



TRANSCRIPT  
**Coforge Ltd Conference Call to Discuss the Acquisition of SLK Global**  
3.30pm IST, 12 April 2021

FROM COFORGE:

MR. SUDHIR SINGH, CHIEF EXECUTIVE OFFICER (CEO) & EXECUTIVE DIRECTOR  
MR. AJAY KALRA, CFO  
MR. ABHINANDAN SINGH, HEAD – INVESTOR RELATIONS AND M&A

---

**Note:**

*1. This is a transcription and may contain transcription errors. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.*

*2. Any of the statements made herein may be construed as opinions only and as of the date. We expressly disclaim any obligation or undertaking to release any update or revision to any of the views contained herein to reflect any changes in our expectations with regard to any change in events, conditions or circumstances on which any of these opinions might have been based upon.*

**Moderator:** Good morning, ladies and gentlemen. Good day and welcome to Coforge Limited 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 conference 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, sir.

**Abhinandan Singh:** A warm welcome to all of you to this conference call of Coforge, which I appreciate you have joined at short notice. The call, as mentioned in the invitation, is to discuss our acquisition of SLK Global.

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

The call will commence with brief opening remarks from our CEO. And post that we will be happy to open the floor for your questions. The discussion at this call today is intended to be focused on the aforementioned transaction. So any conversation around our Q4 etc. is something we might not be able to discuss. And with that, I would like to hand over the floor to our CEO, Mr. Sudhir Singh. Over to you, Sudhir.

**Sudhir Singh:** Thank you, Abhi. And a very good afternoon and a very good morning to you across the world, folks. I hope that your family, your loved ones, your team members and you yourselves are safe and healthy during these times. The firm and I sincerely appreciate your taking the time and joining us for this conversation today. We do realize it is at short notice and we truly appreciate your presence.

Today, we are very excited, I must say very pleased to share that we have signed definitive agreements to acquire a controlling interest in SLK Global Solutions, a business process transformation enterprise, offering BPM and digital solutions for the financial services industry. It is a quasi-captive for Fifth Third Bank.

You would recall that in the past, during our post-results calls, I had shared that in addition to targeting robust organic growth we are also actively scouting for inorganic growth opportunities. This transaction is in line with that intent and strategy. Over the last few years, we have demonstrated the execution intensity and the cultural adeptness necessary to successfully integrate, draw synergies from and robustly grow acquired entities like Whishworks and Incessant Technologies. We are confident that that very strong business synergies shall be generated through this latest transaction that we are here to discuss today as well.

Let me start off by offering you an overview of the acquired business. Founded in 2001, SLK Global derives its revenues from North America with delivery centers in Pune, Kolhapur, Bangalore, and metro Manila. It is a quasi-captive for Fifth Third Bank, which has its headquarters in Ohio, US. It has also created a suite of platform solutions that allow it to differentiate itself in the marketplace. Fifth Third is the largest customer as well as a significant

minority shareholder in SLK Global. Prior to our equity stake purchase, the entire shareholding was with the Indian promoters and Fifth Third Bank. SLK Global reported consolidated revenue of \$62 mn during FY'20 and is expected to report consolidated revenue of \$73 mn during FY'21, representing a growth of about 15%. The three year revenue CAGR of the firm is over 17%. It is a highly profitable business and will be EBITDA margin accretive to Coforge from day one.

I am going to offer the rationale for the transaction very quickly as well. SLK Global comes with a very attractive operating profile. As noted earlier, it is a fast growing business with robust margins, deep domain expertise in the BFSI space and with a sharp focus on the North American geo. Importantly, as part of this transaction, we are getting a multi-year minimum revenue commitment from Fifth Third Bank, which after this transaction closes will also count among the top five customers of Coforge globally.

As you are already aware, BFS and insurance are the two core verticals of Coforge. Within these verticals, we have made substantial gains over the last couple of years. These include, and particularly over the last two years, getting empanelled as a preferred partner for two of the world's top 10 banks, and signing ten Fortune-500 insurance clients. This particular transaction shall further strengthen our position and accelerate our growth in the BFS and insurance verticals.

