



“Coforge Limited
Q1 FY26 Earnings Conference Call”

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Management:

Mr. Sudhir Singh – Chief Executive Officer – Coforge Limited

Mr. John Speight – Chief Customer Success Officer – Coforge Limited

Mr. Saurabh Goel – Chief Financial Officer – Coforge Limited

Moderator: Ladies and gentlemen, good day and welcome to Coforge Limited Q1 FY26 Earnings Conference Call. Please note all participant lines will be in the listen-only mode and this conference is being recorded. We have today with us from the management team Mr. Sudhir Singh, CEO, Mr. John Speight, Chief Customer Success Officer, and Mr. Saurabh Goel, CFO. We will begin the call with opening remarks from the management team and post that we will open the floor for questions. Before we begin please note that some of the statements made in today's discussion relating to the future should be construed as forward looking statement and may involve risks and uncertainties. Please refer to the disclaimer to this effect in the company's Q1 FY2026 earnings press release. With that, I hand over the call to Mr. Sudhir Singh.

Sudhir Singh: Thank you moderator and a very, very good morning ladies and gentlemen. Thank you for joining us today as we share our Q1 FY2026 performance and the outlook for FY2026 and beyond. Q1 FY2026 has been an exceptional quarter for the firm. More importantly, we believe that it has set the foundation for what is likely to be yet another exceptional fiscal for the firm.

In Q1, the firm recorded 9.6% sequential dollar growth, and we believe we have established a path to deliver 14% reported EBIT in FY 2026 itself. Our sustained, robust and accelerating growth story is now entering its ninth year.

Before I delve into the nuances of the quarter's performance, I would like to reflect on the three key reasons that have driven our accelerating and sustained growth over the years. And more importantly, these reasons will continue to power our growth in the quarters and in the years ahead.

Reason number one is an execution intensity that is uniquely our own. Execution, the often neglected, but the most essential part of what gets things done is an art which warrants not just setting and sharing lofty plans, but getting into the details of every aspect of bringing those plans to life. Across every aspect of our operations, be it sales operations, solutioning operations, capability, build operations, delivery operations or even acquisition intermediation exercises, we have created execution centric measurement metrics that are atypical and yet are highly effective.

For example when it comes to sales execution we do not only use the standard measures of TCV, ACV signed or year-on-year growth delivered to measure execution effectiveness of our sales teams. Those measures are important, but we have learned over time that for us Coforge, the single most important measure for turning in year after year sustained performance is every week's count of proactive large-deal proposals submitted. This approach to measuring and powering sales execution is atypical as I said, and yet as our results prove, it is highly effective.

Another reflection of our approach to execution is how we approach our big bets. A big bet could be a geo-expansion play, it could be a capability build play or it could be a new partnership scale-up play. Where we differ in our execution is in severely restricting the number of big bets that we pursue as a firm at any one point in time. And we also differ in our execution in that we have never, ever given up on even one of the big bets that we have undertaken. If a big bet is not turning out as planned, the team working on it is reassigned, but the big bet is not given up on, it is always

delivered on. Those two examples illustrate reason number one an execution intensity and a single-mindedness that is uniquely Coforge.

Reason number two is our hyper-specialization in a few select industries. Over the last eight and a half years, it has been our belief that hyper-specialized industry knowledge remains essential to creating differentiation and value.

Technology is an enabler, and industry depth is the blueprint we use to apply it effectively. The industry-first approach is why our clients trust us with some of their most mission-critical initiatives. With the enhanced adoption of AI, organizations are shifting resources from run the business to grow the business. And AI budgets are expanding at double digit rates, making AI the primary engine driving innovation and competitive advantage.

Coforge is at the vanguard of this change with real world deployments, executing at scale and making impact across sectors where we have hyper-specialization. We have been able to deliver these real-world deployments mainly because of the deep industry domain knowledge that we bring to the table.

Our Quasar AI marketplace has more than 100 case examples of industry-specific solutions that we have delivered. Coforge in sum is turning AI into business critical infrastructure and we believe that industry expertise will remain a critical success factor and a critical growth factor in the new AI era.

Reason number three why our growth has been strong and continues to accelerate, is our deep engineering capabilities and assets.

Engineering excellence is central to our operations. You' have heard me say this for the last nine years almost. We have built and supported complex platforms for SATs which power half of the world's air cargo. We are now applying this engineering strength to AI integration across the development lifecycle.

Our unified delivery platform, Forge-X, accelerates software development and legacy modernization using AI. You will recall that earlier this year, we partnered with a leading travel tech firm to modernize their product suite, delivering results in months instead of years using our own AI tools. This is part of a broader strategy to embed AI across programmes. Real-world AI deployment requires more than just GenAI tech. It demands robust infrastructure, data foundations, and AIOps processes. As systems integrators with a deep engineering DNA, we understand this well. And we have created purpose-built assets from responsible AI frameworks and data readiness tooling to performance optimization and auditability that enable our clients to deploy real-world AI solutions at scale.

