



COMPANY NAME	: COFORGE
BSE Code	: 532541
Time Duration	: 1 year
CMP	: ₹3,325.35 (as on 20 May, 2021)
Target Price	: ₹4,490

Mid Bridge recommendation for the month of May 2021 is Coforge Limited. Previously known as NIIT Technologies, Coforge is a leading global IT solution organisation, enabling its clients to transform at intersect of domain expertise & emerging technologies to achieve real-world business impact. A focus on select industries and a detailed understanding of the underlying processes of those industries & partnerships with leading platforms provides the company with a distinct advantage. It leverages AI, Cloud, and insight-driven technologies, allied with industry expertise, to transform client businesses into intelligent and high-growth enterprises.

Global presence

Today, the company is present in more than 18 countries with 34 sales offices spread across these countries. The company has 17 delivery and 6 data centres. Its proprietary platforms power critical business processes across the financial services and travel industries. It has over 12,000 technology and process consultant engineers to design, consult, operate & modernise systems across the world. The company has a strategic alliance with many big brands such as SAP, IBM, Microsoft, MuleSoft, and many more. Coforge Ltd registered the highest-ever quarterly people addition in the firm's history during Q4, with a net increase of 967 people in our headcount. Attrition also remained stable at 10.5 per cent and continues to be one of the lowest across the industry.

Diversified business & clients

The company operates across various segments and has clients worldwide. It operates in insurance, travel, transportation & hospitality, healthcare, banking and other diversified business sectors. It provides a range of services right from consulting to implementing in all these sectors, which helps them attract all kinds of clients. Speaking about diversification in terms of geography, it is present in over 18 countries, divided into 3 regions mainly America, Europe, Middle East & Africa (EMEA) and the rest of the world (ROW). America contributes nearly half of the firm's revenue, followed by the EMEA region, which roughly contributes 35 per cent while ROW contributes the remaining 15 per cent. The diversification in business and geographies has contributed a lot to the growth of the company.

Financial performance

The company registered a strong set of numbers in its recent earnings in Q4FY21. The revenue was up by 13.7 per cent YoY to Rs 1,261.5 crore and by 6 per cent on a QoQ basis. It recorded an EBIT of Rs 118.9 crore, which is an increase of 17 per cent YoY. PAT also increased by 17 per cent YoY and stood at Rs 133 crore. During the fourth quarter, its largest vertical insurance grew by 4.9 per cent QoQ. This segment represented 31.2 per cent of its revenue for this quarter. The company's top 5 clients grew by 10.1 per cent QoQ while the top 10 clients grew by 13.2 per cent QoQ. The top 5 and 10 clients contributed to 25.4 per cent and 36.5 per cent of the total revenue, respectively. Overall, the company's consolidated revenue for FY21 grew by 11.5 per cent YoY to Rs 4,662.8 crore despite the COVID-19 challenges.

Strong order book

The cumulative order intake during FY21 stood at US\$ 781 million. The order book, which is to be executable over the next 12 months, has expanded and stands at US\$ 520 million. The robust intake was enabled and sustained by deal signing momentum. It signed two significant deals in Q4, both in the travel vertical. The company also added 11 new customers during the quarter. A key and welcome shift in FY21 in large deal complexion for the firm has been the increased ticket size of the large deals closed or being pursued. Accelerated growth going into FY22 shall also be driven by the fact that the firm has become empanelled as a preferred tech services partner across multiple Fortune 100 and Fortune 500 BFS as well as insurance clients.

Ratios & outlook

The company has been performing well over the past years. It has delivered sales growth of 16 per cent CAGR for the last three years. It delivered ROE of 20.4 per cent on average for the last three years. PAT margins have been sustainable around 11 per cent for the last several years. The share price of the company is currently trading at a P/E of 45.22 times. It has shown resilient performance in the last few months with good traction in new client addition and large deal wins, taking the total 12-month executable order book to record high during the fourth quarter. The

Continued On PG 2...

CONFIDENTIALITY NOTICE : Information contained in this report is intended for the subscribers of this product only. Unauthorized forwarding, printing, copying, distribution, or using the information in a searchable, machine-readable database is strictly prohibited and may be unlawful. **Disclaimer**: The recommendations are purely a view point and there is no guarantee on the returns. Hence all the clients (paid or unpaid) are requested to apply their prudence before acting on any of the recommendations. Neither DSJ Pvt Ltd nor any of its promoters, members, or employees shall be held responsible for any losses incurred (if any) by acting on the recommendations. Disclosure : Kindly refer to the detailed disclosures as per SEBI (investment advisors) regulations, 2013 placed at www.DSJ.in

DSIJ Pvt. Ltd. : Office no 211, Vascon Platinum Square, Next to Hyatt Regency, Vimanagar, Pune- 411014 | For Customer Service : 020-66663-802/803 OR service@dsj.in

Registered Office Address: 419-A, 4th Floor, Arun Chambers, Tardeo, Next to AC Market, Mumbai - 400034