SLK Global's capabilities and scale in the Financial Services BPM space, where Coforge has minimal presence, offer substantial opportunities to generate synergies. In turn, Coforge's proven \$ 100 Mn automation service can materially enhance SLK Global's offerings for its Financial services clients. There also exists significant room for Coforge to cross-sell the breadth of its IT services, especially its Cloud and digital capabilities, into SLK Global's clients which include marquee names in the US Financial Services industry. And finally, on the service delivery front, this acquisition adds an Indian Tier-3 city location, Kolhapur, to the Coforge delivery matrix.

As noted earlier, this is a highly profitable business and it is going to be EBITDA margin accretive to Coforge's consolidated financials from day one.

Quickly diving into the details of the transaction, Coforge will be acquiring 80% of the equity stake in SLK Global over a period of two years, with 60% getting acquired in the first closing which occurs this quarter, and another 20% after two years in the year 2023. The first closing involving two tranches is split into tranche one with a 35% shareholding acquisition which was closed today. And tranche two, a 25% shareholding which is expected to close in about a month from now. After this, Coforge will own 60% and Fifth Third Bank will own 40% in the business.

As part of the second closing, Coforge will acquire another 20% shareholding from Fifth Third Bank two years from now. Post that, at that point, Coforge will own 80% equity stake in the business. And the remaining 20% stake held by Fifth Third Bank would continue at least through the period of the minimum revenue commitment that I talked about.

We intend to fund this transaction through a combination of internal accruals and external borrowings. For the initial 60% equity stake purchase, in addition to our own funds, we are also raising funds via NCDs. For the next tranche, where an additional 20% stake is to be purchased, and which occurs after two years, internal accruals alone should suffice.

Finally, talking about the way forward, the key management team members of SLK Global, except for the founder promoter, will stay on and contribute to the business growth. We have ambitious plans for robust margin accretive growth of the newly acquired business. We are accordingly rolling out an integration plan that is aimed at maximizing the growth potential that this transaction represents for us.

The Coforge team is very excited to welcome SLK Global with its 7,000 employees into the Coforge family. We are equally excited and committed to the new partnership and the client relationship that we have now come with Fifth Third Bank. Fifth Third, as I noted earlier on the call, shall be a global top five client of the firm, and as a valued JV partner, we look forward to creating a deep and mutually rewarding partnership with them in the years to come.

To sum up, and I have talked about this at multiple points during the call, we believe this transaction represents significant value creation for both organizations because of five principal reasons. One, it is a quasi-captive with a five-year minimum revenue commitment. Two, straight off the bat, it creates a top five global client for us in a core vertical. Three, it is margin accretive. Fourth, it is a high growth firm with a three-year revenue CAGR of 17% and a proven tenure execution-oriented management team, which has driven that performance on revenue and margin and continues to stay with the firm. And fifth, finally, we have secured this at a reasonable enterprise valuation of US\$195 million, which is at 2.6x the revenue. We have also consummated the transaction at a single-digit EBITDA multiple.

With that, I would be happy to hear any comments and answer any questions that you might have.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sandeep Shah from Equirus Securities. Please go ahead.

**Sandeep Shah:** Congratulations to the management for the transaction. Sudhir, just wanted to understand, since it's a quasi-captive, and it's a sizable acquisition for Coforge, so apart from Fifth Third Bank, who are the other customers who can help you in terms of ramping up the acquired business over a medium to longer term? Because after the MRC gets over and if the stake of the Fifth Third Bank goes to zero after the fifth year of minimum revenue commitment, there is a possibility of a ramp down from that customer. So I am asking a very long-term question rather than a near to medium term.

**Sudhir Singh:** The firm already has more than 35 customers across insurance and across banking, Sandeep. The revenues that come from the top five customers who we have spent time with are material. More importantly, they are also extremely scalable from our point of view. So, A) of course, the

intent will be to further strengthen and deepen the partnership with Fifth Third over time so that it doesn't just become a five year relationship. B, equally importantly, the remaining clients represent a very significant runway for long-term relationship build, and also an opportunity for us to very actively sell the other suite of services and the other service line capabilities that Coforge has.

**Sandeep Shah:**

And Sudhir, this wanted to understand, if it's a primary a BPM company, looks like as the EBITDA margin being much higher versus the company average, can you split the business in terms of growth coming through non-linear model or the percentage of revenue through non-linear and a percentage of revenue through linear model? And is there a risk of automation in any of the processes which has been run by this company? And then I have some financial related questions.

