

# Research Report

**Coforge Limited**

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# About

Coforge is an IT services company providing end-to-end software solutions and services. .

It is among the top-20 Indian software exporters. Prominent global customers include British Airways, the ING group, SEI Investments, Sabre, and SITA. Over the years, Coforge has set up subsidiaries in the US, Singapore, Australia, UK, Germany and Thailand, mainly to market and mobilise projects for the software division. The company has business partnerships with large IT companies across the world.

## Product Mix

The company provides solutions in

- Product engineering,
- Digital solutions,
- Data analytics,
- Artificial intelligence/machine learning (AI/ML),
- Cloud,
- Business process re-engineering,
- Digital process automation
- Low Code/No Code platforms.

## Synopsis of Financials

- **Sequential CC growth of 8.4% and Y-O-Y CC growth of 40.3%.**
- **Cigniti business grew 3.5% CC sequentially, non-Cigniti business grew 9.4% CC sequentially.**
- **Adjusted EBITDA increased by 122 bps sequentially despite revenue growth of 8.4%.**
- **BFS grew 20.4% Y-O-Y despite furloughs; Insurance grew 20.3% Y-O-Y; Travel grew 43.4% Y-O-Y; Government outside India grew 48% Y-O-Y.**

Source: Company Annual Report

## Stock data (as 4th February 2025)

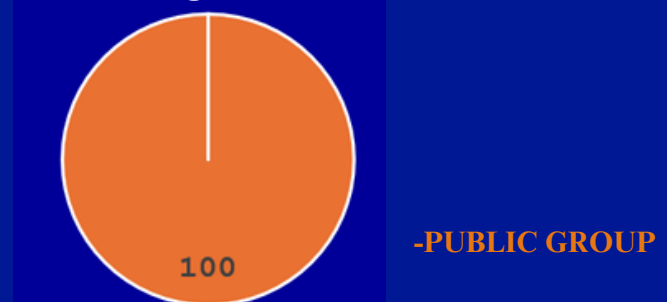
Nifty Price	: 23,603.35
52 week High (in Rs.)	: 10,027
52 week Low (in Rs.)	: 4,287
Market Cap. (in Crore)	: 56,962
NSE Code	: <u>COFORGE</u>

### Stock data



-NIFTY50  
-Cipla Limited

## Shareholding Pattern (December 2024)



## Financial Summary

Particulars	March 2022	March 2023	March 2024
Sales	6,432	8,015	9,179
Sales Growth %	37.94%	24.61%	14.53%
Expenses	5,330	6,733	7,751
Operating Profit	1,102	1,282	1,428
OPM %	17%	16%	16%
Net Profit	715	745	836
EPS in Rs	108.65	113.58	130.7

# Quarterly Results



Particular	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Sales	2,221	2,276	2,323	2,358	2,401	3,062	3,318
Expenses	1,915	1,935	1,928	1,973	2,108	2,650	2,875
Operating Profit	306	341	395	386	293	412	443
OPM %	14%	15%	17%	16%	12%	13%	13%
Other Income	16	9	15	22	25	56	60
Interest	22	32	35	37	32	30	32
Depreciation	76	77	81	85	82	124	127
Profit before tax	224	241	294	286	205	314	343
Tax %	22%	22%	18%	20%	32%	25%	25%
Net Profit	176	188	243	229	139	234	256

Source: Screener

## Key Ratios

Key Financial Ratios	FY2023-24	FY2022-23
EBITDA Margin* (%)	16.5%	17.5%
Net Profit Margin (%) *	9.2%	10.1%
Days sales outstanding - Billed	56	61
Return on Equity (RoE)	24.2%	24.8%
Debt-Equity Ratio	0.12	0.11
Interest Service Coverage Ratio	15.19	20.19
Current Ratio	1.70	1.50

Source: Annual Report

# Yearly Results

Particulars	March 2022	March 2023	March2024
Equity Capital	61	61	62
Reserves	2,672	3,021	3,565
Borrowings	490	562	726
Other Liabilities	1,655	1,980	1,708
Total Liabilities	4,878	5,625	6,061
Fixed Assets	2,067	2,312	2,353
CWIP	17	5	23
Investments	0	0	0
Other Assets	2,794	3,309	3,685
Total Assets	4,878	5,625	6,061

# Synopsis Quarter Results

## Concall Notes - Jan-2025: Key Highlights

### Service Line Performance:\*\*

- Engineering services grew 6.3% Q-O-Q and 69.2% Y-O-Y; Intelligent automation grew 5.1% Q-O-Q; Cloud and infrastructure grew 19.4% Q-O-Q.

### Margins and Operating Profits

#### EBITDA Performance:\*\*

- Adjusted EBITDA stood at \$70.5 million, with a sequential growth of 15.4% and Y-O-Y growth of 39.3%.
- Consolidated adjusted EBITDA margin at 17.8%, up 122 bps sequentially.

#### Cigniti Margin Improvement:\*\*

- Cigniti reported an EBITDA margin of 17.3%, a significant increase from 11% just three quarters back.

