



TRANSCRIPT: Coforge Limited Q2 FY2021 Results Conference Call
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FROM COFORGE:

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(1 crore = 10 million)

Moderator: Ladies and gentlemen, good day and welcome to the Coforge Limited Q2 FY'21 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Abhinandan Singh, Head, Investor Relations and M&A at Coforge Limited. Thank you. And over to you Mr. Singh.

Abhinandan Singh: Thanks, and a very warm welcome to all of you to the Q2 FY'21 Earnings Conference Call of Coforge, which was erstwhile known as NIIT Technologies.

You would have received our Results by now. Those are also available on our website www.coforgetech.com.

Present along with me on this call are our CEO Mr. Sudhir Singh, and our CFO Mr. Ajay Kalra.

We will start this forum with opening remarks from our CEO and post that we would like to open the floor for your questions.

With that, I would now like to hand over the floor to our CEO. Over to you, Sudhir.

Sudhir Singh: Thank you, Abhi, and a very good evening, and a very good morning to you across the world folks. I hope that your family, your loved ones, your team members, and you are safe and healthy during these times. And I sincerely appreciate your taking the time and joining us for this conversation today.

Today's post-results call is our first since we began operating under our new name, Coforge Limited. Our new name, Coforge, stands for working together to create lasting value and reflects the deep client, employee and partner centricity ingrained within our operating culture. Over the past few years we have accelerated the growth trajectory of the firm by effecting a change in the leadership, the operating culture, the strategy and the capability matrix of the firm and we are excited about our new name that marks this transition.

As planned. I shall share details of our quarterly performance and our perspective on the outlook going forward.

With that, I will now proceed to the Revenue Analysis segment for Q2 performance.

You will recall that at the end of Q1, in a similar post results call, I had shared that we will grow revenue by at least 7% sequentially and grow margins by at least 150 bps sequentially. As a firm, given our exposure to the Travel sector pre-pandemic, we faced headwinds that were considerably higher than what our peers in the industry faced. Our performance has come despite the very specific and very significant headwinds that we encountered and are now convinced have overcome.

In the quarter under review, Q2 FY21, consolidated revenue grew QoQ by 8.1% in constant currency terms. In US \$ terms revenue grew 10.7% QoQ to US \$ 154.9 Mn. In reported terms, the revenue increased QoQ by 9.1% to Rs. 11,537 million.

The quarter saw all-round growth. The growth came from all verticals, from all geos and from all account sized based cuts.

Despite the pandemic related headwinds all of our businesses, with no exceptions, grew sequentially in Q2. During the quarter, our Insurance services business grew 12.6% QoQ contributing to 34% of the quarter's total revenue. Our BFS business grew 6.5% sequentially and contributed to 17% of our revenues. The Travel vertical recorded a quarter-on-quarter growth of 5.4% and now contributes 19% of total Q2 revenue. Other segments collectively expanded 5.6% quarter-on-quarter and they now represent 30% of the overall revenue.

On a geographical basis, Americas grew by 13.2% sequentially contributing 48% to the revenue mix, EMEA grew by 5.0% contributing 36% to the revenue mix and the Rest of the World grew by 3.0% contributing 16% to the revenue mix.

The top five clients now contribute 24.9% of the total revenue and the top 10 and the top 20 contribute 36.4% and 52.0% of the total revenue respectively.

The broad based growth that I referenced is reinforced by the number of \$1 million plus clients which stood at 109 the end of the quarter under review, up from 95 accounts a year ago and from the number of 107 clients at the end of the preceding quarter.

Onsite revenues represented 64% of total revenues, up from 62% in Q1FY21.

Moving on to the margin analysis and the operating profits for Q2. We are pleased to report that margins have expanded by 174 bps QoQ. We have delivered an EBITDA of Rs 2,172mn before RSU costs, translating into an EBITDA margin of 18.8%. After baking in the impact of RSUs granted to the leadership team in March 2020, EBITDA post RSU cost for the quarter stands at INR 2,048 million. The effective tax rate for Q2 was 19.9% of PBT. Our net profits increased by 51.1% over the last quarter to INR1,207 million.

Moving on to the order intake, the order intake during the quarter was exceptionally strong. We secured fresh business of US\$201 million during the quarter under review. Our order book executable, which as you know is the booked order over the next 12-months, now stands at US\$489 million, up 21% year-on-year. Out of the US\$201 million order intake that I referenced, the US geo contribution stood at US\$121 million, EMEA was US\$ 58 million, and we secured US\$21 million from the rest of the world.

The large deal signing momentum continued. Two large deals were signed during the quarter; the first deal was in the Insurance vertical where we signed a \$32 million multi-year deal. The other deal came from the BFS vertical.