**Sudhir Singh:**

Sure, Sandeep. The firm has its own digital assets, including assets in the automation space. We believe and given the fact that we ourselves have a \$100 million automation service line, the synergies across our technology automation service line and this particular asset, which will represent an about \$100 million BPM service line for us, can be very substantial and can be an enabler in the future for us to construct solutions and propositions that should allow us to accelerate further the growth of this entity.

At a slightly later point in time, we would like to spend some time with analysts across the industry talking about the automated compliance and quality control solution, or Copasys, that has been created by the SLK Global team, the automated QC work that they do, and to reduce potential compliance related fees and penalties. I mean, just to conclude, this is primarily in the processing space. There are fundamentally no non-linear revenues at this point in time. And the digital platforms that I have referred to are homegrown platforms that enables seamless delivery.

**Sandeep Shah:**

Just coming to the sources of finance for this transaction. So the 60% stake will lead to close to around Rs9.2 billion worth of outflow. If you look at the cash on the books, as of now it's close to around Rs. 5 billion. So is it fair to say that a significant portion, may be more than 50% to 60% of the portion may be financed through debt as a whole? And second, after the accounting for amortization on the acquired intangibles, whether the business will be EPS accretive or not?

**Sudhir Singh:**

Sure, Sandeep. So may I take the first question first, and then I am going to come to the second question around the quantum that we are considering from the NCD process side. Now, given the operating leverage that will come from the accelerated growth of the merged composite entity, and the operating synergies that are going to arise as a consequence of this merger, we expect to deliver higher EBITDA and higher PAT margins in fiscal year 2022 over fiscal year 2021. We believe, to your question, that we have invested in a fast growing, I would say very fast growing, highly profitable business, which as I also called out, operates at a higher margin than Coforge.

The operating leverage and the operating synergies that I talked about, which will get created as a consequence of this merger, will be able to offset the impact of the interest cost associated with

the NCDs, the impact of amortization and the impact of the minority interest. So I did want to call that out, that given the margin profile, we did assess the impact of the interest cost associated with the NCDs. We did assess the impact of the amortization, and we did assess the impact of the minority interest. After baking all of it, at the offset that they create and after considering the operating synergies, the operating leverage that gets created, as I said, we expect to deliver higher EBITDA and not just higher EBITDA, higher PAT margins in FY 2022 over FY 2021. And I thought that was important to call out.

Coming back to your first question. The NCD quantum is to be approved by the board. At this point in time, we are considering raising somewhere between \$40 million to \$50 million as part of that process. Did I answer your question, Sandeep?

**Sandeep Shah:**

Yes. Just the last follow-up and will come in a follow-up around. \$40 million to \$50 million may still lead to a significant internal accrual usage. So is it fair to say that post December the cash accrual and the generation in the business has been robust for us to make lower use of debt? And will it lead to any kind of low payout in the year of 2021 because of this transaction as a whole?

**Sudhir Singh:**

So I am going to once again take your second question first and then get to the first one around cash generation. When it comes to capital allocation plans, Sandeep, there is no change in our capital allocation plans. We continue to look at accretive acquisitions and we shall continue to return excess cash to shareholders. Again, that's important and I wanted to call that out at the outset. That's how we are looking at it from a go-forward perspective at this point in time.

As far as the cash flow issue is concerned, at the end of the third quarter we had very clearly called out that the OCF was at 70% for that quarter and it was trending upwards. That trend has continued, and we feel good about the cash generation of Coforge and also importantly of the cash generation at SLK Global. Hence the statement around capital allocation and hence the split between internal and external accruals that I talked about.

**Moderator:**

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

**Ashwin Mehta:**

Sudhir, one question in terms of the kind of services on the BPM side that the company provides, any particular area which is a more dominant contributor in terms of services here? And secondly, in terms of this deal, does this involve any savings to the Fifth Third Bank for the commitment over the next five years?

**Sudhir Singh:**

Sure. SLK Global fundamentally does work that is split across three principle axis, and all three of them are aligned very sweetly with our core vertical focus areas. It is focused primarily on working across one, banking; two, insurance; and three, mortgage. Within banking, they support middle office, back office processes across all lines of businesses like retail, commercial, cards, etc., which is where we operate as well. On the mortgage side, they operate across the origination, the servicing and the ancillary services spectrum. In insurance, which incidentally is the largest vertical for us, they provide QC services, B2B contract center services, document

processing services, lender based insurance in the P&C space, and broad spectrum back office insurance capabilities. That's how we would characterize the three principal process areas at SLK Global.

