“Coforge Limited”

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Management: Mr. Sudhir Singh – Chief Executive Officer
Mr. John Speight – Chief Customer Success Officer
Mr. Saurabh Goel – Chief Financial Officer
Mr. Vikas Jadhav – VP, Investor Relations

Moderator: Ladies and gentlemen, good day and welcome to the Coforge Limited Q4 FY24 earnings conference call. Please note, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the management's opening remarks. Please note, this conference is being recorded.

I now hand the conference over to Mr. Vikas Jadhav, Vice President, Investor Relations at Coforge Limited. Thank you and over to you, sir.

Vikas Jadhav: Thanks, Inba. Good evening to everyone, you would have received our Q4 FY24 results by now. They have also been filed in the exchanges.

We have with us today our CEO – Mr. Sudhir Singh; our Chief Customer Success Officer – Mr. John Speight, and our CFO – Mr. Saurabh Goel. We'll begin the call with opening remarks from the management team and post that, we'll open the floor for questions. Before we begin, please note that some of the statements made in today's discussions relating to the future should be construed as forward-looking statements and may involve risk and uncertainty. Please refer to the disclaimer to this effect in our Q4 earnings press release. Also, I would like to highlight that today's call will be of 90 minutes duration.

With that, I would like to hand over the call to our CEO – Mr. Sudhir Singh. Over to you, Sudhir.

Sudhir Singh: Thanks very much, Vikas, and a very good morning, good afternoon, good evening to all of you across the world, ladies, gentlemen. Thank you for joining us for the conversation today as we share our results for quarter four and for full year, fiscal year 24. FY24 has been a year of continued strong organic growth for Coforge. The year was a test case of the ability of Team Coforge to continue to drive robust and sustained organic growth despite very significant macro headwinds, and we are all aware of them. We are pleased to share that this is the fourth consecutive year where we have met our annual organic revenue growth guidance making us one of the very few IT services firms that shared an annual guidance at the beginning of the year and have delivered on it. We have closed the year with 13.3%

(Constant Currency) CC organic revenue growth, a billion dollar plus next 12 months signed order book and with two greater than 300 million TCV deals under our belt. Importantly, despite the challenging macros in fiscal year 24, Coforge continued to make strong investments through the year to ensure that we sustain our growth trajectory even in FY25.

We did this by very significantly enhancing our sales, solutioning and pre-sales spends. By remaining one of the few firms that materially increased employee headcount to remain primed for future growth and by providing full increments to the entire employee base from day one of last fiscal itself to ensure that our high employee retention and commitment levels stay unimpaired. In the course of the call today, I shall share details of the definitive agreement that we have signed to take over Cigniti Technologies Limited. This acquisition will allow us to stand up three new industry verticals across Retail, Healthcare and Hi-tech. It will expand our footprint very materially across the Southwest, the Midwest and the Western markets of the US, and it allows us to acquire new, yet tenured client relationships that we believe will scale up very appreciably in very short order. This will also further our corporate AI-led transformation agenda to create a horizontal AI assurance offering. With that preamble ladies, gentlemen, I shall now take you through the quarterly performance and the fiscal year 24 performance. Let us start with the

QUARTERLY PERFORMANCE – REVENUE ANALYSIS

I am pleased to report that during the quarter, the firm registered a sequential revenue growth of 1.9 percent in CC terms. In U.S. dollar and INR terms, the growth was 1.7 percent and 1.5% respectively. The growth during the quarter was once again led by the BFS vertical which grew 6.6% sequentially in dollar terms.

Our insurance vertical was flat sequentially and the travel vertical grew 1% sequentially in dollar terms. The other emerging verticals together saw a decline of 2% QoQ in dollar terms.

Our top five clients and our top ten clients grew 2.8% and 2.1% QoQ respectively. And they contributed 23% and 34.4% respectively to our overall Q4 revenue.

Offshore revenue as a percentage of total revenue continues to climb up and for the quarter, it stood at 52.5% compared to 50.7% in the same quarter last year.

With that, moving on to quarterly performance margins, and operating profits.

QUARTERLY PERFORMANCE – MARGINS AND OPERATING PROFITS

In what has proven to be a very tough quarter on margins for our industry, we are pleased to report that both our gross margin and our adjusted EBITDA in quarter four grew sequentially by 102 bps. The big drivers of a continued sequential expansion in margins during the quarter were a significant jump of 230 bps improvement in utilization to 81.7% and the continued ramp up in offshore revenue percentage noted earlier. The consolidated PAT for the quarter stood at INR 2,237 million and it was up by 94.8% on a YOY basis.

I shall now move on to the annual performance and start with the revenue analysis.

ANNUAL PERFORMANCE – REVENUE ANALYSIS

FY24, we registered a consolidated revenue of US $1118.7 million and we have clocked in organic revenue growth of 13.3% in CC terms, 14.5% in INR terms, and 11.7% in US$ terms.

Our ability to drive growth in tough macros was aided significantly by growth across each one of our industry verticals that we operate in. The growth was led by the BFS vertical, which saw a 17.1% YoY growth. The insurance vertical through the year grew by 9.6% and the travel vertical grew 4.9%, the other emerging verticals grew 12% in $ terms as I said, and as you possibly noted every vertical group.

Moving on to annual performance margins and operating profits. The adjusted EBITDA margin came in at 17.6%. The decrease by 64 bps in FY24 over FY23 was on account of a 60 bps increase in sales, solutioning and pre-sales cost, which is bucketed under SG&A. As noted earlier, not only did we continue to invest very

robustly in sales and solutioning, but we also rolled out employee increments on time on day one of last year itself, there was no delay, there was no deferral.
Since the SG&A cost now stands at 15% which was the target threshold that we had shared with you for this metric two years back, we remain confident that in fiscal year 25 our adjusted EBITDA margins shall increase by 50 bps.

ORDER INTAKE

Moving on to order intake, Q4 was an excellent quarter from an order intake perspective and also an excellent quarter from a large deal signing perspective for us.
During the quarter, we signed two large deals. The first was a $400 million TCV ten-year deal in the BFS vertical. The other one was a $55 million three-year transformation deal in the insurance vertical with a client, which is a new client for us.
The total order intake during Q4 was an exceptionally robust $774 million. We have closed fiscal year 24 with the highest ever recorded early order intake of $1.97 billion, that's almost $2 billion and this metric is up 56% YoY.

Our investments in sales and solutioning, despite tough market conditions, have resulted in an increasing velocity and median size of large deals through the year. Our confidence in delivering robust organic growth in Fiscal Year '25 also stems from the existing pipeline of future opportunities ahead of us. What made Fiscal Year '24 a landmark year for us was not just that we signed 11 large deals through the year, and this was a tough year I remember, for the industry, but more importantly the fact that two out of these 11 large deals were more than $300 million TCV in size. The executable order book, which reflects the total value of locked orders over the next 12 months stands at a record $1.02 billion. This number, some of you might recall, was $869 million a year back and witnessed a growth of 17.3%.

PEOPLE

People front, our total headcount at the end of Q4 stood at 24,726 and we saw a net addition of 1502 people during the year and 119 during the quarter.
Utilization during the quarter stood at 81.7 %.
Last Twelve-Month (LTM) attrition for the quarter fell further and is now at 11.5%. We remain as always one of the lowest attrition firms across the industry.

I will now hand over the call to John Speight, Chief Customer Success Officer, for providing insights into our operations and capability creation. Over to you, John.