Quickly to recap, we believe that these three factors are execution intensity, our hyper-specialization in select industries, and our deep engineering capabilities are what have, over the

last eight years allowed us to build a strong differentiation. And that in turn will allow us to deliver on a sustained basis going forward in the quarters and years to come, robust and sustained growth.

With that, I switch over quickly to the nuances, the details of the Q1 performance. Starting with revenue, I am pleased to report that the firm registered sequential revenue growth of 9.6% in US dollar terms. In Indian rupee and CC terms, the sequential growth was 8.2% and 8% respectively.

The growth during the quarter, not surprisingly, was led by the travel vertical, which grew 31.2% sequentially in dollar terms.

The other emerging verticals, which include health care, retail, and high tech, grew 12.8%, this is sequential.

Government outside India vertical sequentially grew 6.8%. The insurance vertical in turn grew 1.0% and BFS vertical saw a marginal decline of 1.1% QOQ in dollar terms. I do want to point out at this stage that BFS on a YOY basis is growing 32%. And the BFSI segment is a segment where we see large deals in the works and near imminent.

Our top five clients and our top 10 clients grew 24.0% and 15.1% sequentially, respectively. They contributed 20.7% and 29.3% respectively to our overall Q1 revenue.

It is important to note that our top five clients and top 10 clients grew by 49.5% and 38.4% respectively over the same quarter last year and those relationships continue to be strong.

Moving on to order intake, Q1 was yet another strong quarter both from an order intake and large deals closure perspective.

During the quarter we signed five large deals. The velocity and the median size of large deals signed by Coforge has been increasing over the years and I shall reflect more on this in my concluding remarks. The total order intake during the quarter was more than half a billion dollars. The exact number was \$507 million. The executable order book, which reflects the total value of locked orders over the next 12 months, stands at a record \$1.55 billion. This number, some of you might recall was \$1 billion a year back, and is currently 46.9% higher than at the same time last year.

On the people front, our total headcount at the end of the quarter stood at 34,187. We saw a net people addition of 1,164 during the quarter. Utilization during the quarter stood at 82.1%, a number we are comfortable with. Last 12 month attrition for the quarter fell further and is now at 11.3%. We remain, as always, one of the lowest attrition firms across the industry.

With that, I will now hand over the call to John Speight for providing insights into our operations and capability creation. Over to you, John.

DELIVERY OPERATIONS & CAPABILITY BUILD

John Speight:

Thank you Sudhir. I shall now touch upon the highlights of the quarter related to our key capabilities and delivery operations.

Starting with updates on our AI assets. This quarter, we launched the Coforge AgentSphere with over 100 foundational agents that can address industry pain points across travel, financial services, and healthcare clients.

As Sudhir mentioned earlier, we also launched Forge-X, a unified delivery platform that applies AI to accelerate and streamline software development. It provides assets such as Code Insight AI, a solution that can deliver 10X productivity gains in legacy modernization programmes. With these additions, we now have over 20 core AI assets that accelerate execution of services, such as reverse engineering of legacy code, intelligent test automation, and resilient cloud and infrastructure operations.

We also launched a number of agentic AI solutions onto the ServiceNow marketplace, including SmartGen Change from crude change management. This agentic AI workflow is among the top five partner-created AI agents now available on ServiceNow. By applying these innovations across client portfolios, we are shortening time to market, boosting operational efficiency, and improving ROI on technology investments.

I will now share a few examples. In banking and financial services, we have developed a GenAI powered solution for the wealth and private banking division of a large multinational bank, providing real-time analysis and automated transcription of the calls. This solution was built in partnership with a leading hyperscaler and has enabled the bank to improve operational efficiency, providing benefits such as summarized conversation view, automated call scores, customer sentiment analysis, and recommendations on next best action.

For a leading European bank, we leveraged AI to streamline their customer onboarding, loan processing, and business banking outreach capabilities. This has reduced approval cycle times, reduced the operational costs, and reduced the number of non-performing loans.

Meanwhile, for our insurance clients, we developed a GenAI powered ISO circular form summarizer that enabled automated extraction and summarization of circulars and forms data. The solution integrates seamlessly with platforms such as Duck Creek and Guidewire delivering over a 35% improvement in operational efficiency.

In the travel segment, Coforge has just delivered significant value for an airline post-emerger, managing a major passenger service system migration. It was a large-scale digital transformation that has reduced operating costs as well as improving customer experience.

