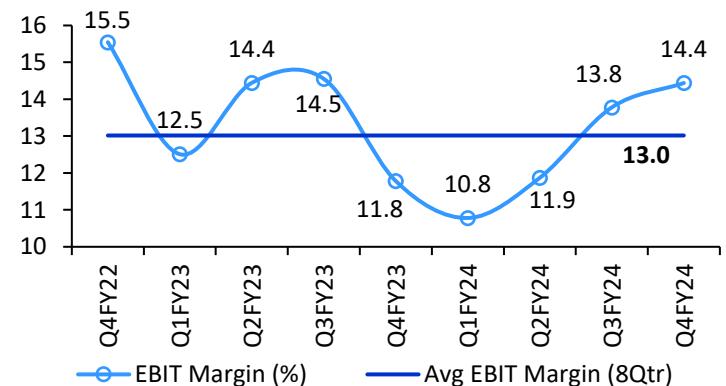
Exhibit 11: Proforma Balance Sheet (Combined)

Balance Sheet (Rs. mn)	FY23			FY24		
	Cigniti	Coforge	Combined	Cigniti	Coforge	Combined
Assets						
Non Current Assets	1,685	30,770	32,455	1,428	35,052	36,480
Current Assets	6,775	26,064	32,839	8,631	26,025	34,656
Total Assets	8,460	56,834	65,294	10,059	61,077	71,136
Equity & Liabilities						
Share Capital	273	611	884	273	618	891
Other Equity	5,621	30,214	35,835	7,108	35,648	42,756
Total Equity	5,893	31,699	37,592	7,381	37,269	44,650
Total Non-current Liabilities	360	7,742	8,102	327	8,493	8,820
Current Liabilities	2,206	17,393	19,599	2,351	15,315	17,666
Total Liabilities	2,567	25,135	27,702	2,678	23,808	26,486
Total Equity & Liabilities	8,460	56,834	65,294	10,059	61,077	71,136

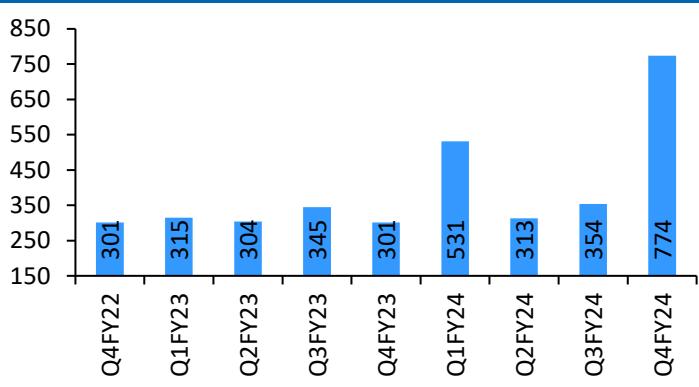
Source: Company, DART

Story in Charts
Exhibit 12: Rev. grew 1.9% QoQ in CC terms


Source: Company, DART

Exhibit 13: OPM expanded by 60bps on QoQ Basis


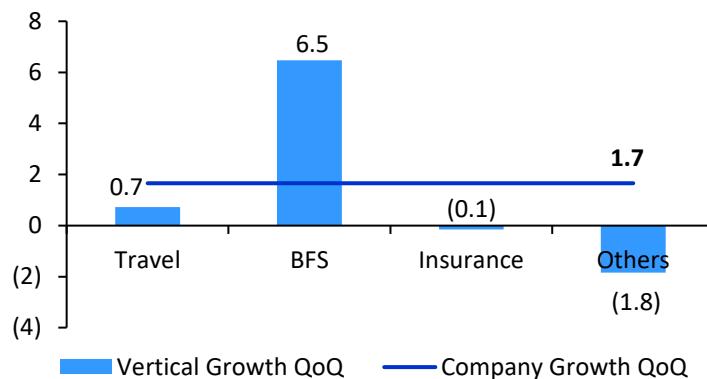
Source: Company, DART

Exhibit 14: Q4 had Record Deal wins (\$774mn)


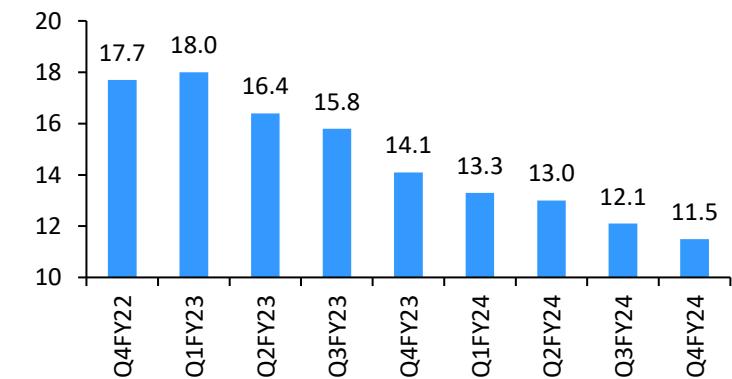
Source: Company, DART

Exhibit 15: 12m Order Book rose to \$1bn (up 17% YoY)


Source: Company, DART

Exhibit 16: BFS vertical outperformed


Source: Company, DART

Exhibit 17: Attrition (%) declined by 60bps QoQ


Source: Company, DART

Exhibit 18: Coforge is currently trading between -1 and Median Std deviation.