Through the quarter, we signed 12 new customers.

I shall now talk about the delivery operations and the capability build aspects that the company continues to be extremely strongly focused on.

Within the broader full spectrum digital and platform capabilities, there are three specific areas that continue to markedly differentiate us as an organization, and act as spearheads in opening new conversations and relationships. These three areas are one, platform engineering where we derive around \$ 100 Mn of our revenue from; two, full spectrum AI + Automation that delivers another \$100 Mn in revenues and finally, three, Digital Integration capabilities which contribute around \$50 Mn of revenues. The product engineering and Digital portfolio of the firm has crossed the threshold of 50% of total revenues last quarter. That large and growing portfolio has been the principal driver of improving revenue productivity and hence margins over the past few years.

I am happy to report that we have had another quarter of stellar quality delivery and have moved the needle upward on our digital, automation, and client transformation capability build and client journeys.

For one of the ten largest Banks in the world we are developing an AI solution leveraging our in-house accelerator to scrape unstructured content from multi-lingual policy documents and map them to downstream risk management processes. This will lead to straight through processing of risk scoring, improved cycle time and productivity.

For a leading global specialty provider of P&C insurance and reinsurance we increased the Underwriter productivity by 3x and scaled their case handling capacity by a factor of 5x by building an AI based automation engine that extracted unstructured content from Office 365 emails and enables faster underwriting processing. This was built on Coforge's proprietary AI solution accelerators - SLICE and IDP - using cognitive technologies. And here I directly quote the client, *"the project was a difficult undertaking as the technology is unproven, however its success is a testament to Coforge's Artificial Intelligence and Machine Learning capabilities."*

Moving on, we have built additional capabilities in AI & ML powered IT Ops with Machine learning, Big Data and AI. We have also built the capability for one-click migration to the Cloud, significantly lowering the cost of cloud enablement.

As you are aware we have a material \$40 Mn Insuretech platform AdvantageGo. Within that suite, our exposure management solution, Exact Max was short-listed in the 'Insurance Innovation of the Year' category in Insurance Insider Honors Awards 2020.

For a new client and another client, Coforge delivered a new rules engine enabling faster deployment, flexibility and maintainability of new code releases for an IT Architecture firm. The highlights of these were: zero code business rule management, externalizing business rules, and hosting the engine in the Azure cloud.

For a very large automobile brand we have launched a Salesforce based New Lead & Enquiry system for all its 4500 dealers. This system digitizes the previously paper-based lead management practice, and reduces the processing times from 3 days to real-time.

To conclude, our push to engage with emerging technologies that we always talked about, and have imbibed, continues to differentiate our solutions and it underlines and powers our successful attempts at wallet share increase in current accounts and reinforces our differentiated position in the marketplace.

I shall now detail the people metrics. Total headcount at the end of the quarter was 11,162, which represents a net addition of 564 employees. Our headcount, you might note, is now slightly higher than what it was in Q4 fiscal year FY'20 when the pandemic began. Utilization during the quarter was 81%. Attrition fell further to 10.5% and continues to be one of the lowest across the industry.

Highlights of the balance sheet metrics are as follows: Cash balances stood at INR4,147 million, which is a decrease of INR1,310 million over the previous quarter. During the quarter, the firm bought an additional residual stake in RuleTek for which we paid INR722 million and RuleTek is now a wholly owned subsidiary of Coforge Limited. The firm also paid buyback tax of INR 781 million during the quarter. Capex spending during the quarter was INR214 million. The debtors at the end of the quarter stand at 75-days of sales outstanding.

Very quickly I am going to share subsidiary information, which is what we are normally asked for. For AdvantageGo, the quarterly revenue was INR762 million at an EBITDA of 31%. For WHISHWORKS, the quarterly revenue was INR572 million at an EBITDA of 20%.

Moving on to hedge positions, outstanding hedges in US dollars are US\$74.93 million at an average rate of INR76.89 to the US dollar. In British pounds, we have 22.23 million outstanding and that is at INR97.11 to the pound. In euro it is 4.66 million at INR87.11 to a euro. And in Australian dollars, it is 3.92 million at INR49.86 to the Australian dollar.

To conclude I shall now step into the Outlook section. As a firm, we have stayed away from offering a guidance in the past but given the exceptional circumstances during the pandemic, we have made an exception this year. Last quarter, during the post results call, I had indicated that we planned to deliver a sequential revenue growth of at least 7% in constant currency terms, with a material margin expansion of at least 150 bps sequentially in Q2. We have delivered on both revenue and margin fronts against those plans in Q2, underlining once again, the performance and the execution intensity that is now firmly embedded in the firm's DNA. With the first half now behind us, I would like to reiterate that we remain confident of maintaining the annual growth guidance and the annual margin guidance that we had shared earlier. We believe that our organic growth for the year will be at least 6% in constant currency terms during the current fiscal. This assessment is based on our plans to deliver sustained growth led performance

in both quarters of the second half as well. In addition to organic growth, we have demonstrated the ability to acquire and integrate bolt-on targets in specific areas, and we will continue to look for inorganic opportunities too.