Finally for a leading Australian retailer, we have been pioneering the use of GenAI to drive innovation within our quality engineering services. It has created a quality intelligent foundation

that is used to drive intelligent test case generation. These efforts have been recognized as one of the top three initiatives at the recent ISG Paragon Innovation Awards.

Moving on to partnerships. Following a successful service now dispute management rollout in the US, we now offer DisputeXelerate as a prepackaged solution for efficient dispute management based on the ServiceNow financial services platform.

Coforge was recognized as a leader in Nelson Hall's NEAT report for ServiceNow across overall, creator workflow, and customer and industry workflow segments, and as an innovator in the employee and technology workflow services.

We partnered with Zscaler to launch Secure Access 360 on Microsoft Azure, delivering zero trust access and advanced security capabilities.

With Snowflake, we introduced a data insights retrieval AI system built on Snowflake Cortex, enabling non-technical users to access and analyze data with ease. Our growing role as a Snowflake partner further strengthens our enterprise data and AI capabilities.

With that, I will now hand over to Saurabh Goel.

FINANCIAL OVERVIEW

Saurabh Goel:

Thank you John.

Before our financial performance, I would like to highlight enhancements made to our disclosures in the current quarter. We have started providing a comprehensive breakdown of the profit and loss statement, balance sheet, cash flow, and EBITDA and EPS reconciliation as part of the management fact sheet.

Going forward from a margin perspective, our commentary will focus on EBITDA and EPS rather than adjusted EBITDA.

As previously indicated by Sudhir, our Q1 revenue reached \$442.4 million, reflecting a sequential growth of 8% quarter on quarter and 51.5% year on year in CC basis.

Organic revenue increased by 5.9% quarter-on-quarter on CC basis. The hedge loss during the Q1 is \$1.9 million, which is reflected in the top line, as against the gain of 100K in Q1 last year. Q1 was a quarter which witnessed a ramp-up of the largest deal ever signed by the company. And because of our execution intensity we were able to maintain EBIT margins at 13.2%. EBIT for the quarter was \$58.3 million reflecting a 9.2% increase quarter on quarter.

The EBIT margin remained flat primarily due to higher amortization of intangibles from the recent acquisitions, as well as increased depreciation related to the AI-powered data centre deal, increased

subcontractor expenses because of the acquisition, and a ramp-up in the largest deal that we had signed in last quarter, and increased visa cost, which typically comes up in Q1 for renewals.

EPS for the quarter is Rs.9.5 per share. It is important to note that this EPS is for split up share that happened during the quarter. This includes a one-time gain of \$8.4 million from the sale of AdvantageGo business. This one-off gain of \$8.4 million was set off by two transactions.

One, exceptional expenses on account of a legal cost related to the cybersecurity breach that had happened two years ago. While we maintain errors and omissions insurance coverage and continue to engage with our insurers regarding this matter, a provision has been made in the profit and loss statement on prudent basis. This provision will be reversed upon settlement of the claim with the insurer in due course.

Additionally, there was a one-time broad-based bonus provision for employees amounting to \$5.5 million adjusting for one-off gains and losses. Normalized EPS stands at Rs.9 per share as against a reported EPS of Rs.9.5 per share. Capital expenditure for the quarter stood at \$65 million with 58 million allocated to an AI data centre project.

Over last two quarters, approximately \$85 million have been invested in developing our AI-powered data centre. Of this total investment, \$62 million has been received as advance from the client and has been recorded as deferred revenue on the balance sheet. The balance, 23 million, has been funded through a term loan at an interest rate of 3.5%.

The assets have a useful life of five years, resulting in an increase in depreciation. OCF for the quarter stood at 43.8 million, which is 115% of the reported PAT. FCF for the quarter was negative because of the capex incurred in the data centre deal.

Billed ESO stood at 64 days, unbilled at 24, and contract assets at 13 days, reflecting a total working capital cycle of 101 days. Update on our merger. Exchange approvals have been received for the proposed Coforge and Cigniti merger, and now we are in the process of filing the first motion filing to NCLT.

With that I will hand over the call back to Sudhir.

SUMMING UP AND OUTLOOK

Sudhir Singh:

Thank you Saurabh.

Thank you for those comments. Summing up in outlook and I will do this very quickly, the 9.6% sequential dollar growth in Q1, a next 12 month signed order book which is 46.9% higher YOY.

A sales execution engine that signed 14 large deals last year and aims to close at least 20 large deals in the current fiscal. A potential pathway to 14% EBIT in FY2026.

One of the lowest employee attrition rates across the industry. That set of metrics are all pointers to what we believe will be yet another exceptional year for the firm.