CIN No. : CIN-U22120MH2003PTC139276 SEBI Research Analyst - INH00006396

DSIJ INVESTMENT ADVISORY UNIT (CRU)

company's multiple long-term contracts across verticals, strategic acquisition of SLK, and revival in travel vertical, backed by consistent large deal win despite COVID-led disruption provide clear revenue visibility. Going forward, with the acquisition of SLK, Coforge is expected to further penetrate into the banking vertical and participate in large deals. We expect SLK Global to clock both a higher rate of growth as well as register a higher EBITDA than the organic business. Apart from the business growth, the company is expected to improve its profitability margins, which will aid for increase

in profits of the company. One of the major contributors to its revenue, the contribution from the travel segment was down by 26.9 per cent in FY21 due to travel restrictions imposed because of the COVID-19 pandemic. Going forward, with the number of successful vaccines coming into the market and the upscaling of the vaccination drive, it is imperative that the travel restrictions would soon be back to normal. Owing to these reasons, we recommend a BUY call on this stock with a target price of Rs 4490.

Inc/Exp Statement (Consolidated)

Description	202103	202003	201903	201803	201703
Net Sales	4662.80	4183.90	3676.20	2991.40	2802.10
Total Income	4695.40	4251.60	3729.70	3030.50	2829.00
Total Expenditure	3883.30	3460.6	3027.70	2490.10	2322.60
PBIDT	812.10	791.00	702.00	540.40	506.40
PAT	466.00	467.60	422.1	308.70	272.10
Dividend %	0.00	310.00	--	150.00	125.00
Adj. EPS(Rs)	75.18	71.04	65.26	45.56	40.73

Quarter On Quarter (Consolidated)

Particulars	202103	202012	Q on Q Var %	202003	Y on Y Var %
Net Sales	1261.50	1190.60	5.95	1109.30	13.72
Total Expenditure	1051.70	989.00	6.34	910.90	15.46
PBIDT (Excl OI)	209.80	201.60	4.07	198.40	5.75
PAT	137.40	123.50	11.26	124.20	10.63
PBIDTM% (Excl OI)	16.63	16.93	-1.77	17.89	-7.04
PBIDTM%	17.94	17.32	3.58	19.88	-9.76
PATM%	10.89	10.37	5.01	11.20	-2.77
Adj. EPS(Rs)	21.95	20.13	9.04	18.18	20.74

Stock vs. Index



**Track calls using our new investor app

DISCLAIMER & DISCLOSURE:

This report has been prepared by DSIJ Private Limited and is meant for sole use by the recipient and not for circulation. For all content we have relied upon and assumed, without any independent verification, accuracy and completeness of all information available in public domain or from sources considered reliable. The content contains certain assumptions and views, which DSIJ considers reasonable now, and which are subject to change. Computations adopted are indicative and are based on current market prices and general market sentiment. No representation or warranty is given by DSIJ as to the achievement or reasonableness or completeness of any idea and/or assumptions. The content does not purport to contain all the information that the recipient may require. Recipients should not construe any of the contents herein as advice relating to business, financial, legal, taxation, or other matters and they are advised to consult their own business, financial, legal, taxation and other experts / advisors concerning the company regarding the appropriateness of investing in any securities or investment strategies discussed or recommended and should understand that statements regarding future prospects may not be realized. It may be noted that investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds unless they can afford to take the risk of losing their investment. Investors are advised to undertake necessary due diligence before making an investment decision. For making an investment decision, investors must rely on their own examination of the Company including the risks involved. Investors should note that income from investment in such securities, if any, may fluctuate and that each security's price or value may rise or fall. Accordingly, investors may receive back less than originally invested. Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

- Neither DSIJ nor any of its employees shall be liable for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits arising in any way from the information contained in this material. The content does not constitute an offer for sale, or an invitation to subscribe for, or purchase equity shares or other assets or securities of the company and the information contained herein shall not form the basis of any contract. It is also not meant to be or to constitute any offer for any transaction.
- DSIJ or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report.
- Subject company may have been client of DSIJ or its associates during twelve months preceding the date of publication of the research report.
- DSIJ or its associates may have received compensation from the subject company in the past twelve months.
- DSIJ or its associates have not managed or co-managed public offering of securities for the subject Company in the past twelve months.
- The Research Analysts of the company have not served as an officer, director or employee of the subject Company.
- The Research Analysts or the Company have not been engaged in market making activity for the subject Company.
- Research analyst or his/her relatives may have actual/ beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.
- DSIJ or Research analyst or his/her relatives may have financial interest in the subject company in ordinary course of business.
- DSIJ and its associate company(ies), their directors and employees may from time to time, have a long or short position in, and buy or sell the
- securities of the company(ies) mentioned herein or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

Definitions of Terms Used in the research reports:

'Subject company' means the company where a recommendation is being suggested.

- **Buy:** The intended audience is being informed that they can consider purchasing the shares of the said company
- **Sell:** The intended audience is being informed that they can consider selling the shares of the said company
- **Hold:** The intended audience is being informed that they can consider to neither purchase or sell but continue to hold, if any, the shares of the said company