### Order Intake and Growth Outlook

#### Order Intake:\*\*

- Achieved an order intake of \$501 million in Q3, maintaining over half a billion for two consecutive quarters.

### Financial Overview

#### EBIT and Cash Flow:\*\*

- EBIT margin stood at 11.8% for the quarter, with operating cash flow of \$47 million compared to \$33.5 million last year.
- Cash and bank balances at \$110 million with a net cash position of \$30 million.

### Integration and Merger Updates

#### Cigniti Integration:\*\*

- Full operational integration of Cigniti completed, with synergies exceeding expectations.

#### Amalgamation Scheme:\*\*

- Proposed scheme of amalgamation of Cigniti with Coforge to be effective from April 1, 2025.

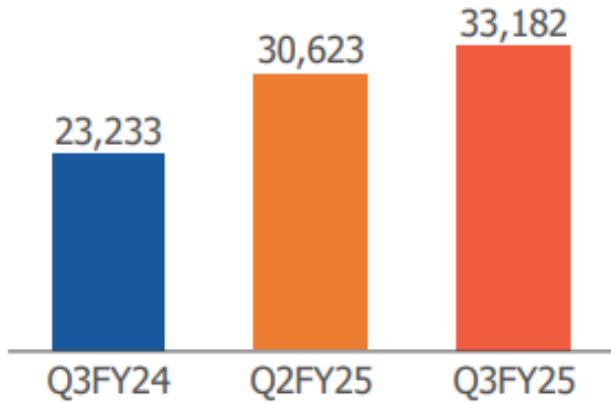
### Demand Environment Insights

#### Demand Trends:\*\*

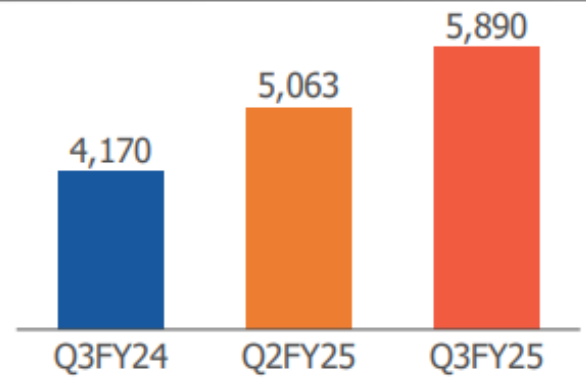
- Gradual improvement in demand across all sectors, particularly in Travel and BFS.
- Focus on operational resilience and regulatory compliance driving demand in BFS.

# Highlights

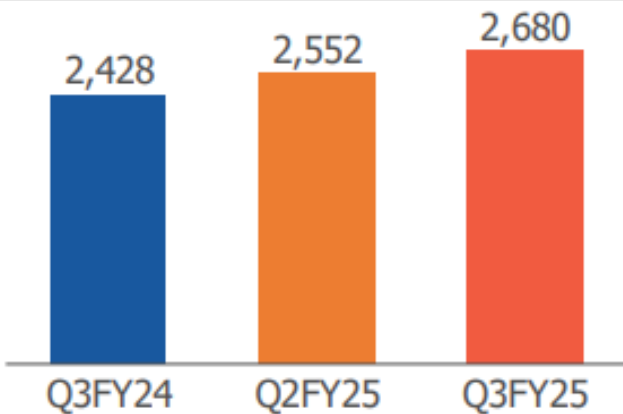
Revenue (INR Mn) 8.4% QoQ ↑ 42.8% YoY ↑



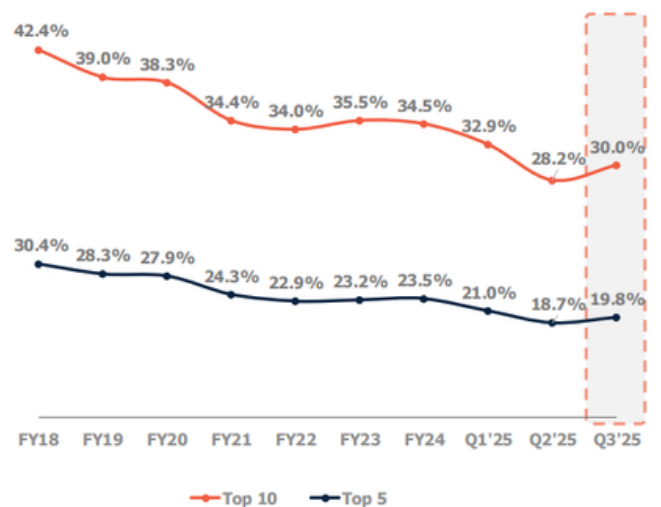
Adj. EBITDA (₹ Mn) 16.3% QoQ ↑ 41.2% YoY ↑