We remain committed to turning in the ninth consecutive year of robust growth, despite the uncertain macros swirling around our industry.

To conclude, we remain very strongly committed to setting performance and capability benchmarks for the industry.

As our industry pivots, there will, over time be a new set of leaders and winners. It is our intent to be at the head of that select pack.

With that, ladies, gentlemen, I conclude my prepared remarks and all of us look forward to hearing your comments and to addressing your questions. Thank you.

Moderator: Thank you Sir. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from Prateek Maheshwari of HSBC Securities. Please go ahead.

Prateek Maheshwari: I had couple of questions. First of all congratulations on strong execution the revenues and strong deal wins. I had some question on the margins so could so again on your reported margins as per SEBI format it declined 50 basis point quarter on quarter while you guys have shown adjustments which draw to conclusion that there is some improvement that happened quarter on quarter so I just wanted to understand the work that you have explained on the slide or page 23 about what is the nature of the discounting income that you guys report on long term contracts and this recurring income or mortgage business. Wanted to understand that and what is your guidance on when we see the convergence between the reported margins and semi-format margins.

Saurabh Goel: So Prateek let me take that up. So number one, discounting income on long term contracts is an accounting interest entry. So what happens is if you have a long term contract and if you bill \$100 to a client, 90 goes to top line and 10 goes to other income. So it is more of a notional accounting entry and that is why it has been reclassified as part of EBITDA, point number one.

Number two, income from mortgage business is something very similar so these two will continue. Apart from that, I have already called out that integration expenses on account of Cigniti acquisition merger, the merger is going on had become insignificant. The acquisition that were done in the previous quarter again only close to Rs.24 million which is \$300,000. And then we are only left with onetime bonus, which we have already called out as a quarter event. And because of which, we have seen that getting reflected in the P&L. So otherwise, there are only two line items which is discounting income and income from mortgage business which is part of the contracts that we have signed and it will continue apart from that nothing else will be there.

Prateek Maheshwari: Sourav just some more colour, so on the discounting income it was about 24 million last quarter it has quadrupled this quarter so just wanted to understand like if somebody has to think how should be basically the trajectory of this going forward.

- Saurabh Goel:** I mean it is more of an accounting entry as and when the unwinding of the discount is happening the amount keeps going up so if we bill the quarter in the first quarter the amount will be low as and when you keep that the time getting lapsed and you are coming closer to the billing, the amount goes up and then it crashes down. So it is coming more from that perspective. It is an accounting notional interest entry. Otherwise the corresponding value in the balance sheet is sitting as part of receivables.
- Prateek Maheshwari:** Just wanted to understand the capex as well. So over the last five years, capex has increased from 2% of revenues to 5% of revenues. capex was I think based on what is shown on the fixed assets, capex was again higher, you have called out some data centre investments. So just wanted to understand overall what is happening with the capex. It has increased by 350 basis point over the last few years.
- Saurabh Goel:** The increase in capex in Q4 and Q1 was specific for a particular deal that we had signed and as I mentioned in my prepared remarks out of \$85 million, \$62 million have been received so it is a data centre deal wherein we set up a data centre and that is why you also see the increase in the depreciation.
- Sudhir Singh:** Can we go to the next question Saurabh and then we will come back to the gentleman asking the questions over time. Moderator can we roll on to the next question?
- Moderator:** Yes Sir thank you. We will move to our next question that's from Vibhor Singhal of Nuvama Equities. Please go ahead.
- Vibhor Singhal:** Thanks for taking my question and congratulations to the entire Coforge team for a very long solid quarter. Sudhir I have got two questions. One is, I know our performance has not been dependent on the macro environment, which remains quite volatile, but any colour that you can provide as to how is the environment that you are looking at, from the same industry point of view, it has been quite volatile. We have seen the July 9th deadline go and now we are looking at August 1st.
- Is the tariff uncertainty still looming large? Are the clients still hesitating? I know we have very good pipeline in terms of orders and order book, but on the overall environment some things will be helpful.
- Sudhir Singh:** Vibhor if it is the run the enterprise budget that one is looking at, that budget continues to oscillate in move around basis, the macro uncertainties given the overhang of the tariff related discussions and decisions that are likely but more importantly the change, the enterprise budgets are the budgets where given the proliferation of AI we see that the discretionary nature of the spend has ebbed and those spends from our vantage continue unabated. The large deals that we structure and the ones that we talked about, the co-active large deals are also aimed solidly at the change, the enterprise budget and the enterprise is under pressure given the macro uncertainties.