As I called out earlier in response to an earlier question from Sandeep, the firm also has its own IP, its own digital assets that we hope to promote, and we hope to augment. They have an automated compliance and a QC solution which is called Copasys, which helps customers improve their upstream processes, which allows for automated QC, and which allows for a reduction in the potential compliance related fees benefits. There is also a whole suite of customer service and contact center capabilities which are delivered from Manila in the Philippines, and that I talked about.

Specific to your second question, Fifth Third is going to be not just the largest client, but as I call it out, it is also going to be co-owner of the firm with us, a minority shareholder. At this point in time, the five-year revenue commitment that I talked about, does not have a material cost-out that has been asked for by Fifth Third, there are the standard productivity clauses, but nothing beyond that.

**Ashwin Mehta:**

Okay, fair enough. Just one follow-up, if I look at the realization of the company, given that 7,000 people work for it, that appears to be in the \$10,000 range. And even if you assume to 70% utilization, the billing rate comes out to, say, \$7.5 odd. So is it that the utilization is running low here right now? Or is it that there is some component of business which is outside the U.S. also, which is probably pulling the billing rates down? And how do you see that kind of trending as you introduce some of our automation related offerings into the business?

**Sudhir Singh:**

Sure. So the 7,000 number that I called out is a number at the end of the year, Ashwin. There is very significant ramp up that has happened, particularly over the last three months, given the contract closures that the firm has seen. So it's not been a gentle ramp up, there has been a very significant time to 7,000, particularly over the last three to four months. Hence, there is an impact of that accretion on the denominator when it comes to revenue productivity that we are talking about. As we look at the organization, given the specialization that they have, given the focus that they have only on three areas, there might be pricing realization that they were able to do. We were also very impressed with the fact that the firm has done a very good job of leveraging a Tier-3, lower cost center like Kolhapur as part of its broader delivery matrix. So the Kolhapur center also allows them to maintain margins and to offer some or a large part of the savings from that center to its clients. Finally, there is a very interesting approach the firm has adopted around how they split the work across centers and how the firm is not just a specialist across three different process axes but has also got its centers to specialize over time and create value for its clients. Kolhapur center interestingly and incidentally offers a cost base which is 35% to 40% cheaper than Pune, which is the other material base for the firm.

**Moderator:**

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

**Abhishek Shindadkar:** Congrats on the acquisition. Just one question, you highlighted that the margin profiles are accretive compared to Coforge. Now this is coming from a higher gross margin profile as well, right, and it is not from the lower sales and marketing costs because it's a captive? So just want you to understand that. And the second thing, just quickly on the payout that is likely to happen for the second tranche, any colour on that at this point in time or it would be discussed at a later point in time? Thanks.

**Sudhir Singh:** Abhishek, so we have looked at the sales and the marketing cost profile, we have also looked at the gross margin piece that you talked about. It is a high gross margin business. And your assumption there that the firm is able to do price realization and also manage operations is correct, it translates into higher gross margin. The sales and marketing investments that we have seen, we believe are at an appropriate level. And we do not anticipate that we will need to do too much by way of material augmentation only for this business and enhancing increased costs from this particular business. As far as the payout for the second closing is concerned, that is going to happen two years from now. And over the course of the next two years, we shall share more colour around how that is constructed.

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

**Manik Taneja:** Congratulations for the acquisition. Sudhir, just wanted to get some sense of the breakup or the business mix between banking, mortgage and insurance vertical, as you spoke about. And while Fifth Third Bank is the anchor customer, you spoke about the acquired entity has about 35 customers, so if you could provide some perspective on the client concentration aspect as well. Thank you.

**Sudhir Singh:** Sure. Manik, I will start off with the client concentration and I am going to request our CFO, Mr. Ajay Kalra to talk about the revenue mix across banking, across mortgage and across insurance. At this point in time, in the year that's closed, Fifth Third represents a material number. We do not call out for Coforge or for our acquired subsidiaries the exact configuration by clients. But it's a material number is how I would characterize it and leave it for now. Ajay, I am going to hand this over to you to talk about the mortgage, the banking and the insurance mix. Ajay, over to you.