John Speight: Thank you, Sudhir. I shall now touch upon the highlights of the quarter related to our delivery operations. In the banking and financial services sector, we recently renewed, as Sudhir mentioned, a 10-year contract value at over $400 million to provide Technology and Business Process Services. In the Insurance Sector, we have seen significant activity with a three-year build-operate-transfer deal signed with a leading US firm. It's a $55 million TCV deal with a $17 million ACV in FY25. We also secured a three year $16 million deal with a US Insurance major to transform their core insurance platform.
And lastly, we won a five year $35 million deal to provide Application Management Services for a leading US P&C firm. In the UK, our Public Sector Business continues to grow at speed. We won two key deals in Q4, a $28 million deal to provide Enterprise Architecture, Quality Assurance and Development Services for a Large Government Agency. The other, a $10 million deal to develop their Enterprise Content Management Solution used to digitize citizen records. We are at the forefront of innovation, having introduced a range of Gen AI Solutions to transform various sectors, this includes a Bespoke Knowledge Management Tool for contact center agents, enhancing access to essential client details. We launched a novel job search platform for a global staffing organization that uniquely matches candidates with jobs that fit not only their skills, but also their interests and aspirations.
We also launched Quasar Orion an autonomous self-service solution that revolutionizes customer service by automating both inbound and outbound calls responses.
In collaboration with Microsoft, we ventured further into the realms of productivity and decision-making enhancements, launching the M365 co-pilot offering and

advisor co-pilot to optimize the insurance underwriting processes, this we have made available on the Microsoft Azure Marketplace.

We also introduced our QE 360 platform, this transforms the landscape of quality engineering with AI-powered test lifecycle automation, while fostering a culture of continuous learning within our workforce, a considerable number of whom we have now trained and certified in Gen AI fundamentals.

Lastly, we've earned leadership spots in Everest Group's 224 Peak Matrix Assessments and received accolades from Avasant, Forrester, HFS, ISGfor our solutions and services. With that, I will now pass back to Sudhir.

Sudhir Singh: Thanks a lot, John. Now for some exciting news, as you would have noted from our release earlier, we have signed a definitive agreement to take over Cigniti Technologies Limited, which is listed on the NSE and the BSE. Cigniti Technologies is a leading AI and IP-led Digital Assurance and Digital Engineering services company and has grown at a 13.2% CAGR over the last five years. In fiscal year 24, the firm has registered revenue of $219.2 million. Coforge believes, all of us believe, that the acquisition of Cigniti will not only help us grow into a $2 billion firm by FY '27, but equally importantly the ensuing synergies will ensure that the Coforge operating margins shall improve by 150 to 250 bps in that same time frame.

There are three key reasons why this acquisition will be a game changer for Coforge. These three reasons are:

Number 1 - Three new scaled up industry verticals will be added to Coforge.

The acquisition of Cigniti enables Coforge to scale up and create three new verticals in Retail, in Hi-tech, and in Healthcare. The merged firm's retail vertical will be operating at close to $100 Mn per annum in size, the Hi-Tech and the Healthcare verticals will be operating at around 50 Mn per annum size immediately post-merger. Ladies and gentlemen, you have heard me say this many times in the previous quarters, our oft-stated intent to create scaled up verticals in these three industries gets a significant head-start with what we believe is a significantly complimentary acquisition.

Number 2 - The second reason why we believe this acquisition will be a game changer for Coforge is that our objective of materially scaling up our presence across the Southwest, the Midwest, and the West US, again, something we've talked about many times on calls, will be realized. Coforge currently derives only 48% of its Global revenues from its North American operations because our presence has largely been East Coast centric in the US. Rapid expansion in North America has been a key objective for us. The acquisition of Cigniti will expand Coforge's North America revenue by around 33% and it will help us establish a significant beachhead in the crucial West, South-west, and Mid-west markets. Across these three regions, with this acquisition, 28 new Fortune 500 companies shall enter our customer base. We believe very strongly that we will grow these relationships further through cross-selling of additional services. Illustratively, the largest global client for Cigniti is one of the world's leading airlines, where we have been attempting to sign a partnership for over a decade. So that was the second reason.

Number 3 - The third reason why we believe the acquisition will be a game changer for us is because it will help us address the significant opportunities that the proliferation of AI is creating for specialized assurance services. Increase in adoption of AI is expected to increase the need for assurance as new complexities and opportunities arise in areas like model validation, model performance testing, core algorithms, enterprise LLMs and output validations to reduce AI hallucinations.

Illustratively, especially in our context, let's imagine a scenario where an airline utilizes AI for price optimization, a malfunction in the algorithm could lead to massive revenue losses for the airline. Traditional functional testing alone will not suffice. We will need specialized approaches to ensure that these AI systems perform as intended, with factors like security and performance becoming paramount. Cigniti brings a strong record in precisely these emerging areas. Their expertise in non-functional testing, encompassing security, performance, and automation will be crucial in the development and deployment of trustworthy and reliable AI-powered applications.

Our endeavor as a combined entity shall be to build a horizontal AI Assurance offering, including modules for data interrogation, bias detection, stability, precision drift testing and model optimization. So, with those three reasons on why we believe this will be a game changer:

1. Three new scaled up industry verticals being created.
2. Materially scaling up our presence across the South-west, Mid-west and West US and
3. Addressing the significant opportunities that AI is creating in this space.

I now hand this over for the financial section to our CFO, Mr. Saurabh Goel.

Saurabh Goel: Thank you, Sudhir. Let me walk you through some key financial highlights. In Q4 FY24, we were able to generate strong cash flow at the back of growth and lower DSO days. Our billed DSO came lower by seven days from 63 days in Q3 to 56 days in Q4. This led to significant cash generation of $75 Mn for the quarter.

The OCF to EBITDA for FY24 stands at 66 %, adjusted for iPad for employees and $1 Bn celebration cost. Robust cash flow generation in Q4 enabled us to repay bank borrowings, which has come down significantly by $65 Mn in Q4. We intend to repay $ 40 Mn borrowing towards NCB by end of Q1 and we are endeavoring to be a net cash company by end of Fiscal 25.

While Sudhir has covered highlights on Cigniti's acquisition, let me provide some details on the deal structure. To complete this transaction, Coforge will acquire 54% stake from the promoter group under the SPA and public via the open offer, which will be funded by cash raised through QIP. Post that, Coforge intends to merge both the entities subject to all the regulatory processes and approvals.

With that, I will hand over back the call back to Sudhir for his comments on the outlook.

Sudhir Singh: Thanks very much Saurabh and to conclude, let me sum up and share the outlook with you. Our ability to claw out and literally claw out a 13.3 percent CC organic growth despite a very tough macro environment in Fiscal Year '24. An enhanced and proven enterprise sales engine that we have continued to invest in, again, right through FY 24. The continued scale-up of $10 million plus relationships and the increasing velocity and the median size of large deals signed, and also in our pipeline, give us strong confidence that we shall deliver robust organic growth in Fiscal Year '25. Over the last seven years, our realized revenue has been very tightly correlated with our order executable movement. We entered Fiscal Year '24 with our order executable 20.7% higher on a YoY basis, and subsequently we registered a 13.3% CC growth. We are now entering Fiscal Year '25 with our order executable 17.3% higher YoY and hence our confidence around delivering robust growth again in FY25 is very high. On the margin front, and I said this earlier, we are confident that we shall expand both gross margin and adjusted EBITDA by around 50 bps each in FY25. Finally, as noted earlier, we believe that the acquisition of Cigniti will help us grow into a $2 billion firm by Fiscal Year '27 with 150 to 250 bps higher margin.

With that, I conclude our prepared remarks and we open the floor for your questions and comments, ladies, gentlemen. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participant tab on your screen. We request participants to restrict to two questions and then return to the queue for more questions. To rejoin the queue, you may click raise hand icon again. We will wait for a moment while the question queue assembles.

We'll take the first question from the line of Ravi Menon from Macquarie. Please go ahead.

Ravi Menon: Thanks for the opportunity. So, the first question is on the Cigniti acquisition. You know, you talked about how this will add geographic presence to your sales team, but wouldn't access to those clients be restricted until you complete the delisting process of Cigniti?