- Vibhor Singhal:** Got it. In terms of our own performance, though it did not leave any quarters which was not met, the banking as well as insurance both were a tad soft in this quarter. Any specific reason to call out or just the quarterly variation and it could be back next quarter itself?
- Sudhir Singh:** We will be back. There is nothing that is going to hold back the growth. Banking is still growing year on year at 32% for us, insurance at 20% for us. The pipeline is very strong. So we are not concerned around short term, medium term or long term growth across BFSI. It will be robust.
- Vibhor Singhal:** Got it. And if I can just delve on the banking industry yet again, you talked a lot about how our GenAI products are basically helping clients and how we are trying to create an edge for ourselves in that. Any insight that you would be able to provide as to how the AI adoption is looking like in the banking industry, especially the BFS part, not the insurance part, and maybe the insurance part as well if you have time for that. And what are the kind of solutions that we are looking at? Are the basically core banking systems also being looking at being modernized? And what are the different things that we are looking at in this sector; let us say for the next two years?
- Sudhir Singh:** So banking institutions are under pressure to improve ROE amidst the macro uncertainty that you talked about, the higher interest rates and the intensified regulatory scrutiny. This is to your immediate question, driving technology investments focused on cost efficiency, product innovation, REC compliance and customer attention. From our vantage business demand is healthy across commercial banking, lending, wealth management, and risk and compliance. And that has driven in turn by the margin pressure, the need for product innovation, and changes in REC frameworks. Operational resilience, cloud native architectures have become mission critical for banks at this time. And that is also an area of investment. And as you said, we are empowering banks to move beyond AI experimentation towards enterprise scale adoption with a strong emphasis on intelligent automation and advanced risk analytics. And finally, core modernization efforts at banks, to your immediate question, are also gaining momentum, and that has been driven by the need for simplification, for agility, for the strategic retirement of cost free legacy infrastructure.
- Vibhor Singhal:** And you believe we have a very good presence in all of these opportunities that you talked about, which should hold us in good stead over the next years in the entire banking space?
- Sudhir Singh:** It should hold us in very good stead going forward Vibhor.
- Vibhor Singhal:** Sudhir great thanks for those answers. Just one question for Saurabh. Saurabh, I think our margins in this quarter, if I were to basically take a step back, this quarter we had a very strong growth, which was helping us. So if you could basically walk us through the puts and takes for this quarter, that despite some of the operating leverage coming through the growth, how the margins remain tight in this quarter and going forward in the next two to three quarters, I know there is ESOP cost which is going to come down. What are the other levers that we are looking to expand margins to what Sudhir said, are we targeting 14% for this fiscal year itself?

- Saurabh Goel:** So we got two things. Number one, historically, Q1 has been a quarter wherein margins get depressed and even without wage hike, it used to come down by 100 BPS or so. This quarter, wherein we were ramping up one of the largest deals and we all understand that when you are ramping up a deal of that scale and size around some 1000 odd people in an account, there are expenses that will come and hit you because the billing does not start at the same time. Despite that, we were able to maintain EBIT margins and I am talking about EBIT because that is what the guidance is going forward. It will still remain flat. And as we move forward, you have always seen that historically, we have expanded margins post Q1 performance. So Q2, Q3 because of the ramp that we are expected to see in Q2 as well, a similar kind of a ramp is going to now help us on margins because whatever had to happen from a ramp-up standpoint has already happened. There is no other headwind in Q2 so we will see that thing ramping up from a marketing perspective. Leverage will start playing out. In Q3, the ESOP cost will start coming down. There will be a headwind of wage hikes in Q3, but a lot of that will be compensated by ESOP cost reduction that is expected in the period. So that is why we are confident that we have had a good start from EBIT margin standpoint for the year and not dropped the margins in Q1. And historically, as we ramped up in future in Q2, Q3, we will continue to see that.
- Vibhor Singhal:** Got it, got it. If I could just squeeze in last thing, what is the timeline that we are looking for the final integration of security? I know you mentioned that we are now going to NCLT. Earlier you had mentioned December 2025 is probably the target. Do you think that the timeline could be met or do you think there could be some spillover from that?
- Saurabh Goel:** I think it is more with regulators so it would be minus a month or two, but December, January should be the timeline. And in case whenever the approval comes in, as I mentioned earlier, the effective date of the merger is April 1st 2026.
- Vibhor Singhal:** Got it. Thank you so much for taking my questions and wish you all the best.
- Moderator:** Thank you. We take our next question from Abhishek Pathak of Motilal Oswal. Please go ahead.
- Abhishek Pathak:** . Hi Sudhir. Hi Saurabh. Congrats on our execution on revenues. A couple of questions.
- Firstly, how do we expect the Sabre deal to ramp up sequentially from here on? I mean, sequentially, should we be expecting the TTH vertical to continue to grow over the next three quarters? That is the first question. And the second question is, on a steady-state basis, where do we see our OCF to EBITDA ratios settling? I understand that the deal ramp up in Sabre may have some investments that may be skew that ratio, but over the steady-state, where should we be modeling that number? If you could talk a bit about the BFSI deal and outlook that you were referring to earlier. There has been some mixed remarks around BFSI. The bank results have been good but the numbers are still a little bit of a mixed bag so do you see, any hesitation from clients over there or do you see our offerings still sort of resonate well and we should expect the vertical to grow? Thank you.