**Ajay Kalra:** Thank you, Sudhir. The mortgage is around 49%, banking is around 40% and the insurance is approximately 11%. That is the overall mix of the business across the world.

**Manik Taneja:** Sure, thank you for that. Could you also give us some sense of how the mix would have changed over the past two, three years, because it seems for some of the players mortgage business has been doing very well in the recent times.

**Sudhir Singh:** So, our belief is that insurance, which is the largest vertical for Coforge, and it's currently at 11%, is an area which we should be able to augment and grow very fast. Second, on mortgage, the business has three legs. It is origination, servicing and ancillary services. Origination has its

ups and downs as we know, but the servicing component is likely to be resilient longer term as well, as we examine the business. Banking, of course, is the other core vertical for the firm. And that again, is the vertical that we expect to still keep growing.

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

**Sandeep Shah:** Sudhir, just wanted to understand the competition within the Fifth Third Bank. Is it fair to say that we have an opportunity even to penetrate outside BPM within this client set? And who from India and global vendors are servicing the same client?

**Sudhir Singh:** I am sorry, what was the second half of your question, Sandeep?

**Sandeep Shah:** Who from Indian vendors and global vendors who are servicing the Fifth Third Bank?

**Sudhir Singh:** Sure. So Sandeep, since Fifth Third is going to be a co-owner along with us, and because Coforge has a fully developed suite of technology offerings, we do hope and plan to very actively share those capabilities and the solutions that we come up with, with Fifth Third. And the intent is, over time, provided we can show value to Fifth Third, to radiate onto the technology operations side at Fifth Third as well. The mix of vendors at Fifth Third on the IT services side, as far as we know, is a mix of Tier-1, Tier-2 and Tier-3 vendors. So it's the entire full spectrum of IT service providers.

**Sandeep Shah:** Okay. And just last, Ajay, can you provide some colour in terms of some annual estimate for the acquired intangibles, amortization which can flow through P&L starting from FY 2022?

**Ajay Kalra:** We will do a detailed PPA study. And once we do that, we will come back with an estimate.

**Moderator:** Thank you. The next question is from the line of Prashant Kothari from Pictet. Please go ahead.

**Prashant Kothari:** I just wanted to understand why the promoters exited this venture?

**Sudhir Singh:** Prashant, I think that is a question best addressed by the promoters. We entered the business because as I said there are 5 aspects around the business that we found very attractive. One that it is a quasi-captive with a 5-year minimum revenue commitment. Two, that's straight off the bat, it is a top 5 client for us. Three, it is a margin accretive business. Four, it is a high growth firm. We talked about the 3-year CAGR and the last year growth during the pandemic as well. And fifth, very importantly for us, we have secured a reasonable enterprise valuation. As I said, single digit EBITDA multiple and a 2.6x of revenue. When we looked at the entire package from our point of view, the value proposition that this creates will allow us to deliver higher EBITDA and also higher PAT margins in FY22 over FY21. So that has been the logic from our end around why we have entered it. I am sure the promoters thought through the exit pattern and anyway they started the business, they ramped the business very successfully, they scaled the business over the last 20 years and are now moving on.

**Prashant Kothari:** I would like to know the minimum revenue commitment because it is a mix of revenues come through Fifth Third Bank and other customers. So is the revenue commitment only from Fifth Third Bank and is it going to improve or with a....

**Sudhir Singh:** Prashant, you are breaking up. But from what I understood as your question, the question was is the MRC, the minimum revenue commitment from Fifth Third or is it from other clients as well and the answer is it is from Fifth Third alone. So is there another aspect to your question that I missed?

**Prashant Kothari:** Would it be growing MRC or a flat MRC for the next 5 years?

**Sudhir Singh:** It is a minimum commitment at this time and obviously our intent will be to do materially more than the MRC. But the MRC is fundamentally flattish at this point in time.

**Prashant Kothari:** Okay. And I heard that there is a delivery center in Manila as well. Can you give us some idea on what proportion of the staff is based there?