Saurabh Goel: So Ravi, this is Saurabh, the closing will happen when the CCI approval comes in, we expect the CCI approval to come in around 45-50 days. And once the CCI approval is done, we will take board control and post that the synergies can be brought in. So, we will have to wait for next 45 days till the time regulatory approval comes in, post that we will take board control and then we move on.

Ravi Menon: So, there is no issue even if Cigniti remains a listed firm for you beyond that. So, is that correct?

Saurabh Goel: So, after the board control is taken, we will complete the open offer, we will get 51 % share in the company and we will have the majority stake. Post that, the endeavor is to come to shareholders for the merger approval, and we will not delist the company.

Ravi Menon: Understood, thanks. I will get back in the queue and come back for follow ups. Thanks.

Saurabh Goel: Sure.

Moderator: Thank you. We will take our next question from the line of Manik Taneja from Axis Capital. You may unmute your microphone and ask your question Mr. Taneja.

Manik Taneja: Hi, thank you for the opportunity and slightly surprised with the size of the acquisition that you've made Sudhir. But just to step back on the organic business side, do you think some of the distractions around the size of the acquisition and the different streams impact our organic growth momentum? That's question number one. The second question was with regards to the group outlook across different industry segments. When we started FY24, you had mentioned we probably have a much more broad-based growth, although growth was largely led by the BFS vertical. How should we be thinking about these dynamics getting into FY25? Thank you.

Sudhir Singh: Thanks for both the questions, Manik, and I hope when you say you were surprised by the acquisition, I trust you were positively surprised because we are really excited about it. And we've spent many months mulling over this. As far as the size of the acquisition is concerned and the impact on the organic growth of the firm, we believe it will have no impact. We're coming in with very significant tailwind. We are coming in off a quarter where the order intake has been $774 Mn. We are coming in off a year where our SG&A has gone up by 65 bps. And I can tell you that all of that has gone into sales, solutioning, presales. On the organic front, we feel 100% secure. We've always believed that the best time to do an acquisition is when the organic growth engine is humming along well and sees significant growth ahead, so that you don't have to focus excessively on the organic front, and so that you don't come from a position of weakness into an acquisition. You should always come in from a position of surety around your own organic growth before you try anything that's inorganic. Hence, we feel very very positive around the fact that this acquisition in the longer term will help us at $2 Bn in less than three years from now that I talked about. In the shorter term it will have absolutely no adverse impact on what our organic growth numbers for this year are right now.

Coming back to your second question around different industry segments, we did say at the beginning of the year that the growth will be broad-based, and we believe the growth has been broad-based. Obviously, the growth is not going to be the same number across verticals, but Insurance you would have seen has grown almost 10 %. BFS has of course done extremely well at about 20 % and travel has grown 5%, all these three verticals grew, all the emerging verticals grew. There has, you're absolutely right, been a disparity in the number, but that is always going to happen. The fact is all verticals grew. Getting into next year, when you hear the confidence in my voice and in Saurabh's voice and in John's voice around organic growth in FY25, it really stems from the fact that we think all verticals are in a position where they will register robust growth. We don't feel defensive, we don't feel insecure, we are not really approaching growth organically across any of the three current core verticals with any amount of trepidation.

Manik Taneja: Sure and if I can ask one more question, this was in regards to the margin performance to the course of FY24 and your commentary about being able to expand margins by FY27, will that largely be led by organic margin expansion or basically the Cigniti portfolio given the fact that Cigniti's margin profile is lower than ours?

Sudhir Singh: See, for Cigniti, the PAT is the same as ours, which is why despite the QIP process, we've been very clear the acquisition is going to be EPS accretive. We believe by the end of fiscal year 25, given the synergies that we've examined for months, working very closely with Cigniti, we believe that EBITDA will see a step jump, just as the EBITDA of SLK that we acquired 3 years back saw a step jump post the acquisition. So the 150 to 250 bps is margin expansion that we had shared even a year back as our goal for the margin profile of the firm when we get to $2 Bn, we are just holding on to it, most of it will be organic. Our effort will be to make sure that while the PAT is the same for Cigniti, even the EBITDA over time, with the AI-led offering, starts replicating the Coforge EBITDA.

Manik Taneja: Sure, thank you all the best for the future. Thank you.

Moderator: Thank you. We'll take the next question from the line of Vibhor Singhal from Nuvama Equities. You may please unmute your microphone and go ahead.

Vibhor Singhal: Yeah, hi, I hope I'm audible.

Sudhir Singh: Yes.

Vibhor Singhal: Thanks for taking my questions, Sudhir, and congrats on this big acquisition. I wish you all the best for the integration in the times going ahead. So, few questions from my side. In terms of capability wise, if we look at the Cigniti business that we're looking at, it's majorly into quality assurance and testing as we would call it. And do you see that not as a challenge that we are using a company, I mean, we are using Cigniti and using that to be able to expand our business into the West Coast and into these three verticals. Don't you see any challenges in upselling the Coforge capabilities to the clients of Cigniti that they're serving at this point of time?

Sudhir Singh: Vibhor, thanks for the question. I can assure you that the amount of due diligence that we have gone into this particular acquisition with has been extremely significant. As I called out, we were delighted to find an asset that was as complimentary as Cigniti is when it comes to three new industry vertical creations. We do not expect to be growing the current accounts that Cigniti has by selling more testing services or AI-led testing services only into them. We expect to take the 10 other service lines that we have, everything from Cloud, Data to BPS, and selling it into the same accounts that Cigniti has. What has struck us as a very powerful upside that the Cigniti team and the brand carries is that for a firm that is only about 220 odd million dollars, their top 10 relationships are exceptionally tenured. And we spent a lot of time looking at whether most of these were under MSA or scattered SOWs. Most of them have standing MSAs. We believe with that advantage, with 10 additional service lines that can be sold in, with a sales team at the front end where we've interacted with them and we feel highly confident about them, we will 100% realize the business case that I talked about during the conversation.

Vibhor Singhal: Got it, thank you for answering that question in detail. My second question was more on the organic growth front. This year again, we've closed the year with a very significant YoY growth in the 12-month outstanding executable order book. So what is the kind of organic growth that we are looking in FY25? I am sorry if I missed that in the remarks or somewhere in the press release, but I could not find any specific guidance for FY25 organically that we are looking for.

Sudhir Singh: Vibhor, we believe that if you look at us over the last seven years, order executable movement very closely correlates to actual revenue realized growth movement. As I said, last year when we entered the year, our order executable was 20.7% up YoY. This year, it is almost at that level, it is at 17.3% YoY. We believe realized revenue in FY25 therefore should also be reasonably closely or very closely correlated to these two numbers: 20.7% and 17.3% that I talked about.

Vibhor Singhal: Got it, that is really helpful. Just one last question if I can have for sort of on the margins front. So Saurabh, we are guiding to a gross margin and EBITDA margin expansion of almost 50 basis point, but at the reported EBITDA level, what is the impact that we are expecting on a YoY basis from the new ESOP scheme and the continuation of the old ESOP scheme.

Saurabh Goel: So Vibhor, we are expecting that at a reported EBITDA level, the margins to remain flat because the new ESOP scheme will come at for the first year, which is FY25, come at 50-60 bps higher than the current year. When we move to FY26, there will be a tailwind of close to 70 to 80 bps on the ESOP cost. So, which means that you will see a step jump in the margins in FY26 at a reported EBITDA level.

Vibhor Singhal: So, if I were to get it right, next year we are expecting flat EBITDA margins in terms of reported basis and the year after that we are expecting 70 to 80 basis point expansion on reported EBITDA basis?