Source: Company, DART

Exhibit 19: Operating Metrics 1

Operating Metrics	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
\$ Revenue	232.4	238.7	246.9	251.7	264.4	271.8	278.1	282.0	286.8
CC growth (%) (YoY)	37.0	22.1	22.8	21.1	20.7	18.4	14.1	12.0	9.0
CC growth (%) (QoQ)	5.0	2.8	6.2	3.7	4.7	2.7	2.3	1.8	1.9
Geographical Amount									
America	116.2	122.7	126.8	122.3	127.7	135.1	137.4	131.4	136.8
EMEA	92.7	88.1	95.2	100.1	104.7	104.9	107.9	112.8	115.0
Rest of World	24.0	28.3	25.2	26.1	32.0	31.8	32.8	37.8	35.0
Geographical YoY Growth									
America	45.2	19.1	14.3	3.6	10.1	10.1	8.4	7.5	7.1
EMEA	35.7	25.1	38.0	34.2	13.2	19.0	13.4	12.6	9.8
Rest of World	(1.3)	8.4	(22.5)	(9.4)	33.7	12.2	30.2	44.8	9.4
Vertical Amount									
Transportation	46.8	46.4	47.7	48.0	49.7	50.3	51.4	50.1	50.5
BFS	64.5	70.6	78.3	77.3	82.0	84.5	87.9	90.8	96.7
Insurance	59.8	55.3	57.3	55.0	58.7	61.4	62.9	62.0	61.9
Others	61.7	67.0	63.8	68.2	74.0	75.6	75.9	79.2	77.7
Vertical YoY Growth									
Transportation	43.6	23.0	20.7	18.2	6.4	8.4	7.9	4.5	1.5
BFS	122.7	67.6	53.1	22.8	27.3	19.8	12.2	17.5	17.9
Insurance	11.3	(10.1)	(7.5)	(10.8)	(1.7)	11.2	9.6	12.9	5.5
Others	8.1	14.9	6.8	21.1	20.2	12.8	19.1	16.2	5.0
Order Data (\$ mn)									
America	158	123	141	208	130	155	118	110	627
EMEA	104	151	134	113	113	346	138	172	102
Rest of World	40	41	29	24	58	30	57	72	46
Order In-Take Total	301	315	304	345	301	531	313	354	774
Order Book (12M)	720	745	802	841	869	897	935	974	1,019
Growth YoY (%)	38.5	15.5	16.6	20.0	20.7	20.4	16.6	15.8	17.3
Revenue Coverage (%)	83.1	82.3	85.4	86.7	86.8	86.7	87.7	88.8	91.1
Revenue Area Mix									
Off-Shore	47.0	50.0	50.0	50.0	50.0	51.0	52.0	52.2	52.5
On-Shore	53.0	50.0	50.0	50.0	50.0	49.0	48.0	47.8	47.5
Project Type Mix									
Fixed Project	53.1	51.9	49.8	50.4	50.2	48.9	49.3	51.0	51.5
T&M	46.9	48.1	50.2	49.6	49.8	51.1	50.7	49.0	48.5
Top Client Amount									
Top 5	53.8	54.8	57.1	59.4	60.8	68.2	65.4	64.0	66.0
Top 6 - 10 Client	27.7	30.1	31.4	30.8	33.1	34.2	32.5	32.7	32.7
Top 10 client	81.5	84.9	88.5	90.2	93.9	102.5	97.9	96.7	23.5
Non Top 10 Client	151.3	154.3	158.7	158.3	170.5	169.3	180.2	185.3	164.6
Top Client YoY Growth									
Top 5	22.8	11.6	19.5	6.4	13.3	24.5	14.5	7.8	8.5
Top 6 - 10 Client	44.8	33.6	40.7	27.6	19.5	13.6	3.7	6.2	(1.1)
Top 10 client	29.5	18.5	26.2	12.8	15.2	20.7	10.6	7.2	48.2
Non Top 10 Client	38.3	20.6	11.5	11.9	12.7	9.8	13.6	17.0	6.4