**Sudhir Singh:** Roughly about 550 odd employees out of the 7000 that I called out are based in Manila and that centers like the other centers is also specialized around operations. The focus is more on voice, focus is more on call center; focus is more on collections.

**Prashant Kothari:** I am actually struggling to understand why these margins for this business are so high? Can you give us some idea and are these margins slightly similar for Fifth Third Bank versus other customers?

**Sudhir Singh:** As we said the margins are high, the gross margins are high, the price realization that the firm has given its specialization, it is something that has helped the organization. It is important to note that the Fifth Third Bank and the non Fifth Third Bank clients margins are more or less in the same range. So it is the specialization that is allowing them to ask for and charge the price premium that they are. Secondly execution intensity of the organization and the culture very closely resembles that of Coforge. The manner in which the delivery matrix has been constructed, the way in which the centers including Tier-1, Tier-2, Tier-3 centers has been constructed, the way in which employees across those centers have been asked to specialize around certain principle axis has also created very strong operational benefits for the organization and that is helping it on the cost side. So it is a mix of both price realization because of specialization resulting in high price realization both from Fifth Third and non-Fifth Third Bank lines. Margins are in the same range. And the way the entire centers and operations have been conducted including Kolhapur which is a scaled up long term center that the organization has built up.

**Moderator:** Thank you. The next question is from the line of Vimal Gohil from Union Asset Management. Please go ahead.

- Vimal Gohil:** I joined the call a bit late, I am not sure if you have covered this but if it is possible, could you just give us a broad breakup between what would be the split between the gross assets, that means the gross block and the goodwill in the balance sheet for Coforge versus acquisition?
- Ajay Kalra:** Yes. So we had mentioned earlier as well, we have not yet done a detailed PPA analysis of the acquisition. As and when we do it, we will share that with you.
- Vimal Gohil:** Fair enough. The second question is, you mentioned that the Fifth Third has a full spectrum of Tier 1-2-3 suppliers, given the fact that you are now a very strategic vendor to them, what are the chances of material market share gains within Fifth Third going forward?
- Sudhir Singh:** Vimal, it is a very strong intent to make sure that we display clear value and the full spectrum of our own technology offering, that's Coforge to Fifth Third. The fact that they are partners, hopefully will provide access to us. After that, we will continue to do what we do, and I suspect we do well which is to make sure that we construct solutions, that we partner effectively and hopefully radiate into the technology services side as well. Our intent, our very strong intent and a clear opportunity that we do see as part of this transaction, just beyond the operations side to the IT services side in Fifth Third as well. Fifth Third is anyway, as I called out during the call as well, is anyway straight off the bat going to be a top 5 global client for our organization and we will continue to focus very sharply on that, just given the size that it already has and the fact that we think that we can grow at even further if we are able to successfully sync technology services.
- Vimal Gohil:** Right. And just one more aspect and again I apologize to have made you repeat this. But if you can just give us some breakup of what is the share of BPO and share of IT Services for the asset acquired? 100% BPM?
- Sudhir Singh:** The revenue mix is essentially BPM. There are no effective IT services within SLK Global Revenue what we would like to call out. And that is where you see the company directly across both organization, effectively 100% in BPM revenue. You are absolutely right, 100% BPM services.
- 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, was Fifth Third a meaningful client before this acquisition for us, of Coforge?
- Sudhir Singh:** No, Fifth Third was not a client at all for us, Ritesh. So Fifth Third is a new client and obviously a material client which will now be a top 5 global clients for the firm.
- Ritesh Rathod:** And when you see more from 3 to 5 years, keeping aside MRC, a client, a bank with that kind of asset and that kind of P&L, how meaningful it can be for Coforge? Can you give us any idea, like can it become 3x, 2x, 5x in next 3 years for you will given your smaller base at least currently even after acquisition?

**Sudhir Singh:** Fifth Third on outsourcing spends more than a \$100 million a year as we understand it, Ritesh. That \$100 million, more than \$100 million is spread amongst various vendors. Currently, of course confined as we are only to the operation side. We get a small part of it. The intent will be to try to maximize it. If you look at some of the other relationships that we have had, we talked earlier in the call about the fact that in the last 24 months we signed two of the world's top ten banks, we signed 10 new insurance clients which also happened to be Fortune 500 firms. In each of these cases, we have attempted to and in quite a few we have been able to scale up our business in multiples, not just in percentage terms. It is difficult for us to say what the extent of the scale up might be. That scale up of course will depend on how good a job we do on the execution and the relationship side and how good a relative value proposition are we able to offer them on the tech side. That is a long answer. The short answer is the intent is to scale up the relationship and more than scaling up the relationship, deepen the relationship and add more value to Fifth Third and hopefully grow it basis that.