Saurabh Goel: I think it will be 80 to 100 bps because there'll be a gross margin expansion as well in FY26. So 80 to 90 bps is a structural tailwind without us doing anything because in FY25, in the current financial year, we will issue ESOPs to employees. And the way we issue ESOPs for five years, the first year is front loaded from a cost standpoint. So, it's a structural improvement that will come in without us taking any action.

Vibhor Singhal: Got it. Thank you so much, thanks for taking my questions and wish you all the best.

Sudhir Singh: Thank you, Vibhor.

Moderator: Thank you. We'll take our next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Yeah, thanks. Thanks for the opportunity. Sudhir - just wanted to understand about Cigniti. I think the discussion and the rationale on the horizontal accretion would be more in terms of the digital assurance. But during times, GenAI, which is on the start of scale-up, BPO and the testing are the two services which would be disrupted significantly. So are you counting a risk to Cigniti's revenue cannibalization because even if you want to proactively do the Gen AI into Cigniti's offering, before it scales up, you have to first accept that there could be a revenue cannibalization risk. So are you counting this when you give a target of $2 billion because on a FY24 merge figure, it works out to be a 14% CAGR.

Sudhir Singh: Yes of course, I can absolutely assure you Sandeep, we have counted it in and revalidated it 50 to 100 times because this is the largest acquisition that we are doing. We have built up what we think is a highly regarded organic growth story. The last thing any one of us wants to do is to do an acquisition which fails, especially at this scale. So we've absolutely baked in the fact that the functional testing area is likely to be disrupted because of AI coming in. At the same time, and I went into that in great detail when I was talking about it, we also realize that the non-functional testing areas, performance, security, device testing, UI UX testing, which is where Cigniti operates, have very significant upsides. If we do lead with AI, which is what I talked about. And if we do build the AI-based offering, the AI assurance offering that we intend to build with them. So what I want to emphasize is we are baking in the negatives. We are looking at the positives. And testing is not the only lens that we are looking at this asset through. We are looking at a firm that brilliantly fits our ambition to create a vertical in retail. The merged vertical will start at $100 Mn. In healthcare and in Hi-tech, again, areas we've been talking about for two years, where immediately we get two verticals operating at more than $50 Mn. And the other thing that made it absolutely complimentary for us, and you heard me talk about this many times, Sandeep, is our Europe presence is very UK centric, our North America presence is very East Coast centric. So, here we found an asset that was helping us build three new verticals and cover the exact geography across our largest market that was relatively unexploited. It is massively synergistic from an operations perspective and that is why we feel as positive, that is why you hear all of us sounding extremely bullish because we've sweated over this. We've worked on this for many, many months.

Saurabh Goel: So just to add to what..

Sandeep Shah: Yeah, go ahead.

Saurabh Goel: So just to add to what Sudhir mentioned. So, I think when we did SLK, it was a $73 - $74 million asset wherein our revenues were close to $620 million. So very significant from our scale at that point in time, there were 7000 people which got added due to that acquisition when we had 12,000 people. That business took a hit because of interest rates going up and while we were acquiring, we knew that there is an interest rate risk in the market and the revenues will come down. That business from $73- $74 Mn came down to $53 Mn over a period of two quarters or so. That was all baked in the plan and today, that BPS business for us is running at $110 million. It's three years into acquisition and after the business declining to

$53 million today is running close to $110, $109 million run rate. So I think it's not the first time that we have done an acquisition of this scale, we were $600-$620 million when we acquired a $72- $73 million firm, we added 7,000 people. We knew there is a risk in the business, despite that we've kind of doubled the revenues, or more than doubled the revenues over three-year periods when the market has been very, very tough. Similar planning has gone in doing this acquisition. And I think once we have the whole synergy plan created, and the whole go-to-market plan created, after that we sign the deal. So, and that's why we sound confident that, why we will be able to grow the combined business together going forward.

Sandeep Shah: So, in your internal budget and the growth prospects with Cigniti, the $220 million top line which Cigniti has as per your disclosure. Are you budgeting a YoY growth in the next three years in your target to achieve $2 billion run rate or you are budgeting some amount of tapered growth or a decline on a YoY in the Cigniti revenue, which you will make up through the business synergy, cross-selling and upselling?

Sudhir Singh: No, Sandeep, the Cigniti business, you started off the question by saying is fundamentally focused around assurance and engineering, that's absolutely right, but they have very tenured client relationships. They've effectively been selling two service lines. We are going to sell another nine to 10 service lines. So, as we look at that business, we look at that business as an aggregation of accounts. We think that aggregate of accounts should grow at a minimum, more or less on the same lines as the rest of Coforge will.

Sandeep Shah: Okay and Sudhir, just of the organic business with such a solid order book, which you had in the fourth quarter, why this time you are migrating, not giving a quantitative growth guidance. So is it some client specific issues are you worried about or this is nothing to do with that and the performance could be almost similar to what we have seen in FY 2024?

Sudhir Singh: There is absolutely no client specific issue that we are concerned about. And I am saying this again, we are walking off a quarter where we have had an order intake of almost 750 million dollars. The client relationships appear very solid. All the core verticals are firing. There's always a question of which is firing more, but the underlying thing is all of them seem to be firing very well. So on the organic side, we feel absolutely good about everything. The fundamentals are strong. And we are in effect offering an indirect pointer to the confidence by pointing you to order executable movement and the linkage that it's had over the last seven years with realized revenue.

Sandeep Shah: And the last question which I have is in terms of the preferential announcement about Rs 3,200 cr apart from Cigniti is there any other M&A which would also require your attention, or this would be the only M&A for which we made a preferential issue announcement of Rs. 3,200 cr.

Sudhir Singh: This is the only one. There is going to be no other acquisition for which we are going to look at equity dilution. Anything we do in the future, we will be looking at debt for it or internal accruals.

Sandeep Shah: Okay, thanks and I will come in the follow up and all the best for the integration.

Sudhir Singh: Thank you.

Moderator: Thank you, we take our next question from the line of Dipesh Mehta from Emkay. Please go ahead.

Dipesh Mehta: Yeah, thanks for the opportunity. Couple of questions starting with the gross margin at the beginning of year, I think we indicated about 50 bps expansion at gross level. It didn't materialize which partly reflect into your EBITDA margin miss also, flattish versus slightly lower kind of thing. So can you help us understand what played out and what give you confidence next year with unlikely to recur kind of thing from margin trajectory perspective. Second question is about salary hike, if you can give some sense about how we look at salary hike this year in FY25. Third question is about the revenue growth trajectory H1 versus H2 kind of thing. How you look, you expect normal seasonality to play out based on the deal, strong deal in tech what we have witnessed, or you are expecting or observing some kind of changes in the quarterly dynamics across the year. And last is related to maybe previous question. So, broadly what you are indicating is QIP size will mirror Cigniti related payout and it would not be any materially different than that. Thanks.

Saurabh Goel: So, Dipesh I will take question number 1 and question number 4. So margins when we guided in the beginning of the year, we did anticipate the market to be as tough as its panned out to be. Our guidance was 13 to 16%, and we were actually pushing towards higher end of the guidance like we have done in the past. The environment continued to be tough through the year. Most of the organizations, because of which, had to lower their guidance. The new business that came in through the year, came in at a much lower margins purely because of the lower demand that was there in the market. So I think because, and we gave all the salary hikes in the beginning of the year, the first quarter itself from April 1, 2023, we were able to negate the impact of 250 bps of the salary hikes that we gave in the beginning of the year during the tough environment. It was purely new business coming at lower margins that impacted the overall gross margin for the year. The point number 4 around QIP, we are looking at cash purchase of up to maximum of 54% and the QIP size will be linked to that. So it will not be 3200 crores, it will be much lower than that.

