

Coforge Ltd

BUY

CMP Rs3,396

Target Rs3,950

Upside 16.3%

Result Highlights

- ✓ Reported very strong revenue growth of 7.1% QoQ (up 5.1% QoQ in constant currency). In INR terms, it was up 6.0% QoQ (adversely impacted by INR appreciation during the quarter).
- ✓ The revenue growth was led by strong performance in Application Development and Management Practice. In terms of geographical split, there was some moderation in revenue growth in Americas, with slight uptick coming from EMEA.
- ✓ EBIT margin (excluding exceptional) increased by 63 bps despite higher hiring and INR appreciation in the quarter.
- ✓ Deal win continues to remain strong as new order intake grew by 7% QoQ to \$201mn. 11 new customers were added in the quarter (11 also added in Q3FY21)
- ✓ Offshore revenue mix grew by 100bps QoQ to 39%, as per current industry trend.
- ✓ Utilization grew 210 bps QoQ to 81%, with employee attrition almost flat at 10.5% for the quarter.
- ✓ DSO improved by 5 days QoQ to 70 days in Q4FY21

Our view: It delivered highest revenue growth among its peers along with sequential improvement in margin and is expected to sustain growth momentum led by robust deal pipeline. It is expected to achieve its guidance of 17% revenue growth (in cc terms) in FY22 and EBITDA margin guidance of 19%. Trades at 27.8x on FY23 earnings. Initiate coverage on the stock with BUY rating.

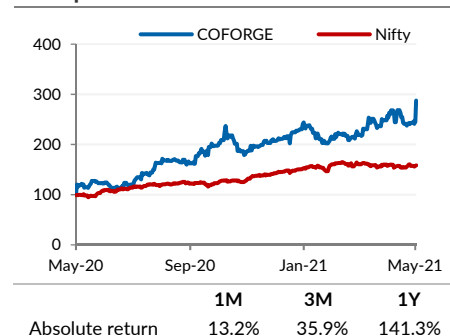
Exhibit 1: Result table

Particulars (Rs mn)	Mar-21	Mar-20	yoy %	Dec-20	qoq %
Sales (\$ mn)	172.4	154.8	11.3	160.9	7.1
Sales	12,615	11,093	13.7	11,906	6.0
EBITDA	2,168	1,971	10.0	2,009	7.9
EBITDA %	17.2	17.8	-58 bps	16.9	31 bps
Depreciation	449	433	3.7	462	-2.8
EBIT	1,719	1,538	11.8	1,547	11.1
EBIT Margin %	13.6	13.9	-24 bps	13.0	63 bps
Other income	109	180	-39.4	19	473.7
PBT	1,782	1,590	12.1	1,566	13.8
Tax	408	348	17.2	331	23.3
Reported PAT	1,374	1,242	10.6	1,235	11.3
PAT after MI	1,330	1,136	17.1	1,220	9.0
NPM (%)	10.5	10.2	30 bps	10.2	30 bps
EPS	21.9	18.7	17.1	20.1	9.0

Stock data (as on May 06, 2021)

Nifty	14,725
52 Week h/l (Rs)	3,449 / 1,226
Market cap (Rs/USD mn)	205,781 / 2,790
Outstanding Shares	61
6m Avg t/o (Rs mn)	1,212
Div yield (%)	0.4
Bloomberg code:	COFORGE IN
NSE code:	COFORGE

Stock performance



Shareholding pattern (As of Dec'20 end)

Promoter	64.0%
FII+DII	26.7%
Others	9.4%

Financial Summary

(Rs mn)	FY21	FY22E	FY23E
Net Revenue	46,628	54,975	63,316
YoY Growth	11.4%	17.9%	15.2%
EBIDTA	7,911	9,840	11,630
YoY Growth	9.9%	24.4%	18.2%
PAT	4,650	6,227	7,406
YoY Growth	3.1%	33.9%	18.9%
ROE	18.5%	22.1%	22.7%
EPS	77	103	122
P/E	44.3	33.1	27.8
BV	433	495	577
P/BV	7.9	6.9	5.9

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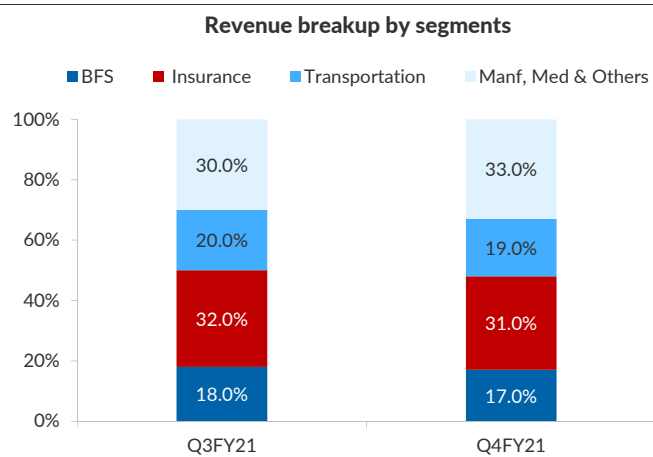
CON-CALL HIGHLIGHTS

- ✓ Expects travel to be one of the fastest growing segments going ahead.
- ✓ The company has guided for at least 17% cc revenue growth for FY22 with EBITDA margin guidance of 19%.
- ✓ Salary hike for employees is already in effect from 1st April, not much material impact on margin is expected
- ✓ Overall pricing environment is stable as demand continues to be robust.
- ✓ It is in the process of increasing head count by 20% during Jan 01, 2021 to May 31, 2021 to equip itself to cater to demand environment.
- ✓ Has decided to provide more colour into vertical wise revenue data from Q1FY22.

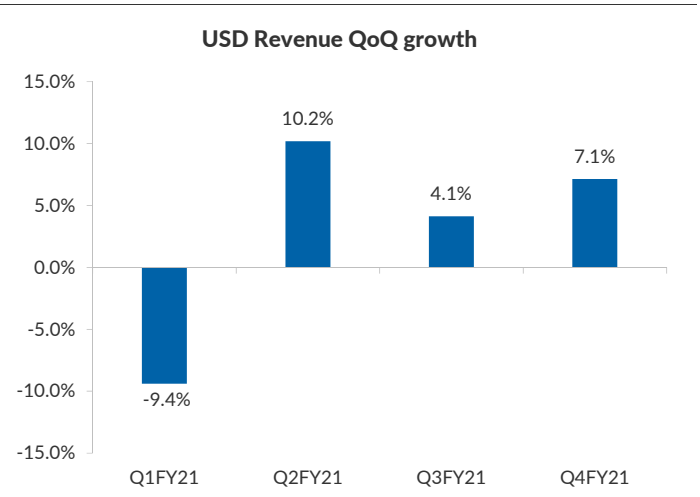
CHARTS

Exhibit 2: Growth in the quarter was led by 'Others' vertical that includes Medical, Manufacturing etc.

Exhibit 3: Maintains strong growth momentum



Source: Company, YES Sec – Research



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