Our margin trajectory also remains on track, and our margins continue to be best in peer set. Last quarter, in the post results call, we had revised upwards our annual EBITDA margin guidance from 17.1% to 17.8% pre-RSU cost. We maintain that guidance. And we expect our EBITDA margin for the full fiscal year FY'21 before RSU costs to be the same as last fiscal year FY'20 margins at 17.8%.

Overall, you would have noted that over the last three years, the firm has delivered against revenue and profit plan in every quarter with no exceptions. Team Coforge is hyper focused on execution against plans and is committed to maintaining an unblemished record on this count in the quarters and in the years to come. We also remain committed to our intent to attempt to set the pace when it comes to the growth rate for the industry. Our growth framework, which we built three years back when we started the process of changing the firm's leadership, its organization structure, its operating culture and its capability matrix, has now been tested and has proved itself repeatedly over these years.

The growth framework of Coforge is based on three aspects. Under our growth framework, we believe that the firm's performance has to be (1) robust, (2) predictable and (3) profitable. Our record, referenced earlier, over the last 3 years speaks to the sustained, robust and surprise-free growth that has been delivered on the back of immaculate execution. Importantly, our growth during this period has also been delivered while simultaneously delivering increasing margins.

Finally, our performance during the pandemic, despite our significant exposure to the Travel business, attests to the resilience of the firm's operations, attests to our ability to wrest wallet share in large accounts and to our commitment to delivering surprise-free growth against any and all odds.

That ladies and gentlemen brings me to the end of my opening remarks. And I look forward to hearing your comments and to addressing your questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shashi Bhusan from Axis Capital. Please go ahead.

Shashi Bhusan: Our order book has been expanding. Any color on renewal versus new deal composition for the same? And any quantification of the deal pipeline given that we have closed so many in this quarter, compared to say, three months or six months back?

Sudhir Singh: Shashi, thank you very much for your question. The order book, as always, has been a healthy mix of both renewals and new revenue streams. Illustratively, of the two large deals that I talked about in the current quarter, the \$32 million Insurance deal that I referenced is completely new

revenue for the firm. And the other large deal that I referenced from the BFS vertical had more than 50% “new” component to it. From a deal outlook perspective, despite the pandemic, as you noted, Shashi, over the last two quarters we have closed five large deals, three in the last quarter and two in the Q2 under review. The large deal pipeline continues to be robust and we continue to plug away at making sure that we realize as much of it as soon as possible.

Shashi Bhusan: And given challenges faced in travel vertical and our performance is commendable there, what are the initiatives taken to retain and expand market share in the vertical?

Sudhir Singh: Thank you for the question, Shashi. As you know, Travel is now only 19% of the firm’s revenue. Within that share, if you look at the composition of the firm’s revenue, only around 5.5% or 6% comes from Airlines. We saw the impact of the pandemic on the Travel industry as a challenge that we had to address by (a) looking at short-term efficiency measures, and (b) also exploring opportunities to expand our wallet-share in an environment where overall spends at client ends were falling. That approach of not giving up on the larger client relationships that we had and structuring solutions that addressed their productivity and cost save asks has worked well for us. A significant portion of the growth that you see this quarter, which was roughly around 5.5%-odd sequentially, has come from wallet share expansion experienced as a consequence of the approach that we have taken.

Shashi Bhusan: And last one, if you can comment on Baring plans, given that they have consolidated their IT services portfolio with two IT companies taken private, what is their plan with the company?

Sudhir Singh: That decision is a Baring prerogative, and it is going to be a decision that the board will take. At this point in time we have no indication from Baring around any such plans.

Moderator: Thank you. The next question is from the Sandip Agarwal from Edelweiss. Please go ahead.

Sandip Agarwal: The only question is that in spite of such a great performance which you are doing all across, any particular reason that we are still not bifurcating the Others segment, because I believe that your strategy of bringing very senior people for different verticals have played out extremely well. So, why is “Others” still clubbed as one vertical? I understand maybe for reporting purposes, it is fine, but are you still planning to do something different in those sub-verticals within the others, because that is the area where I think a lot of growth can come particularly the Hi-Tech piece or the Healthcare piece. So what is your strategy on that side because I believe that big growth delta which can come in the overall growth could be possibly in those areas, so any thought if you would like to share in those areas?