Sudhir Singh: Getting on to the other two questions that you asked Dipesh, as far as the revenue is concerned we expect normal seasonality, we are not counting on our hockey stick revenue movement. Salary hikes will again be affected from the 1st of April itself like we have done every year on a regular basis and the salary hikes will be normal hikes, they will not be higher, they will not be lower, they will be more or less on the same average pattern as it is had over the last 7 years.

Dipesh Mehta: Thank you.

Moderator: Thank you. We will take our next question from Abhishek Kumar of JM Financials, please go ahead.

Abhishek Kumar: Yeah, hi, good morning, sorry, good evening, Sudhir and congratulations on the acquisition. First question is on the large deal in BFSI, you know, $400 million probably a deal that large cap would be proud of. I just wanted to understand, , what kind of deal these are in terms of, whether it is RFP, whether it is proactive pursuits. How are we able to now solution and bid for such large deals and who are we winning these deals against?

Sudhir Singh: Thanks a lot Abhishek, you're right 400 million in this quarter, there was a 300 million in quarter one and there have been multiple, increasingly 30 million plus TCV deals that we've closed. The wins have been a mix of EE, EN and NN. The 55-million-dollar deal in the current quarter that I talked about is a complete NN deal and that is $ 55 million over three years alone. We are winning deals because of a few things which are now coming increasingly into play. One we believe we become much more smarter working off all the investments that we made in terms of using indirect channels like advisors like analysts and like Alliance partners. This 55 million dollar deal interestingly started off through an advisor connect. The second reason why we believe we are becoming more compelling in some of the propositions that we offer is because our consulting stream and our solutioning stream, which used to be under John Speight, who spoke earlier, seems to be getting together and becoming far more cogent. And I'm going to invite John to also step in and talk a little bit more about how he's approaching that entire space around solutioning and RFP response. John, would you like to step in and add on to what I've said, please?

John Speight: Certainly and that's normal Sudhir, you've given the crux of it, so I'm just adding to what you said. I'm going to give you a slightly different flavor here. As you know, we've always prided ourself on execution, execution, execution, and you've heard me many a times mention that. And many of our clients will always say, we know Coforge will deliver what they promise. But what is also happening now is we're now bringing these new streams in, these new thought processes, and we're changing the nature of our conversations with customers, and how we've invested in AI is adding to that conversation. And such, we're now moving far more into the innovation, the thought leadership space, and consulting, as Sudhir mentioned. Embedded within our solutioning pre-sales, our bid management processes is adding to that and that is also now feeding into the responses and the work we do with analysts the advisors as well. Back to you Sudhir, I think that gives a bit of color to what you said.

Sudhir Singh: Thank you, Abhishek. I trust you answered your question.

Abhishek Kumar: Yes, that was very elaborate and helpful. Maybe a related question on margin, these large deals, as we understand are margin dilutive, at least in the beginning. So are we also witnessing, some of the margin pressure because of the large deals coming in now, especially to this year?

Saurabh Goel: So, Abhishek, what we're seeing is that at least when you are with your existing clients, the margins on overall deals are not as dilutive, they would be maybe 50 to 100 bps lower than what they've been operating currently. But the new deals, new account and a large deal in a new account, when you land into that deal, over there the investments up front are high and the margins on an overall deal are lower. So what we are seeing is that typically in a new account, we are landing into a new account and with a large deal, you would expect lower margins. And that is what is also playing back. But we have been able to set off that and hence maintain margins because we have been able to kind of at least improve cost structures and not just people cost but also looking at cost structures across the board through the year, which help us sustain gross margins.

Abhishek Kumar: Okay, that's helpful. One question I have on travel verticals Sudhir , which part of travel is not growing as fast as you know you would have like is it airlines, is it rail, is it cargo, anything specific that you want to fall out within the travel vertical that probably is less than what we desire?

Sudhir Singh: Yeah, the largest account that we have in travel or had in travel in fiscal year in the travel tech space underperformed severely through the year because the business was under acute pressure. It's turning around now, but that is what allowed us only to grow at 5% through the year.

Otherwise we think travel was primed for double digit growth. The largest account had a very significant drawdown, which is only now plateauing out and we think about the rebound. That's the only piece that came in between travel recording a double digit growth, even in a difficult year like this, versus the 5% that it actually did.

Abhishek Kumar: Okay, and that has plateaued.

Sudhir Singh: You see, that has plateaued, Abhishek, and also airlines increasingly are beginning to invest in transformative areas, right? There's the one offer-one order, digital retailing pieces that are increasingly taking off. And logistics cargo again is something which is an area that we're finding increasingly to be of interest because of everything that we see around the low code, no code and the RPA areas. And just hospitality again, we all sense this, experiencing high demand, increased spends around digital, especially to create unique guest experiences around web and mobile data analytics, et cetera. So travel is on the ascendant. I, we like to think that travel will surprise us positively in FY25.

Abhishek Kumar: Great, maybe one last question, if I can squeeze, I was just curious to know the motivation of Cigniti Tech's promoters to sell out at this stage and especially agree to an all-cash deal? I mean, isn't it good even for an acquiring entity to keep some skin of the promoters in the game?

Saurabh Goel: So I think the deal structure is such that the promoters are only selling 10 to 15%. Okay, so the way the deal has been structured, there is a promoter SPA, wherein promoters are initially diluting 10 to 15%. And then there is a group of public investors as part of SPA, which will dilute another 10 to 15%. And then we'll do open offer. And in case the open offer is not successful, then promoters will dilute further, otherwise they would roll over as part of merger.

Moderator: Thank you. Before we take our next question, we would like to remind participants to please limit your questions to two per party. We will take our next question from the line of Chirag Kachhadiya from Ashika Institutional Equities. Please go ahead.

Chirag Kachhadiya: Hope I am audible, congrats on this acquisition. So, from FY25 point of view, which vertical you think like this travel one, like it was surprise where expectations from your end apparently very low, but we see that you know some silver lining would come and it will surprise any support in which we are analyzing.

Sudhir Singh: You know, FY25, we understand the broad commentary is the macros are difficult and we relate to it, but I would suggest that all three verticals are in a good place. BFS has been the workhorse for the last two or three years. Before that insurance used to be the workhorse. Insurance, as you can see, has turned around very smartly. It's grown almost 10%. BFS has continued to carry most of the weight with a 20% growth. Travel is at 5%. We would expect all three of them at this stage to do well. John, do you want to step in and add any more color to that?

John Speight: Okay. Yeah, very quickly. One I would also like to add there, Sudhir, is actually how we're seeing the progression in areas such as public sector. I think we see strong opportunities in those areas, especially with a number of the elections going on, for example, in the UK, which has been a traditionally strong area for us, and we see significant growth there. Again, I think airlines will see more growth. We have seen a significant uptick in the airline business. And it's only, as Sudhir mentioned, the one major client that held that back. And we also, I think we also see significant growth for us across some of the newer verticals - retail, automotive, and that's in Europe as we expand there.

Chirag Kachhadiya: My second question is on acquisition; we aim for a $2 billion kind of turnover and largely from organic part of that will come into this. But let's say the integration of the acquired entity and everything goes as per plan, do you think that we will surpass even $2 billion in the prospect, right?

Sudhir Singh: Well, I mean, you are an ambitious person and so am I, Chirag. If we do, I think we will end up surprising ourselves, but we think 2 billion is a reasonable target. It's a stretch, but it's a realistic stretch, and we will do our utmost to meet it. When we have set the target at 2 billion, we have obviously baked in the fact that Cigniti will be a part of Team Coforge going forward, and that synergies will flow through. So 2 billion, could it be exceeded? Could be, but I would not assign a high probability to that.

Chirag Kachhadiya: Just one final one, in integration process, the senior head and all of the Cigniti will be retained or the priority given to Coforge people will be …?

Sudhir Singh: I am sorry, you broke up a little, could you repeat that question please?