- Sudhir Singh:** Thanks Abhishek I will take number one and three and Saurabh is going to address the steady state OCF. Sabre deal will continue to ramp up sequentially in Q2 as well. And Q3 onwards we would expect the resource loading, the total headcount to stabilize. Q2, the quarter that we are now beginning in, should again see a sequential growth on the Sabre side. On the BFSI piece, as I said, we are seeing healthy demand across commercial banking, across lending, across wealth management, across risk and compliance. And structurally, the demand is being driven by margin pressures and the need for product innovation and also because of the reasons of trying to stay in line with the changes in REC frameworks. Technical point of view, banking, again, there is high confidence because we believe operational resilience. We believe cloud-native architectures have become mission critical for banks. And that is going to be a secular longer term non-discretionary, non-fluctuating demand spend that we are going to be looking at. And I think banking in general our confidence continues to be high. Our performance over the last four to five years has been very robust. We see absolutely no reason given the fact that the banking sector continues to be driven by the need for simplification, by the need for agility, by the need for retirement of legacy infrastructure, for our growth rates to waver or to taper.
- Saurabh Goel:** On OCF to EBITDA, we will maintain that till the time we continue to grow, 65-70% OCF to EBITDA is what we would like to maintain. Because rest will be needed for increased working capital requirement that is needed for the growth business.
- Abhishek Pathak:** Understood, Saurabh and if I could just follow up, what is the capex outlook for FY2026? Do we expect it to be at similar levels or taper down from here on?
- Saurabh Goel:** No, it will taper down. It will come down to our original levels.
- Abhishek Pathak:** Understood. 2-3% odd or 5%
- Saurabh Goel:** Yes correct.
- Abhishek Pathak:** Thank you so much and all the best.
- Moderator:** Ladies and gentlemen we request you to please limit your questions to two per participant. You may then return to the queue and rejoin the queue if you have more questions. We will move to our next question that is from Sandeep Shah of Equirus Securities. Please go ahead.
- Sandeep Shah:** Thanks for the opportunity. Just on the EBIT margin, the first quarter run rate being closer to 13 and full year being 14, so the exit has to be 15, where we expect some tailwinds, but there would be a wage hike effective 3Q. So in that scenario, what will pull out such kind of a 200 BPS margin improvement in the next three quarters?
- Saurabh Goel:** So Sandeep, two things. One Q1 to Q2 to Q3 you have always seen impact of operational efficiencies coming in and margins going up. Historically, that is point number one. Number two, the wage hike impact is going to be very, very limited in Q3, which will largely get set off by the lower ESOP cost. We are looking at probably 80-90 BPS reduction on the account of ESOP cost

going down. So I think from that perspective, historically, what we have delivered and from a quarter on quarter margin ramp, we believe that 14% is doable.

Sandeep Shah: And just a related question, what could be the depreciation amortization amount going forward? And just observation and a suggestion, this onetime bonus of 458 in my view should not be treated as non-recurring because that is one of the catalyst or one of the reasons for higher growth which is execution intensity. Why I am saying is that as a percentage to last year's revenue has been closer to 40 BPS?

Saurabh Goel: So two things, Sandeep this was not something which was part of the part of the existing bonus plan. And this was one off that was decided during the quarter and that is why we put it like that. It is not going to get incurred next quarter or through the year or next year and that is what it has been reflected like that. Anyways, whether we included or excluded reported EPS for the quarter is 9.5 and normalized as I said is 9 and we will continue to ramp from there.

Sandeep Shah: Yes and question on depreciation amortization.

Saurabh Goel: It will normalize from here. There is no increment happening on that.

Sandeep Shah: So it can continue at current level.

Moderator: Mr. Shah we request you to return to the queue please. Thank you. We will now move to our next question that is from the Dipesh Mehta of Emkay Global. Please go ahead.

Dipesh Mehta: Thanks for the opportunity. Two questions. First question is about the five large deals which we had announced. If you can provide some more detail around those deals. Second question is about the 14% margin which you indicated for the year. Is it as per the BSE reported or as per our presentation kind of format which you gave? If you can provide that clarification. Thanks.

Saurabh Goel: See the margins that we are reporting right now as part of the management fact sheet, 14% EBIT is a like to like of a 13.2 that has been reported in the current quarter.