Sudhir Singh: Sandip, thank you for the question. And I agree with the suggested approach. The firm also agrees with your approach. We have been very actively examining the potential of carving out a new vertical. Healthcare is one space that we are very sharply focused on and we have already closed, as I had communicated last quarter, a new client relationship which we believe will ratchet up significantly. The immediate response to your question is Healthcare is clearly of interest and is something that we have been examining. As you can imagine, and as we have

learned from our own experience, it takes about a 12-month path for an investment and for leadership to come in and settle down in a space. That process has already been initiated for attempting to create and carve out a new Healthcare vertical, which can be a growth driver for us. We also continue to look, Sandip, at some of the other verticals that you referenced, including Hi Tech, and we continue to see if there are opportunities that we think will allow us to start constructing teams, leaders, capabilities, proof of concepts to get into those verticals as well. To conclude, Healthcare definitely is a space that we are foraying into as the fourth vertical for the organization. And since "Others" represent roughly 30% of our revenues, we continue to scout around and sniff around for other opportunities that might exist within that segment..

Sandip Agarwal:

What is your view on the insurance, particularly platform side, because if you see that is an incredible business, and is a very, very valuable business, the kind of mixture running there is very, very good, so do you think that in next two, three years, you will look at it as carving it out from the current company getting separately listed, will that be the thought process? I am not asking exactly whether you will do it, but maybe the parent may think on those direction? Because it will create an immense value for the shareholders because the kind of deals, the valuations which has happened in that space in past, they are mind blowing. So I was just wondering to have some view on that.

Sudhir Singh:

Sandip, the Insuretech platform for us, the AdvantageGo business, has almost doubled over the last four years. You are absolutely right, the business has been growing at a scorching pace. The margins, and this is a platform business, are high. It is a very differentiated capability within our aggregate insurance mix. We will continue to very strongly invest in that space as we have been doing, and which in turn has been driving the growth and the differentiation of the AdvantageGo platform. Any decisions around carving it out will obviously be taken by the Board and we will defer to them. But in the interim, the investment, the focus and the support for that business continues to be intense from all of us across the management team. You are absolutely right, we do recognize that this is a very high value asset, a very differentiated high growth, high profit asset that has been created and we continue to power it moving forward.

Moderator:

Thank you. The next question from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah:

Sudhir, just wanted to understand the demand outlook for the various sub-segments within the transportation, starting with airline, airport and the ground surface transport as a whole? And do we believe wallet share gain will help you to grow or continue this kind of a momentum despite the incremental spend may be difficult for the next four to six quarters as a whole?

Sudhir Singh:

Thank you for the question, Sandeep. Demand outlook in the airline and airport segment continues to be depressed. As we project through the year, and as we have been planning going forward, we have assumed that it will continue to be depressed. At this point in time, the growth that has come sequentially is essentially on the back of wallet share expansion within the Travel clients that we had pre-pandemic. Our belief is that on a sequential basis, the vertical will continue to grow because the revenues from the vertical as you know had collapsed significantly

in Q1. However, the aggregate demand of the travel sector broadly, and airlines and airports in particular, at least over the next two quarters till the end of this fiscal year as we see it, is going to be depressed. That is what we have baked into our planning, into our investment cycles and into the projections that we have been sharing.

Sandeep Shah:

And just a related question in terms of the order book intake. Do you believe we now have enough pipeline and the decision making is good enough to assume that this could be a new normal if anything does not go wrong going forward in terms of crossing order intake above 200 million?

And just the last question, in terms of the margins. Are you baking in wage hikes in the second half? Because the first half margins were close to around 17% and you are guiding for 17.8% constant currency margins in FY '21. While the rupee-dollar last year was Rs. 71, this year could be anywhere between Rs. 74 to Rs. 75. So, it looks like you are expecting a margin increase in the second half. So some clarity will help as a whole.

Sudhir Singh:

Sure, Sandeep. Let me take the order book intake question first. Since we are already in quarter three from an operating perspective, the visibility that we have around order intake assures us that the order intake, at least for the current quarter and potentially into the next quarter, will continue to be robust. It's difficult to put a hard number around order intake. But given the large deal pipeline, despite deals moving with slight delays, despite the fact the decision making has been in a bit of a holding pattern in some cases, we expect it to continue to be robust.

As far as margins is concerned, Sandeep, in the first quarter, we declared margins of 17.1%. This quarter, as you have seen, the margin is 18.8%. On the aggregate, margin is somewhere around 17.7% to 17.8% in the first half. Our guidance for the year is that we will deliver pre-RSU cost 17.8%. EBITDA So we are assuming that the margin profile of the second half will be broadly in line with the margin profile in the first half. And the annual number that we will deliver, pre-RSU cost, will be 17.8% EBITDA margins.