Chirag Kachhadiya: Integration process in the merged entity when the complete acquisition is done. So the Cigniti, senior personnel will be retained and given the priority in terms of tasks and positions or it's like the (Unclear word 00:58:40) senior or deserving is kind of just waiting.

Sudhir Singh: Well, I mean, the only reason why we do acquisitions, the overriding principle, is that we bet on people and their teams and on the client relationships they carry. We will expect the current senior leadership of Cigniti to be integral to driving that business in the future. The biggest reason why we're making this big bet is because we've been interacting with them extremely closely across levels starting with the CEO and his team, his directs and their directs for a long time now and we feel truly confident of both their capability and their commitment and our going in position is going to be we will do everything we can to recognize them, to reward them, and to embrace them.

Chirag Kachhadiya: Thank you so much and all the very best.

Sudhir Singh: Thank you.

Moderator: We will take our next question from Vibhor Singhal from Nuvama Equities. Please go ahead.

Vibhor Singhal: Yeah, thanks for taking my question again. Just a couple of procedural questions if I may. So Saurabh in terms of the timeline, you mentioned that you're looking for, let's say, CCI approval in a couple of months time, around 50 to 60 days.
And post that, I think we would go ahead with the board, basically acquiring the board and then the basically the open offer. By when do you think the teams of the two companies could actually be integrated operational wise in terms of the timeline that you're looking at?

Saurabh Goel: So, Vibhor, the way it will span out is 45 days to 50 days for CCI approval. Once that is done, we take board control and teams can be integrated. But both the companies stay listed, run on arm's length basis, but the synergies can start working out. That's point number one, number two, the open offer has got triggered already and the document will be filed to SEBI and that will take 60 to 65 days from today for approval. And we can assume that mid of July or end of July, we would get approval from SEBI. Post that it will take another month, which is mid of August for open offer to get completed and which is when we will get 51% stake in the company. So the timelines are that mid of June we take board control, synergies start coming in, both the companies stay listed, then we take 51% share by mid of August when the open offer is completed and post that we come to shareholders for approval and apply for merger.

Vibhor Singhal: Got it. And in between this, I think we would also be looking to complete our QIP as well.

Saurabh Goel: Absolutely.

Vibhor Singhal: And for the immediate funding, we have used that 250-million-dollar bond that we are going to raise that is a bridge financing and post the QIP money, you are probably going to pay that back.

Saurabh Goel: Okay. See, the debt financing is more of an insurance, it is a bridge finance and the idea is that before the CCI approval comes in, we would want to launch and close the QIP. So, that debt is never used.

Vibhor Singhal: Okay, so the debt might never be used, it is just an enabling resolution that we have taken.

Saurabh Goel: Absolutely.

Vibhor Singhal: Got it, and what is the end game that we are looking at here? So, like in SLK we acquired 60 % stake up front and then a couple of years down the line we acquired 20 % more stake. Here if we acquire 51 % stake, thereafter as you mentioned that we will not go beyond 54 %. So, beyond that are we looking for I mean basically share swap for the shareholders of Cigniti, what is the end game that we are looking at and what is the timeline for that?

Saurabh Goel: So, Vibhor, immediately after the open offer is completed, we will come to shareholders for approval for the merger wherein the merger will be through share swap. And that is what I mentioned that, even the existing shareholders, the promoters of Cigniti will roll forward their share in the company, they are not cashing out.

Vibhor Singhal: Got it, fair point. Thank you so much for explaining the process, just wanted to clear these things out in terms of what we are looking at. Just last question for Sudhir if I may. So Sudhir, in terms of performance, I think we've had industry leading performance for well over four - five years now, despite challenges. And we've seen that in all kinds of environment, pre-COVID, COVID, and post-COVID as well. Given that we are, where we are heading into at this point of time, and especially when the discretionary spend still appear to be quite basically under pressure and basically across the board. How do you think, I mean, are we also looking at enhancing our capabilities in terms of winning those large cost takeout deals that should be able to provide us the kind of growth cushion and the target that you set for $2 billion? And how does Cigniti fit into that capability building thing, if at all it does?

Sudhir Singh: Vibhor, thanks for the initial piece and the compliment around the performance over the last few years. We are looking at cost takeout deals. We have done cost takeout deals. If I were to reflect on the 300 million dollar plus deals that we have done, one of them has been a consolidation against two large scale players. The other one was again a consolidation against one of the largest, it was a transformation deal against one of the largest scale players out there. I do not think going in and trying to do cost out deals or transformation deals is going to be something that is going to be new for us. I suspect we will continue to do it as we have done in the past. Cigniti is going to be a vital cog in that entire exercise. Because we will work with the Cigniti team to look at the top 10 clients that they have. There are 28 Fortune 500 clients which are going to be new for us and in most of them they have a standing MSA. We think in some of these, especially the ones where these are clients in the travel and the financial services space, we should be able to replicate the success that we've had in structuring transformation deals there as well. That's how I see this, but John would you like to add more color to that?

John Speight: Yeah, I mean you mentioned the $55 million deal which was effectively a consolidation deal. And what that and other deals we're seeing on the table is that with our whole approach to those cost take-up deals has matured significantly, such that we have accelerators, frameworks, and ways of doing it that can deliver value very quickly and mitigate risk as well as we progress.

And that we're finding is becoming very, very attractive to a number of our customers and prospects. And it's a key thing for why we're increasingly, A, seeing these deals and B, why we're winning these deals.

Vibhor Singhal: Got it, got it. Thank you so much for taking my questions and wish you all the best again. Thank you.

Moderator: Thank you, our next question is a follow-up from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Singh: Yeah, thanks for giving me a follow-up chance. Just clarity, so Saurabh just wanted to understand the worst case we will acquire 51% of Cigniti and if open offer also becomes successful we will not acquire more than 54% and post the open offer we will acquire 100% by doing a shares swap for the balance 49% or 46% is the understanding is correct?

Saurabh Goel: Yeah, absolutely right.

Sandeep Singh: Okay and you believe the effective date of merger could be 1st of April, 2024 itself or?

Saurabh Goel: No, no, I think the effective date of merger will be after the shareholders approve. So I think right now we're looking at closing the open offer, which should be the middle of August that's toll gate number one. I would say toll gate number two, because we'll have to first look at the first closing, wherein we take stake from the promoters, and then the next toll gate is the open offer closure, which will take us to 51% or max 54%, and then comes the merger.

Sandeep Singh: Okay, thanks, that's it.

Sudhir Singh: Thank you.

Moderator: Thank you, we now take a next question from Sudheer Guntupalli from Kotak Mahindra. Please go ahead.

Sudheer Guntupalli: Yeah, thanks for the opportunity and Sudhir, you have always been a very numbers focused person and have always been very specific. So in that backdrop this time it's little surprising and curious to understand why you're not coming out with a definitive growth guidance. Like asked by Sandeep earlier, are there some uncertainties which are holding you back? That is number one. And number two, if I understand the correlation map that you are implying, are we talking about high single digit growth kind of an organic growth guidance? And the last question to sort of retain the executives of Cigniti. So are we going to come out with another ESOP plan on top of the recent one, which we had already come out with?

Sudhir Singh: Sure, thanks for all three questions and thank you for the comment, Sudheer. The first question, I'm just trying to recall, that was centered around growth. Could you remind me very quickly, please, what that question around growth was?

Sudheer Guntupalli: I was just trying to check as to why this time around there is no explicit guidance like you have already been giving.