Source: Company, DART

Exhibit 20: Operating Metrics 2

Particulars	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Total Employees	22,144	22,742	22,991	22,505	23,224	24,224	24,638	24,607	24,726
Breakup									
India - Billable	3,360	N.A							
Outside India - Billable	17,578	N.A							
Sales and Marketing	278	285	291	317	350	363	360	368	388
Others	928	963	1,008	1,035	1,059	1,099	1,147	1,132	1,095
Utilization (%)	76.1	76.2	77.3	80.3	81.5	81.0	80.0	79.4	81.7
Attrition (%)	17.7	18.0	16.4	15.8	14.1	13.3	13.0	12.1	11.5
DSO	63	72	70	73	61	61	64	63	56
Client Bucket Data									
\$1mn Bucket	NA								
\$1-5mn Bucket	100	98	97	98	101	102	104	109	112
\$5-10mn Bucket	19	24	26	23	23	24	23	23	24
above \$10mn Bucket	18	19	19	21	21	21	23	24	24
New / Old Revenue									
Repeat Biz	215	230	232	231	242	260	264	262	264
New Biz	17	9	15	21	22	12	14	20	23
New / Old Revenue Growth									
Repeat Biz YoY	45.3	19.8	17.6	13.4	12.0	13.0	13.8	13.5	8.9
New Biz YoY	(28.8)	12.0	(4.5)	15.4	38.1	35.1	(5.5)	(4.4)	3.3
Practice Mix (\$ mn)									
Product Engineering	24.8	25.1	26.0	24.6	25.0	25.4	24.5	21.8	22.2
Data & Integration	51.0	55.7	57.1	59.4	62.2	64.9	67.4	71.7	71.6
Intelligent Automation	29.4	30.1	31.1	29.3	29.2	31.1	33.3	31.5	31.8
CIMS	41.9	43.5	43.3	46.2	50.1	54.1	50.9	52.7	54.2
ADM	58.6	57.9	63.8	66.3	73.0	69.2	73.2	75.6	77.5
BPM	25.9	26.6	25.7	22.6	23.7	25.7	26.2	25.7	26.7

Source: Company, DART

Financial Performance

Profit and Loss Account

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Revenue	80,146	91,790	118,952	137,572
Total Expense	66,896	76,902	98,601	113,826
COGS	55,449	63,178	80,438	92,781
Employees Cost	0	0	0	0
Other expenses	11,447	13,725	18,163	21,045
EBIDTA	13,250	14,888	20,351	23,745
Depreciation	2,585	3,186	4,824	5,570
EBIT	10,665	11,702	15,527	18,175
Interest	0	0	0	0
Other Income	(630)	(1,156)	(735)	(170)
Exc. / E.O. items	(523)	0	0	0
EBT	9,512	10,546	14,792	18,005
Tax	2,061	2,093	3,254	3,961
RPAT	6,938	8,177	10,778	13,534
Minority Interest	513	276	760	510
Adjustments	0	0	0	0
APAT	7,461	8,177	10,778	13,534

Balance Sheet

(Rs Mn)	FY23A	FY24A	FY25E	FY26E
Sources of Funds				
Equity Capital	611	618	660	696
Minority Interest	874	1,003	1,763	2,273
Reserves & Surplus	30,214	35,648	61,791	68,786
Net Worth	30,825	36,266	62,451	69,482
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	63,503	71,009

Applications of Funds

Net Block	20,754	20,603	36,779	34,408
CWIP	46	232	232	232
Investments	0	0	32	47
Current Assets, Loans & Advances	32,277	34,659	48,345	59,942
Inventories	0	0	0	0
Receivables	17,903	19,503	24,277	27,094
Cash and Bank Balances	5,787	3,352	11,822	20,250
Loans and Advances	0	0	0	0
Other Current Assets	8,587	11,804	12,246	12,598
Less: Current Liabilities & Provisions	21,170	18,976	21,886	23,621
Payables	6,813	8,689	10,257	11,283
Other Current Liabilities	14,357	10,287	11,629	12,337
<i>sub total</i>				
Net Current Assets	11,107	15,683	26,460	36,321
Total Assets	31,907	36,518	63,503	71,009