Moderator:

Thank you. The next question is from the line of Ritesh Rathod from Nippon India. Please go ahead.

Ritesh Rathod:

Can you help us understand how industry growth rate would take place in the post-COVID era? According to you, has industry growth has taken an upward shift in four on a medium-term basis, has the addressable market expanded? Addressable geographies expanded for the industry? And within that industry, do you think Coforge would see further better growth rate within the industry growth rate?

Sudhir Singh:

I think what the pandemic has proven for the broader industry is that technology spend is no longer being seen as a discretionary line item that gets cut at the first sign of a crisis. And I suspect that is the learning that all of us are planning against as we look at the future. From our experience, we found the trifecta of data, cloud and AI based technologies, and the demand that surrounds solutions based on those technologies to be really building up, not just being resilient, but actually getting augmented. Our assumption, our very strongly held belief, is that

organizations that can be innovative, and equally importantly, organizations that are agile and nimble will pivot fast and will be able to create a runway for themselves which will allow them to get onto an accelerated growth curve from where they were earlier. That is our intent. That's what we are planning against, Ritesh. And that's the sense we have picked up from the market.

Ritesh Rathod: And in terms of your ability to expand the addressable market or the addressable geographies or verticals, would inorganic be a larger portion of it to pursue those clients and to get access to those clients?

Sudhir Singh: Our view Ritesh, our plan internally post the rebranding, the internal campaigns that we have run are hyper focused on creating a path to becoming a billion dollar organization. We believe that the current mix of geos that we operate in is sufficient for us to get to that goal with speed. And we do not need to add more geos to the mix. As far as verticals are concerned, as I have noted earlier, Healthcare is clearly of interest, and more than being of interest, is an area that we are actively investing in and committing to. That will be a new vertical that we are creating.

Specific to the question around inorganic, as I had noted, we continue to look out, as we have always in the past, for inorganic bolt-on acquisitions. Because our experience and our record of integrating them has been immaculate, if there is a potential target that aligns with either our vertical or our horizontal strategy, we will, as always, very definitely and with speed, consider it.

Ritesh Rathod: And maybe a bookkeeping one. On wage hike and payout policy, if you can just highlight.

Sudhir Singh: Ritesh, the firm had instituted very early and very quick cost efficiency measures, with a very clear view around, first, ensuring employee health and safety when the pandemic came in. We will continue to assess the business situation and we will take calls in the coming quarters basis how the situation evolves.

Moderator: Thank you. The next question is from the line of Vibhor Singhal from PhillipCapital. Please go ahead.

Vibhor Singhal: Congrats on a superb performance yet again. Sir, just two questions from my side. Sorry to dwell on that yet again, but just wanted to pick your brain on the Travel vertical, especially the Airlines sub-vertical. Not for us but as an industry as a whole, given that we are a leader in that domain, what have been your experience with the conversations with the clients which could help you conclude as to when could the strength for the industry be back to the pre-COVID levels? Is it going to be late 2021 or is it going to be even further than that? And as I said, not just for us but as an overall client, when do you think that they are feeling comfortable and what is the kind of timeline that they are looking at?

And also, the second question is on the deal closure side. At this point of time are we seeing any slowdown or, let's say, pickup in the deal flow momentum, especially given the proximity to the U.S. elections?

Sudhir Singh: I am sorry, what was the last piece of what you said, Vibhor, especially “given the...”?

Vibhor Singhal: Proximity to the U.S. elections.

Sudhir Singh: Okay. Vibhor, thanks a ton for your comments and thank you for your questions. Travel vertical, let me just start off with the airlines vertical and our exposure to it. As you know, our exposure to the travel vertical has come down very, very significantly. And the airline segment is now roughly around 5% only of our revenues compared to what it used to be. Given the conversations that we have had with the CXO suite of airlines across the world, the clear conclusion that we have drawn basis their inputs is that no one is baking in a revival in the current fiscal, at least till the end of March.

There are two key inflection points when airline travel normally peaks in a year. The first is around the summer season across North America and Europe. And the other one is the holiday season. At this point in time, as we look at the world all the way till March we expect demand to continue to be very muted. Depending on how vaccines and the safety perceptions around vaccines and the adoption of vaccines, and the timelines thereof happen, we might see some kind of demand recovery either around the summer holiday season next calendar year or around the holiday season next calendar year.

