

## **Acquisition Rationale**

Coforge believes that the acquisition of Cigniti will not only help it grow into a USD 2 Bn firm by FY'27 but equally importantly the ensuing synergies will ensure that the Coforge operating margins shall improve by 150 – 250 bps in that timeframe too.

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

### **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 USD 100 Mn per annum in size while the Hi-Tech and Healthcare verticals will be operating at around 50 Mn per annum size immediately post-merger. Our oft stated intent to create scaled up verticals in these three industries gets a significant head-start with this acquisition.

### **2. *Our objective of materially scaling up our presence across the South-west, Mid-west and West US will be realized***

Coforge currently derives only 48% of its global revenues from its North American operations because Coforge's presence has largely been East Coast centric in the USA. Rapid expansion in North America has been a key objective for Coforge. The acquisition of Cigniti will expand Coforge's North America revenue by ~33% and help us establish a significant beachhead in the crucial West, South-West and Mid-West markets.

Across these regions, with this acquisition, twenty-eight new Fortune 500 companies shall enter our customer base. We believe 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 Coforge has been attempting to sign a partnership over the last decade.

### **3. *Addressing the significant opportunities that the proliferation of AI is creating for specialized Assurance services***

The introduction of AI is going to bring substantial changes in the traditional software development and maintenance life cycle. Increase in adoption of AI highlights a crucial point – higher AI adoption isn't going to eliminate the need for testing – it is expected to instead 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, let's imagine a scenario where airlines utilize AI for price optimization - a malfunction in the algorithm could lead to massive revenue losses for the airline. Traditional functional testing alone won't suffice. We will need specialized approaches to ensure these AI systems perform as intended with factors like security and performance becoming paramount. Cigniti

brings a strong track 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. Cigniti has made significant investments into its next-gen quality engineering platform, BlueSwan which started in 2016 as an automation platform and has evolved into an AI led platform with a suite of eight offerings including app experience analyzer and sentiment analyzer.

Importantly, we believe that there is a further scope to build a horizontal “AI Assurance” offering including modules for data interrogation, bias detection, stability/precision drift testing and model optimization leveraging cross disciplinary teams skilled in QE for AI projects.

Our confidence in creating this new test bed for AI offerings is borne out of Coforge’s extensive AI experience/offerings under its own six-year-old AI CoE, which has created the Coforge Quasar AI platform, and combining that with Cigniti’s proven BlueSwan platform that has been successfully deployed at multiple customers.

It is pertinent to note that Cigniti has been positioned as a ‘Disruptor’ in the HFS Horizon Report on Generative Enterprise™ Services, 2023 for embedding AI and Automation to deliver market leading innovative solutions. Furthermore, Cigniti is rated as a “Leader and Star performer” in Everest Group’s Quality Engineering PEAK Matrix’s 2023 and was positioned as a Leader in Nelson Hall’s NEAT charts for Software testing and Quality engineering in 2023.

### ***Concluding note***

Coforge has clocked one of the highest growth rates in the industry over the last six years and even in a tough year like FY’24 has delivered an organic growth rate of 13.3% in CC terms. Given our sustained investment in our proven sales engine we remain confident of effective cross sell across all the existing Cigniti clients and realizing the business case underlying the acquisition.

## **Appendix – Combined Entity - Key Metrics**

### **Proforma Combined entity size**

<b>FY24</b>	<b>Coforge</b>	<b>Combined*</b>
Revenue - Rs Mn	91,790	109,940
PAT - Rs Mn	8,080	9,939

*\* Audited FY24 Consolidated financials. Cigniti PAT adjusted for Rs. 203Mn towards one-time long service award*

<b>FY24</b>	<b>Coforge</b>	<b>Combined*</b>
Revenue - \$ Mn	1,119	1,340
PAT - \$ Mn	98	121
PAT %	8.8%	9.0%

*\* Rs/\$ conversion at 82.05 for Cigniti*

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