E – Estimates

Important Ratios

Particulars	FY23A	FY24A	FY25E	FY26E
(A) Margins (%)				
Gross Profit Margin	30.8	31.2	32.4	32.6
EBIDTA Margin	16.5	16.2	17.1	17.3
EBIT Margin	13.3	12.7	13.1	13.2
Tax rate	21.7	19.8	22.0	22.0
Net Profit Margin	8.7	8.9	9.1	9.8
(B) As Percentage of Net Sales (%)				
COGS	69.2	68.8	67.6	67.4
Employee	0.0	0.0	0.0	0.0
Other	14.3	15.0	15.3	15.3
(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	74	72
Average Cost of Debt	0.0	0.0	0.0	0.0
Payable days	31	35	31	30
Working Capital days	51	62	81	96
FA T/O	3.9	4.5	3.2	4.0
(D) Measures of Investment				
AEPS (Rs)	119.9	131.2	163.3	194.6
CEPS (Rs)	161.5	182.3	236.4	274.7
DPS (Rs)	62.8	75.3	84.0	94.0
Dividend Payout (%)	52.4	57.4	51.4	48.3
BVPS (Rs)	495.4	581.7	946.3	998.9
RoANW (%)	23.9	24.4	21.8	20.5
RoACE (%)	25.8	24.7	23.1	20.9
RoAIC (%)	41.4	39.5	36.6	35.5
(E) Valuation Ratios				
CMP (Rs)	4986	4986	4986	4986
P/E	41.6	38.0	30.5	25.6
Mcap (Rs Mn)	310,808	310,808	310,808	310,808
MCap/ Sales	3.9	3.4	2.6	2.3
EV	308,403	311,822	303,502	295,224
EV/Sales	3.8	3.4	2.6	2.1
EV/EBITDA	23.3	20.9	14.9	12.4
P/BV	10.1	8.6	5.3	5.0
Dividend Yield (%)	1.3	1.5	1.7	1.9
(F) Growth Rate (%)				
Revenue	24.6	14.5	29.6	15.7
EBITDA	18.8	12.4	36.7	16.7
EBIT	20.1	9.7	32.7	17.1
PBT	10.4	10.9	40.3	21.7
APAT	12.8	9.6	31.8	25.6
EPS	12.5	9.4	24.5	19.1

E – Estimates

Cash Flow

Particulars	FY23A	FY24A	FY25E	FY26E
Profit before tax	9,512	10,449	14,792	18,005
Depreciation & w.o.	2,585	3,186	4,824	5,570
Net Interest Exp	0	0	735	170
Direct taxes paid	(2,800)	(3,661)	(3,254)	(3,961)
Change in Working Capital	(1,027)	(2,800)	(2,603)	(1,670)
Non Cash	1,235	1,860	0	0
(A) CF from Operating Activities	9,505	9,034	14,494	18,114
Capex {(Inc.)/ Dec. in Fixed Assets n WIP}	(2,759)	(2,598)	(21,000)	(3,200)
Free Cash Flow	6,746	6,436	(6,506)	14,914
(Inc.)/ Dec. in Investments	0	0	(32)	(15)
Other	43	120	(735)	(170)
(B) CF from Investing Activities	(2,716)	(2,478)	(21,767)	(3,385)
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)	(6,538)
Other	(1,135)	(5,063)	0	0
(C) CF from Financing	(5,582)	(8,870)	15,557	(6,353)
Net Change in Cash	1,231	(2,486)	8,283	8,377
Opening Cash balances	4,468	5,699	3,213	11,496
Closing Cash balances	5,699	3,213	11,496	19,873

E – Estimates

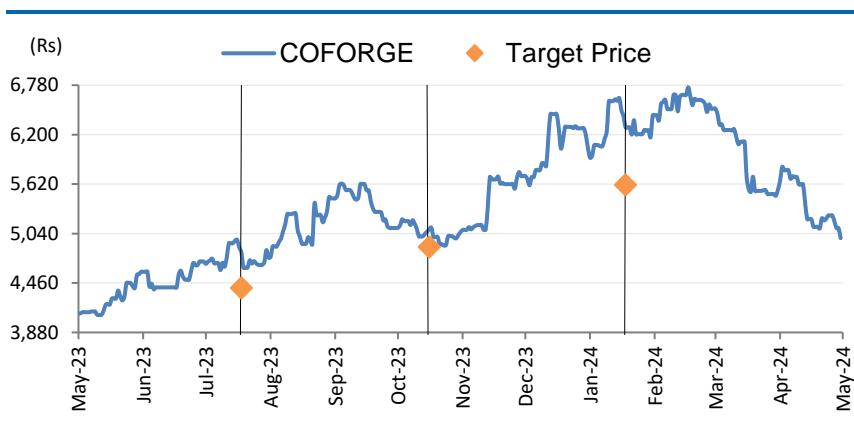
Notes

DART RATING MATRIX

Total Return Expectation (12 Months)

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

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Jul-23	Sell	4,400	4,819
Oct-23	Sell	4,880	5,092
Jan-24	Sell	5,610	6,283

*Price as on recommendation date

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