All the executives we have spoken to are operating under that assumption. There are varying timelines around when the airline demand will come back to the pre-pandemic level. The more optimistic timelines assume that by end of the next calendar year, airline travel levels will start coming to within sniffing distance of where they were pre-pandemic because of what the industry calls, “revenge” travel. And the more pessimistic estimates extend all the way down to calendar year 2024. As far as we are concerned, Vibhor, as I pointed out earlier, from our planning perspective, we are assuming short to medium-term the demand for the airline subsegment will continue to be depressed.

Coming to your second question around deal flows or any slowdown or pickup that we anticipate. The answer is no. At this point in time, given the specific context of the deals that we are pursuing, we believe that the deal velocity should continue in the coming quarters.

Moderator: Thank you. The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Congratulations on very strong execution. My first question is about the WHISHWORKS margin. Now WHISHWORKS, if I look overall margin trajectory, WHISHWORKS, is still trending much lower than their usual margin trajectory. So if you can provide some perspective, what is playing out or whether we are increasing our investment to drive future growth or something color would be helpful.

Second thing is about the optimum utilization and revenue growth reflecting hiring. Now we are at around 81%, so if we can provide some color whether this is where we are closer to optimal

or you think we have further scope to expand it? And how one should look at offshoring, as most of your peers have seen higher offshoring this quarter. So if you could provide your perspective about how one should look at offshore considering remote working environment?

Sudhir Singh: Thank you for the question, Mr. Mehta. I just want to make sure that I got the first question right. Was your first question around the WHISHWORKS' EBITDA, is that correct?

Dipesh Mehta: Right, sir.

Sudhir Singh: Okay. Mr. Mehta, the WHISHWORKS EBITDA, as have I noted, is 20%, which is ahead of the firm's EBITDA numbers. And WHISHWORKS, is an acquisition that we regard as a clear success. The integration has happened, the performance is exactly on track against what we had anticipated and built into our plans. And the leadership team of the WHISHWORKS, organization that build that organization has been fully integrated; and more than being integrated, has been extremely participative in the broader firm's - Coforge's - agenda. WHISHWORKS, EBITDA is not a concern as we see it. It is ahead of where the firm's EBITDA is. And we expect that business to continue to do well.

As far as your second question around utilization is concerned, Mr. Mehta. 81% is a number, you are absolutely right, which we recorded in this quarter. We normally target a utilization number of about 80%. Most of the 564 people that we brought on board have been billable. And any number around 80% is a number that we will feel comfortable with on a go-forward basis.

Third, your specific question around offshoring. Our onsite revenue percentage has always been around 65%. It had fallen very significantly in the last quarter and it has recovered partly in this quarter. We expect the offshoring number in the coming quarters to come back to broadly where it used to be, which translates to roughly around 65% onsite revenues.

Moderator: Thank you. The next question is from the line of Abhishek Shindadkar from Elara Capital. Please go ahead.

Abhishek Shindadkar: Congrats on great execution. So my question was regarding the SG&A cost. So, the peers which have reported until now have seen good savings on this line item. But it seems we still have a, on an absolute basis, running at the same Q1 level. So your comments on that part could be helpful.

And the second question is on the cash flows. Despite a strong quarter, because of the receivables the cash generation was weak. So anything on your comments, again, could be helpful. Thank you.

Sudhir Singh: Thank you, Abhishek, for the quick two questions. I will take the first question around the SG&A cost and I am going to request our CFO, Mr. Kalra, to address the second question. Specific to the SG&A cost, over the last few years our SG&A cost has come down. And I am talking off the top of my head but I would say it has come down by roughly about 250 to 300 bps. At this point

in time, as I had noted, we continue to plan for growth. And as I said, at least 6% growth this year as well. We do not plan to bring down, in absolute terms, our SG&A numbers. We intend to continue to invest to drive growth for the rest of the year, and in the year to come. That's the approach that we have taken, Abhishek towards SG&A cost. We brought it down significantly, where we are we feel very comfortable with it. Specific to the second question around cash flow, Ajay, would you like to address that?

Ajay Kalra: Thank you, Sudhir. Just to talk about the cash flow, we had approximately \$28 million of operating cash flow in the first half. That's approximately 53% of the EBITDA for the H1. The receivables and the DSO is higher, as you have noticed. It is because we have given certain extended credit terms to certain of our clients. And also, OCF-to-EBITDA in the first half is lower than the second half, as we pay our available compensation in the first half for the year. Thank you.

Moderator: Thank you. The next question is from the line of Manik Taneja from JM Financial. Please go ahead.

Manik Taneja: I just wanted to pick your brain with regards to what it means in terms of the increase in sales and marketing headcounts in a significant manner over the last few quarters. Do you think is it a transmission issue or there is some significant investment from a headcount senior hiring perspective that should yield results for us going forward?