PAT\* (₹ Mn) 5.0% QoQ ↑ 10.3% YoY ↑



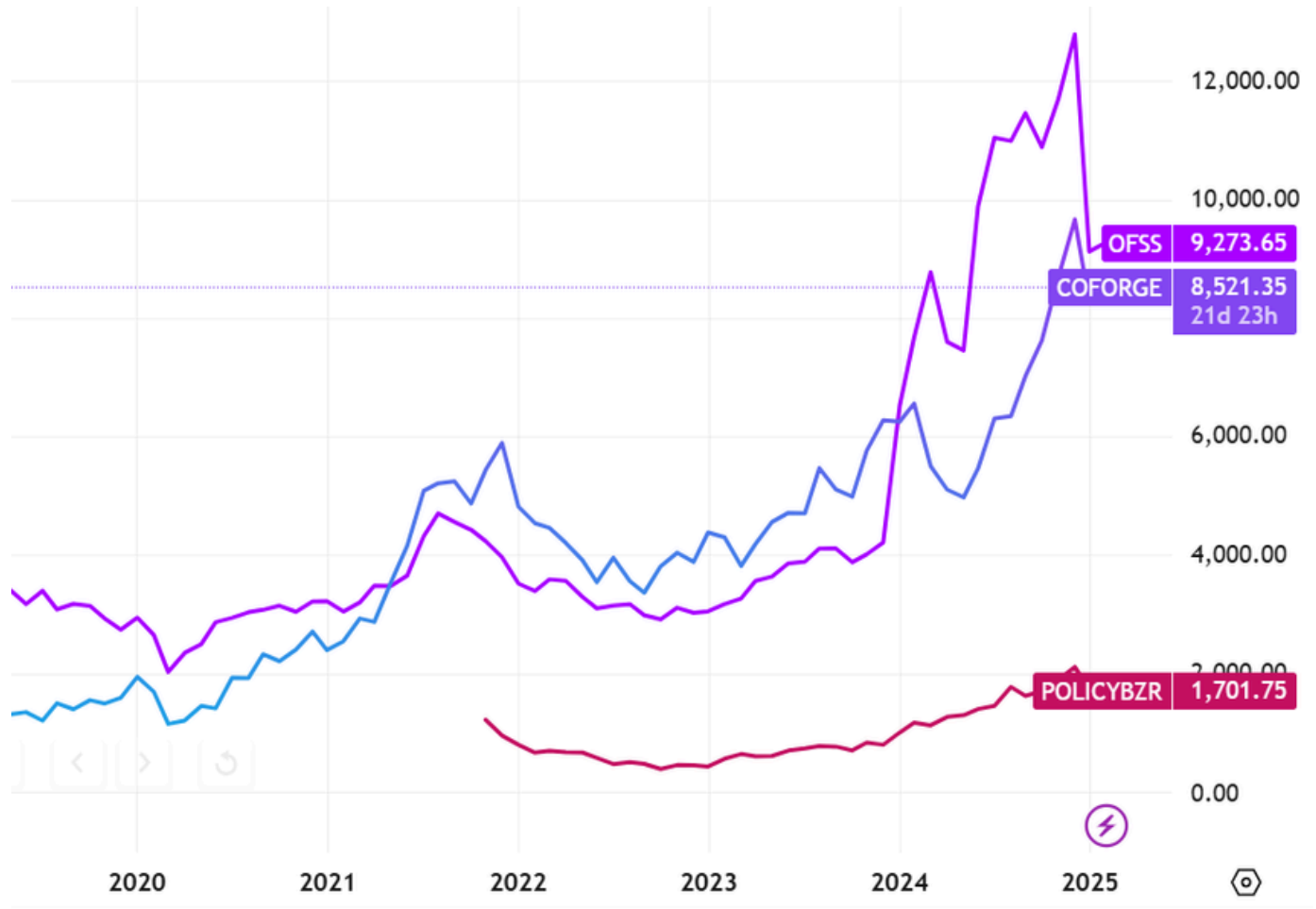
## Top Clients Revenue Contribution



# Peer Comparison



## Peer Stock Performance (5Y) Indexed



Source: Trading View

## Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Oracle Fin.Serv.	9291.85	35.14	80684.11	2.56	541.30	-26.93	1715.20	-5.94	39.54
2.	PB Fintech.	1702.20	376.56	78174.78	0.00	71.54	92.16	1291.62	48.31	1.75
3.	Coforge	8517.95	74.34	56962.11	0.89	255.90	-9.45	3318.20	42.82	28.60
4.	Tata Elxsi	6423.50	49.49	40007.94	1.09	199.01	-3.59	939.17	2.73	42.74

Source: Screener

# Final Outlook

**COFORGE: BUY | LTP: 8,518**

Revenue grew by 28% year-over-year, indicating strong topline growth. Profit before tax increased by 19%, though at a slower pace than revenue growth, likely due to higher expenses. Overall profitability looks healthy with a double-digit net profit margin.

The company has a strong asset base with investments and cash/bank balances accounting for a significant portion. Low debt levels with a debt-to-equity ratio of around 0.13, indicating a conservative capital structure. Healthy current ratio, suggesting good liquidity position.

Company has been maintaining a healthy dividend payout of 49.3%.

Overall, Coforge appears to be performing well operationally, with robust revenue growth, profitability, and a solid balance sheet. However, the stock seems undervalued compared to its peers and trading near its 52-week low.

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