Sudhir Singh: And moving on to question number one, five large deals. The first large deal, Dipesh was from what was one of the top three clients of Cigniti. This is an AI infused app modernization, 30 plus million dollar TCV win delivered by GitHub Copilot, Quasar Accelerators and through Intelligent DevOps. This is a US-based client. Second one again is a North America-based client, involves digital transformation to scale up various customer and enterprise processes on Pega Cloud. And our domain expertise and the Pega engineering capabilities were responsible for this. Number three was yet again a North America-based client, transformation of the workplace platform and integration with AI enabled Microsoft Services. Differentiations here, why we won were Microsoft Workplace capabilities and the architecture which was centered around AI enabled Microsoft Services. Number four came from the Middle East where we have secured a mandate to build GCC to help the customer transform their exchange operations. This was driven by our BPS and GCC horizontals working together. And finally, the fifth one came from Asia, which is a transformation

of technology infrastructure to enable scaling up of CAC services. I do want to point out, you would have noticed last quarter that we closed a large deal with one of the clients that came with the Cigniti acquisition more than a year back. That was a top three client. This is another one. This is a different client, but it is another top three client. And the third top three client interestingly is where we are pursuing one of our largest opportunities. So as a quick segue back to that acquisition announced last year May and the effectiveness of cross sell that we have indicated many times has been in the works, you are now seeing it in action. Thanks for the questions Dipesh.

Moderator: Thank you. Our next question is from Rishi Jhunjunwala of IIFL. Please go ahead.

Rishi Jhunjunwala: Thanks for the opportunity. Sudhir just wanted to understand the amount of deals that we have won over the past two to four quarters and that has gone up significantly. Can you give some colour in terms of how much of those would be as a result of market share gain where we are displacing some of our similar or bigger size peers versus those where it is incremental work which is potentially coming out of some of the newer technologies that we are pushing?

Sudhir Singh: The way we run the sales execution cycle, what we refer to at the beginning of our call, Rishi, is we give credit to our sales teams only for deals that are not renewal. We believe that renewals should be table stakes. A large deal from an internal evaluation perspective is a large deal where the net new revenue being recognized as part of that deal, even if it is a hybrid of existing business, has to be more than \$20 million TCV. So the focus from an execution perspective is not to compensate sales teams for any piece of renewal that is embedded as part of a large deal and to not call out a deal as a large deal internally at least from a sales operations perspective unless the new component is at a minimum a TCV or \$20 million. Almost all of these and this is because 19 out of our top 20 clients our principal competition is a large-scale SI have been won against the large-scale SI's.

Rishi Jhunjunwala: Got it, thank you. The other thing is of course our top five clients have grown stupendously our non top 10 have also grown pretty strong there is some bit of bit of weakness in the top six to 10. Just wanted to understand the nature of that weakness. It is something which is purely temporary. Do we expect it to recover back during the course of the year?

Sudhir Singh: You will see a correction immediately. You will see a correction in Q2 itself. Rishi. There is absolutely no structural weakness there.

Rishi Jhunjunwala: Understood. Alright, thank you. All the best.

Moderator: Thank you. Our next question is from Abhishek Bhandari of Nomura. Please go ahead.

Abhishek Bhandari: Good morning to the management team. Sudhir, I just wanted to understand the near to medium term business outlook on your BFS vertical. When do you think this business starts, coming back to a reasonable growth number on a sequential side? And also in the medium term, what are your plans to go deeper into this vertical on the BFS as you want to become a 2 billion and beyond company.