Sudhir Singh: Thank you, for the question, Manik. As I noted earlier, we had pared our headcount initially in the past few years. At this point in time, given the order executable, which as I pointed out is about 20% more than where it was at the same point last year, given the large deal pipeline that we see and given the fact that our earlier investments in sales have resulted in both the farming and the hunting engine doing well. We are investing, not going overboard, of course, but we continue to invest because we continue to see clear growth opportunities that the additional leaders can bring to fruition, if they were to be on boarded. We see growth ahead of us. We see growth, not just for the second half, but clearly for the next year as well. And hence, we are making these investments while managing margins too as you have seen as well.

Manik Taneja: Sure. And if I can ask one more. When I am looking at your cost pick-up against the P&L, it appears our non-manpower expenses have jumped up sharply in the current quarter from Q1 level. If you could help us understand what are some of those costs there?

Sudhir Singh: Manik, the costs that you are talking about, and the ones that you are seeing in the fact sheet are direct project related expenses. These are not non-project related expenses that we are looking at. There has been an increase in sub-cons onsite, and that is getting reflected also in the data that you are seeing in the factsheet right now.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: Congratulation on a great performance. Just as you indicated, some of the deals that you highlighted, AI based underwriting improvement for insurance and digitization of dealer channels for auto companies. So I wanted to understand, what are the kind of the size of such deals and what are the scope of scale up on such opportunities since we have successfully demonstrated these capabilities?

Sudhir Singh: Thank you for the question, Rahul. The three spaces where we see significant traction building up and has built up are Cloud, Data and AI. And all these three segments have different nuances to the deal size and structure that comes in. Cloud is lending itself to the larger deals. When I look at the pipeline and when we look at the deals, the large deals we have consummated as well, the cloud demand is bulbous and it is “large deal-ish”, if I can characterize it as that. Data is something that is rendering itself to, still in some cases, quick, small projects, which have downstream revenues coming in. And increasingly, that deal size also around data services is building up. AI, which is the third part of the trifecta where we see clear demand is not a tech area where the deal size is very large or where deals are only AI-led. AI is increasingly, and you would have seen it reflected in the commentary that I shared as well, becoming an ask for every deal and is becoming the differentiator that allows us to win. As a standalone, revenue from the AI service line is not significant. That's how I would characterize the deal demand characteristics across Cloud, across Data and across AI.

Rahul Jain: Right. And just some thoughts in terms of what all partnerships we would have done to strengthen our capabilities in base skill areas? And how much of it is internal led and how much of it is through partner channel, like for example, in AI we said this has own proprietary system. But when we talk about using unstructured data, do you have a data source partner or these are all data provided by the client themselves and we work on their internal data or how do these things work?

Sudhir Singh: Rahul, thanks for the question. Partnerships and alliances have been central to our growth, particularly over the last three years. At this point in time, close to a quarter of our revenue comes off the back of partnerships and alliances. And that's a very important and a growing sales channel for us. If you look at some of the partnerships and the revenue streams that we have constructed around these, they are very, very significant. Not only are they significant, the partnership is at a CEO-to-CEO level, the status in almost all cases, where we have a material partnership, is that of a platinum and in some cases of a gold partner.

We approach partnerships in two ways. One, we nurture them across all levels. These partnerships, since they are such a big component of our revenue stream, fall under a defined partnership and alliances governance framework. The second thing that we do is that we keep a very keen eye out for structuring partnerships with products and platform players who are just starting off but where the platform, as per our assessment, has legs and has a runway for growth. hence it's a mix of both approaches. We keep looking at the fin-tech, the insure-tech, the travel-tech space to keep structuring alliances and partnerships. And then we keep looking at the enterprise partners, in the case of Cloud illustratively Google, Azure, Amazon where we continue nourishing enterprise level partnerships. That's how Rahul, I would characterize our approach to

partnerships and alliances. These continue to be important, they continue to grow and we continue to scout around for new opportunities.

Moderator: Thank you. The next question is from the line of Sandeep Agarwal from Edelweiss. Please go ahead.

Sandeep Agarwal: Sir, I wanted to just ask one follow-on on the insurance platform side. So, we have immense access in AdvantageGo in the U.K. market. What is your plan for taking the platform to the U.S. market? Specifically I want to know, how will you balance the fact that if you go aggressive on that platform in the U.S. market, maybe some of your service relationship with the large platform providers there could have some impact? Or you think that you intentionally want to do it a little more gradually by investing gradually to repurpose it for the U.S. market? So what is your thought on that? Thanks a lot.