Sudhir Singh: Understood. So, if you reflect back over the last four years, Sudheer, two of those four years we gave a guidance which was not very range bound. We gave a number and we said we will grow at least so much. The other two years we gave a band and that band has been expanding over the last two years given the ambient uncertainty. It used to be about a 1% band last year we extended it to a 3% band because the variance can be material given the current uncertain situation. That's why we're pointing to order executable and the fact that over a seven-year period that's had a very strong tie-in to the revenue recognized. Hence the change largely driven by the uncertainty that is there in the environment. Second, we're not necessarily guiding to a high single digit growth number. We're just saying that we feel very good about the fundamentals of the business. We feel very good about the fact that quarter four has been a bumper order intake quarter for us. And also very good about the fact that all the core verticals and all the key clients, top clients seem to be in a good relationship status as we get in. Third, as far as ESOPs are concerned, whatever were issued earlier, that is the bucket that will be used for issuing ESOPs to the senior leaders and their valued leaders of Cigniti as well over time. Nothing new, nothing additional, no new cost will come into play.

Sudheer Guntupalli: Yeah, thanks, that's it from my side.

Sudhir Singh: All the best. Thank you, Sudheer.

Moderator: Thank you. Our next question is from the line of Ashwin Mehta from Ambit Capital. Please go ahead.

Ashwin Mehta: Yeah, hi. Can you hear me?

Moderator: Yes, sir, please go ahead.

Ashwin Mehta: Sudhir, just one question on Cigniti. I was going through the numbers, almost 16% of sales for Cigniti is the cost of hired contractors. So is this related to more manual testing related work that they do or what explains this because this used to be even higher earlier?

Sudhir Singh: I am not sure, Ashwin, fair question. I am not sure if I can give you a very detailed answer. We believe that from what I know and I could be wrong here, so I want to give that disclaimer up front. This used to be a work that was done on site and this was on site subcontracting which is now coming down. We do hope and if that reason is actually true, we do hope to work with them over time given our scale, given the maturity of our RA engine to be able to get it as close to zero as possible.

Ashwin Mehta: Okay, and the second one was in terms of in terms of Cigniti's vertical profile, it seems to be a pretty diverse vertical profile wherein they have retail, BFSI, travel, healthcare, ISVs as well, and energy and utility. So, just want to get a sense in terms of the depth of their relationships with their larger clients. Is it just a horizontal offering or, or there is more specialized quality assurance related work that they do?

Sudhir Singh: Most of what they do is not functional testing. We spent a lot of time with them to understand what they were exactly doing and we've gone through live demos of what they do on the UI UX testing, on the performance testing, on the security testing, non-functional testing specs. We've spent a lot of time with them looking at the Blue Swan AI testing framework that they've created. And this is now a nine-year-old framework, started off as an automation framework and is now a suite with eight different modules, all focused on AI specific testing.

So it's, when we look at the mix, you're right, they work across multiple verticals, but the verticals that have appealed to us are verticals where the existing revenue stream when allied with our revenue stream is helping us stand up $50 to $100 Mn dollar verticals. Those three, as I said, are Retail; the merged entity will have a retail vertical of almost a $100 Mn from day one; health care and hi-tech; the merged entity will have a 50 million dollar plus from each of these merged verticals. There are two other verticals that I haven't talked about too much, but which are clearly of interest to us one is travel and as I said, the largest client of Cigniti is one of the world's largest Airlines and we've been knocking on their doors for more than a decade possibly two decades. Most of what they're doing there is assurance and product engineering. The merged entity we think can actually expand very rapidly by selling nine other service lines. And of course, the fifth vertical that's of interest, we didn't spend a lot of time talking about is BFS, which incidentally, interestingly, is the second largest vertical. And they have some marquee financial services clients as part of their remit, who are not our clients today, and we think we'll be able to mine them as well.

Saurabh Goel: And just to add to what Sudhir mentioned. So for their size, the not just the tenure of the relationships, but just with one service line, they have quite a few $5 million plus and $10 million plus relationships, which is very, very exciting. So that talks about the depth in the relationship that they have with their clients.

Ashwin Mehta: All right, thanks and all the best.

Sudhir Singh: Thank you.

Moderator: Thank you. We will take our next question from Kawaljeet Saluja from Kotak Securities. Please go ahead.

Kawaljeet Saluja: Hi, thank you for this opportunity. My question is once again on the depth of relationship of Cigniti. I mean, you know, for a business which is $200 million of revenues, that's some change. And let's say the top 20 clients are just 50%. So that's like $100 million. So yeah, average relationship for top 20 clients is $5 million. And then there's a long tail of business. Now, typically, such long tail of business is not associated with appropriate depth and quality of revenues. So how does one gain comfort around the quality of asset acquired, that's one. And second is that this company had irrecoverable write-off of non-current assets in the past. Would you know what does that pertain to? Thank you.

Sudhir Singh: Sure. So let me take the questions in order, Kawaljeet. When we looked at Cigniti closely, we were focused on the number of relationships that can scale up beyond $10 million in the short term. And by short term, I mean in FY25, at most in FY26.

You know this, we as an organization at current size have 24 $10 million plus clients. We think working with Cigniti in the next 12 months using the repository of clients that they have, our number of 10 million clients will go up materially. And I say this after both parties having looked at those clients, looked at the nature of the contract, MSA versus SOW, and after having interacted through third party, we had engaged Bain with the kind of feedback that exists about this asset. So the comfort we've derived is by speaking directly with their sales team all the way down to minus three; to their clients; to analysts in the market and working with Bain to do anonymous NPS (Net Promoter Score) on the strength of the relationships. As far as the second piece is concerned - the write-offs - those write-offs date to 2017, 2018. We looked at the board composition Mr. Batni is sitting on the board. We worked with him in Infosys, some of us. He was on the Infosys board. The audit committee chair has been the head of audit of EY India. 2018 onwards, we had financial due diligence done on the asset, we have had forensic due diligence done on it. We feel extremely reassured about the people running the firm today, the composition of the board, the governance processes and the confirmation that we have from the forensic due diligence and the financial due diligence that we have done.

Kawaljeet Saluja: Okay, fantastic. That is great to hear. Just a final question. Just a final look at three and I know comforting to hear just a final question on this.

OK, I just lost my stream of thought. Thank you. I will ask her a question later.

Sudhir Singh: Sure, go on. Thank you.

Moderator: Thank you. We'll take our next question from the line of Keshav Pareekh from Pi Square investments please go ahead.

Mr. Parikh, you may go ahead and ask your question. There seems to be no response from this connection. We will therefore move to our next question. Ravi Menon. Please go ahead.

Ravi Menon: Hi, thank you for the opportunity again. So why did you choose to do like a mix of cash and share swap instead of why not a full-fledged share swap? Would have been cleaner, simpler, perhaps more efficient, even for the promoters.

Saurabh Goel: So, Ravi, we looked at that option as well. So there were a couple of issues. Number one, there were public shareholders which wanted an exit. There were promoters who wanted a cash down payment at the time of transaction. And the overall merger process would have initiated, and it would have taken us 12 months to integrate the asset. So I think the idea was that looking at the interest of both the sides, I think we then decided to kind of first do a cash purchase and then do a merger.

Ravi Menon: Thanks, but, you know, that would have aligned interest much better, wouldn't it? And they could have, of course, disposed of Coforge shares whenever they wanted. So, still not quite sure about why it's structured this way.

Saurabh Goel: No, I think see point is again, getting cash today versus getting cash 12 months down the line, it's very different. Because until the merger process would have got done, they wouldn't have been able to kind of do the sale of shares. So that is why there were complications around there because of which we kind of moved ahead with the structure wherein we said we will do a first cash purchase, take control of the board and then do a merger.

Ravi Menon: But sir, I mean, wouldn't it have been just enough for a shareholder approval to do the merger? You keep talking about it would have taken 12 months, but I am not sure why it would have taken 12 months.

Saurabh Goel: No, NCLT approval will take that long, 8 to 12 months it will take.

Ravi Menon: Alright, thanks.

Moderator: Thank you. We'll take the next question from Abhishek Shindadkar from Incred Capital. Please go ahead.