- Sudhir Singh:** So the near term outlook and the medium term outlook, both are positive and very positive. And I say this off the back of the best estimate that we have for Q2 and off the back of the high probability large deals pipeline that we are looking at for banking. As I said at the outset, banking for Coforge is growing on a YOY basis by 32%. On a go forward basis, we would expect banking as a percentage of our revenue to continue to hold where it is, because we expect banking and more broadly financial services to continue to almost pace ahead at the same pace as the rest of the firm.
- Moderator:** Thank you. We will take our next question that's from Ashwin Mehta of Ambit Capital, please go ahead. Mr. Ashwin Mehta, could you please unmute your microphone and ask your question now?
- Ashwin Mehta:** Saurabh I just wanted to understand this nature of the data centre capex. So is it more like we own this asset effectively on behalf of the client and over a period the client pays for it, say additional colour here in terms of how this is structured would help.
- Saurabh Goel:** Yes Ashwin so we own the asset and we control the asset. We have placed them in the location where we identified that location. And that is why it has been capitalized and we are providing services on this data centre so client is not concerned about how much is the capex behind it. And client is not concerned about what we do with it. So it is in our books, and we are in control of these assets.
- Ashwin Mehta:** And we can use this asset for any other client, or is it a dedicated one for this client?
- Saurabh Goel:** It is not dedicated. We can use it for whomever we want.
- Ashwin Mehta:** And the second question was in terms of, this is more broader question, like if I look at your free cash flows over the last 5 years, your free cash flows have been largely flattish despite the fact that EBITDA has gone up by 2.6x or revenues gone up by 2.5x. So while you have given a CFO to EBITDA outlook of 65-70% what are we looking at from a FCF to PAT perspective because of the fact that the nature of deals is coming in with a much higher capex versus earlier.
- Saurabh Goel:** So two parts to it Ashwin. One, capex is something which has only happened in this kind of a data centre only for last two quarters and that is about it. And hence when you look at current quarter, it is a blip and not reflective of the FCF of the company, number one. Number two, we have been acquisitive. So, FCF is a function of whether you do an acquisition or not. And that is why when we look at investment in clients, it gets reflected in OCF and how the OCF is progressing until and unless you are investing in a client in form of a capex, which is getting reflected in the current quarter while building a data centre. So I guess when we are comparing five-year FCF, I do not know which is the base year being taken, but it could be a function because the current quarter is heavy on the capex investment, and that is why we are talking about it.
- Ashwin Mehta:** So I am looking at FY2021 to FY2025 and the FCF is before acquisition and on that also it appears flattish.

- Saurabh Goel:** I will look at FY20-21 versus FY2025 because FY2020 was a stressed year and that is why FY2021 cash flows went up. It is a point in time view and probably if there is any more detail that you need around it you can reach out to me separately
- Moderator:** We will now invite Mr. Ankur Rudra from JP Morgan. Could you please unmute your connection, Mr. Rudra?
- Ankur Rudra:** Thank you. I think just a broader question, Sudhir and team, how are you thinking about overall balance sheet investments and intensity as you go after this opportunity? You have laid out a lot of differentiation that you have, not specific to this data centre deal, but would you be able to do a lot more of this? And what are the different types of asset intensive or balance sheet intensive deals that you would be open to doing as you look to capture more market share?
- Sudhir Singh:** Ankur, we do not plan to go any further into the data centre space. Data centre space, as Saurabh has talked about in the past, the total capex was \$85 million, 62 million of which has already been realized by the firm. And it is a shared data centre where we are offering services to one and over time more clients. The balance sheet leverage is largely going to be for acquisitions that fit the valuation and the capability profile of assets that we are looking at, but you will not see more by way or anything material by way of data centre plays in the short to medium term.
- Ankur Rudra:** Thank you. Appreciate the clarification. The second question, overall it has been a fantastic start to the year and growth momentum has been very strong. Because the environment is somewhat uncertain, in your own business momentum, do you see growth in the second half on a year-over-year basis equally strong or stronger or weaker because we have had different comments by some of your larger and smaller peers. I just wanted to know what you are seeing in your business.
- Sudhir Singh:** Second half has to be much stronger than the first half that is axiomatic from a sales execution perspective that underlies the budgeting planning that we do.
- And that stems off the fact that we approach sales execution from a large deals mindset. Everything that we are going to close in Q2 by way of large deals, a lot of what we have already closed in Q1 has to start translating in the second half as new revenue. So H2 Ankur has to be much stronger than H1 and that is how we are looking at things but thank you for that question.
- Ankur Rudra:** And if I can just clarify that one does that mean that on a year over year growth perspective, constant currency, like for like, the growth will be similar or better than first half?
- Sudhir Singh:** I do not want to put a hard number to this, but all I can tell you is, as I said, Q1 has been a robust growth quarter. Saurabh talked about the fact that we have grown organically, excluding acquisitions by almost 6% CC. I would expect Q2 also to be an equally robust quarter. And H2, just using that term for a third time, should also be a robust second half for us. We feel very confident, Ankur. I mean if that is the question, we feel very confident. We see with the advent of AI clients trying to optimize the run budgets, but being extremely open to proactive business case

led large solutions. And that is a place that is playing out at this point in time incredibly well for us.

Ankur Rudra: Thank you. Appreciate the time and best of luck.

Moderator: Mr. Singh, there are no further questions from the participants. Over to you for closing comments.

Sudhir Singh: Thank you moderator. Thank you ladies and gentlemen. These are very exciting times. The industry has pivoted. The opportunities on the change the business, the transform the business side are many and clients are increasingly open to having conversations which are grounded and led through workshops and a solution-based approach. We aim to stay very closely connected with you for your advice, for your comments and for your insights and we thank you once again for having joined us today for what was once again for us a very insightful set of questions that we were able to address. Thank you, see you next quarter.

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.