Sudhir Singh: Thanks, Sandeep. And congratulations for getting onto the queue again. Let me take the question around AdvantageGo. AdvantageGo and our insurance services business over the last three years have grown concurrently. We have been expectedly extremely transparent around our plans around AdvantageGo with our partners. And we have been very conscious of making sure that the growth and the geos that the AdvantageGo product operates in does not intersect with aspects that might stunt the growth of the insurance services business. That's a balance that we strike with our partners and SI partners in the insurance services space. And that's a balance that we feel very confident we will be able to continue to maintain as we scale up AdvantageGo and also continue to scale up insurance services

Moderator: Thank you. The next question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

Sandeep Shah: Just in terms of now Ruletek and Incessant have been fully integrated and are 100% subsidiary. And also WHISHWORKS,, you are saying, Sudhir, has been fully integrated. So, do you believe is there a risk in terms of integrating the sales organization where even if the acquisition happens within the senior leadership of the acquired capability? Now the integration is so tight that we should not worry at all? So how is the joint-selling happening with these acquired capabilities, some light if you can throw? Or you believe no, acquisition can continue to remain a risk in these acquired capabilities as a whole? And I have a second question, I will ask later.

Sudhir Singh: Thank you, Sandeep, for that question. We take a lot of pride in the fact that all the acquisitions done over the last 10 years across the firm, whether it was ROOM Solutions, whether it was Incessant, whether it was Ruletek or more recently WHISHWORKS, have all been successful. We continue to maintain that it is the culture of trust and respect that permeates the organization which really allows, in the end analysis, an acquisition to be successful. And for the people who are onboarded as part of the larger Coforge family, to feel both trusted, respected and welcome.

Now, specifically to your question around Ruletek and Incessant the frontend sales has been 100% integrated. An enterprise salesperson, leader or manager within Coforge, he or she is

absolutely equipped, empowered, compensated and incentivized for selling Ruletek and Incessant services. WHISHWORKS, again, has been a great story for us. The founders of WHISHWORKS continue to maintain their own enterprise sales channel. But they have done a fantastic job of working collaboratively with the Coforge enterprise sales channel to cross-sell both ways. We already have stories, in the short time that the WHISHWORKS family has been part of the broader Coforge family, of the Coforge capabilities bleeding into the erstwhile WHISHWORKS-only clients and vice-versa. That's how we look at what the status currently is, Sandeep.

Sandeep Shah: Okay. And just a second question on the guidance. Sudhir, you are saying, on an organic basis, the constant currency growth would be close to around 6%. And if I am not wrong, if I add WHISHWORKS for the full year, it will add another 1% growth. So are we indicating a total 7% growth? And even if I assume consol growth at 6%, the ask rate in the 3Q and 4Q, based on my math, still looks like a very healthy number of close to around maybe anywhere between 4% to 5%. So despite seasonality, you expect this kind of a growth momentum likely to continue?

Sudhir Singh: I would like to defer to Ajay Kalra, our CFO, to make sure that we give you a sharp answer on that. Ajay, would you like to address that?

Ajay Kalra: Sure. Thank you, Sudhir. Last year we had Esri that had moved out, so knocking off those numbers from the last few years from an organic perspective, it will be still 6% and that's how the math works from an organic revenue perspective. So if you knock off Esri's one quarter and add the WHISHWORKS' one quarter, these numbers would be still same on the continuing business.

Sandeep Shah: Okay. And Sudhir, can you comment about the growth momentum in the second half in terms of the numbers which I am getting for achieving 6% growth?

Sudhir Singh: I expect and the firm expects that Q3 and Q4 will be growth quarters. And we will get to the 6% number with the math that Ajay just called out. I am not sure if the numbers are going to be necessarily 4% to 5% quarter-on-quarter. But we do expect the number to be robust. Quarter three, as you know, is a slightly shorter quarter for the industry. As an aggregate, both quarters will be clear growth quarters. The exact math, straight off the bat, I will not be able to confirm.

Moderator: Thank you. The next question is from Manik Taneja from JM Financial. Please go ahead.

Manik Taneja: My questions have already been answered. Thank you.

Moderator: Thank you. That was the last question in queue. I would now like to hand the conference back to Mr. Sudhir Singh, CEO, Coforge Limited, for his closing comments.

Sudhir Singh: Thank you very much ladies and gentlemen. I know it's very late evening in India and it's not an easy time anywhere in the world during these days. As I said at the outset, our wish, our prayers are that your families, your teams and all of you are safe and continue to be safe, and that we see

the end of the pandemic soon. We very sincerely appreciate the interest that all of you have taken over the years to listen to us and to share your insights and your comments that we have always found very useful. We remain committed to execution. And we look forward, once again, to speaking with all of you in the next post results call next quarter. Thank you and stay safe.

Moderator: Thank you very much. On behalf of Coforge Limited, that concludes this conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.

Note:

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