Abhishek Shindadkar: Hi, thanks for the opportunity and congrats Sudhir for the quarter and the acquisition. My first question is, you know, completely understand your comments about the relationship and the MSAs, but has it happened in the last 12 months or so that, you know, any of the clients Cigniti got displaced being an incumbent like you have been doing so to others? And the second thing is, you know, my question is on the EBITDA number. Now, we understand that the EBITDA margin commentary of 50bps expansion next year, but post merger, what could be the incremental depreciation amortization on the line or that comment stands for EBITDA as well. Thanks for taking my question.

Sudhir Singh: I'll take the first question and I'll request Saurabh to take number two. When we looked at the long tail of the Cigniti clients, there was an earlier question that Kawaljeet also had asked. There is churn in the long tail as one would expect going into a transaction of this sort. There is however significant and very impressive stability in the $5 million plus dollar client cohort. So coming into looking at a firm that's at about 220 odd million dollars, the fact that there are a lot of 10 year plus relationships is the first thing that impressed us from a 10 year perspective. The second thing that impressed us was the fact that the $5 million plus client cohort or the cohort that is likely to become $5 million plus in fiscal year 25, again is 10 year. So just abbreviating the answer, if your question is and I know it is, is there churn in the client portfolio? Yes, there is, especially in the tail accounts. And we know that for a fact and we bake that in. Is there any of the question, I mean, the flip to that is, and the question we were trying to answer was, is there stability in the top 10 and the top 20 account relationships and are they tenured? When the answer came out as a yes in most cases, that's why we went right in. I request Saurabh to take question number two.

Saurabh Goel: So from an EBITDA perspective I think once the merger happens, by the time we would have kind of started working on the synergies, I think we believe that their EBITDA currently which is around 14.5% odd would converge towards EBITDA at which we operate at and which will and their current PAT is little higher than our PAT.

So I think with roughly 200 odd bps jump in their EBITDA will flow down to PAT at their end and the merge entities put together even after the amortization of the intangible which anyways we will get to know the final number when a purchase price allocation is done it should be EPS accretive. But I think what will happen is that today they are operating at 10 percent PAT it will go up because it is coming in at a 14.5% EBITDA. I think there are significant upfront synergies that would come in which will take this EBITDA to close to the level that we operate.

Abhishek Shindadkar: Got it, that is helpful and just a follow up to your answer. So should we assume that the fund raise would be roughly $250 million dollars?

Saurabh Goel: We will come back with the final number but yeah I think we have also already mentioned that Rs. 3,200 crores was an outside number. We will not be anywhere close to it and I think 250 million dollars is a fair number to assume.

Abhishek Shindadkar Got it. That is helpful. Thank you for taking my question. Thank you.

Moderator: We will take our next question from Manik Taneja of Axis Capital. Please go ahead.

Manik Taneja: I thank you for the follow on opportunity while you already answered a lot of questions around the around the proposed acquisition. Just wanted to step back and and ask a question around the organic business. What we've seen is that we've seen a very solid order intake in the current quarter, but when I look at the executable order book, that number essentially isn't moving up very sharply? So just a question if the deals in the current quarter essentially are largely expansion of existing scope. That's question number one. The second question was with regards to a client metric.

Sudhir since you stepped in we have seen a significant focus in terms of new customer logo additions all through the course of last five six years when I look at the client, new client local editions in FY24 compared to the typical editions that we have seen in the past, that number appears to be low. So is there some, something changing in terms of the go forward strategy?

Sudhir Singh: Saurabh, why don't you take number one and I will take number two.

Saurabh Goel: So, yeah, so see when you look at our order intake in the current quarter, large deal that is obviously for a longer period. It's not for a four year, five year deal. It is one of our top client wherein 18 months ago we had signed 30, 40, 50 million dollar deal with them and displaced the large cap in the account. The whole contract was coming up for renewal when the large cap was knocking on the doors because 400 million dollars today even for a large cap is a sizable deal. We were able to kind of make sure that they don't get even a small pie of the overall contract and we're able to lock it in. So point number one, we were able to lock it in from a revenue perspective for next 10 years and without letting anyone get into the account. You're pretty much the sole vendor in the account today and hence you do not see an uptake in the executable order book today.

Sudhir Singh: Manik, as it comes to question number 2, I am going to give you my point of view and I am going to request John also to chime in. Your observation is right. We are trying to be more choosy about who we sign up as a new client. We believe that by the end of the current fiscal year, we should be running at around $1.5 billion dollars in terms of run rate. It is absolutely imperative that we have multiple $100 Mn plus relationships and multiple $50 Mn plus relationships. The BFS business under Gautam has led the way in terms of constructing these scaled up relationships. Our ask of our enterprise sales team increasingly is that empirically we should not be opening logos where we believe that we will not be able to scale them up to at least 10 odd million dollars over the next three years. So you're absolutely right. Six, seven years back, we did go pell-mell under my leadership because at that point in time, we were just trying to aggregate logos. Right now, we think we have a significant number of marquee clients with huge wallet spends that we can address more effectively following the model that the BFS team under Gautam has been replicating and we want to make that enterprise-wide. Hence, the stronger qualification and the higher degree of, if I might call it, choosiness when it comes to who we work with and who we sign contracts with. John, would you like to add to that?

John Speight: I mean, the scalable is key to us. It has to be an account, as you say, that has significant IT services spend that enables us to breach that 10 million plus, 20 million plus type engagements. The other aspect is where the marquee customers we also look at, ones that actually position us well in those respective markets and help us as references into those larger engagements. That's the main thing. You covered most of the points, Sudhir, very well.

Manik Taneja: Sure, thank you and all the best and appreciate the clarification.

Sudhir Singh: Thank you, Manik

Moderator: Thank you. Our next question is a follow-up from Sudheer Guntupalli from Kotak Mahindra. Please go ahead.

Sudheer Guntupalli: Yeah, thanks for the follow-up and Sudhir, so once the first subject to the open offer, let's say the remaining stake of 46 to 49 %. Eventually that will be merged with Coforge and my understanding is that there will be a share swap with Coforge shares. So the promoters who will get a proportionate share of Coforge shares. Have we negotiated any lock-in period for them because I think their stake in Coforge at that time will be sizable.

Sudhir Singh: No, we're not insisted on a on a lock-in with them, Sudheer they have indicated to us that they will clearly prize the Coforge shares that come to them and we want them to be free agents. If they trust in the Coforge story, which we hope they will, they will continue to hold it for a while. I do want to point out that as part of this transaction, we are very keen to make sure that the CEO of Cigniti who's actually scaled it up to being this large is someone who continues with Coforge and he has also indicated his willingness - this is Mr. Srikant, to continue with Coforge as one of our Exec leaders.

Sudheer Guntupalli: Okay, thanks Sudhir. That's it from me.

Sudhir Singh: Thank you, Sudheer.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand over to Mr. Sudhir Singh, CEO of Coforge Limited for closing comments.

Sudhir Singh: Thank you very much, ladies and gentlemen. Today is possibly one of the most exciting days in our corporate history. We have announced the largest acquisition that we have attempted to date and we have done that after a very significant and very detailed due diligence of every sort. We really appreciate the fact that all of you made time to spend 90 minutes with us rather than the usual 60.

We were very, very gratified to see the interest that you continue to carry in our story and some of the insights that you shared with us through the last 90 minutes will be very useful for us as we chart the road ahead. Thank you very much once again and we look forward to speaking to you three months from now. Stay safe. Thank you. Good night.

Moderator: Thank you, members of the management. Ladies and gentlemen, on behalf of Coforge Limited, that concludes today's conference. Thank you for joining us. You may now click on the leave icon to exit the meeting. Thank you for your participation.

Note: - This transcript has been edited for readability purpose.