**Ritesh Rathod:** Given in your past acquisitions, the promoters of those acquisitions have stayed with you for couple of years and then they had taken their journey. Now in this case, how do you ensure to retain the top management other than the promoters in this acquisition? Would it be out of specific ESOPs? How you are going to work out that the relationship stays given the promoters are not.....

**Sudhir Singh:** So the founder promoter is moving on. Every other member of the leadership team is staying on for the long term. And the intent in our communication to them is that we would like to create extremely long career runways for them. If you look at the past record of Coforge, when it comes to acquisitions whether it was WHISHWORKS or Incessant Technologies, we have post the promoter exit continued to scale up the business and retain the core leaders and the core SMEs and make them integral to the overall Coforge leadership matrix. We will use employee incentives of course, which we've talked about. But as important, maybe more important than employee incentives only, is the fact that the cultural adeptness and the sensitivity of the organization to the new entrants to the Coforge family needs to be of a very high order and that is something that we have always ensured in the past and we will continue to work on. So again, we will make sure the execution intensity that is a hallmark of SLK Global and also a hallmark of Coforge Limited is something that helps establish synergies. Ritesh, I hope I was able to answer your question and you were able to hear me?

**Ritesh Rathod:** Yes. Maybe one last quick one. Within what timeframe you think you would be able to integrate and stabilize this acquisition like within 6 months, 12 months, so that you would be open to look after another round of similar acquisitions maybe in different capabilities of...

**Sudhir Singh:** Ritesh, it is a completely stable leadership configuration. We have been in active conversations with the leaders. We expect them to run the business as a standalone BPM business for us. So I don't really sense any instability or any course correction that is going to be warranted. We've run through the same integration playbook at WHISHWORKS, at Incessant, at AdvantageGo and we have a 100% record of treating people with respect, offering them autonomy and creating clear long rewarding career paths for them. We are going to use the same playbook that you have

seen us use with the WHISHWORKS and the Incessant Technologies acquisitions. We have acquired a business with a very experienced, with a very tenured, with a proven management team. We anticipate no changes there. We have every confidence in the team that is running it. We will offer them the incentives, the career runways, the career opportunities, the respect that professionals deserve and the intent is to keep it going. There is an integration office that we have set up which is a standard process that we follow. There is a very granular integration plan that we have which again is something that we have followed in the past. We will follow that exact same playbook. Different phases of integration will obviously get consummated and closed at different points in time. But straight off the bat, there isn't anything that we see as being broken that will need to be fixed. It will run on its own, we will figure out synergies over time. I guess I answered your question, Ritesh.

**Moderator:** Thank you. The next question is from the line of Devang Bhatt from ICICI Direct. Please go ahead.

**Devang Bhatt:** Just my rough calculation gives me that based on your inputs of margins higher than the Coforge, so my RoE comes to around 6%-7%, ...most of the other BPO companies come to around 10%-12%-15%. So first of all, is my calculation, right? And secondly how can we scale it up to that levels?

**Sudhir Singh:** It is difficult for me to answer Devang, I have no idea how you have done the calculation, but Ajay, would you like to take this and answer?

**Ajay Kalra:** Devang, the margins of the SLK Global are accretive to our Coforge's margins and they are not valued yet, so I would like to understand that how you are calculating, and it will be very difficult for me to explain beyond that.

**Devang Bhatt:** Sir, assuming a 10% margin of PAT margins and your funding is \$50 million in debt, so remaining 553 and 60% share that comes to around 6% RoE, so 32 crores divided by around 553 crores of cash that you would pay as equity that are assumed?

**Ajay Kalra:** Devang, why don't we take this offline as we understand in detail, because there will be a lot of calculations that we will need to understand before I can really answer your question?

*[Post script: The PAT margin of the business is significantly higher than assumed in the question. Factoring the actual much higher margins, the computation would correct substantially upward.]*

**Devang Bhatt:** Sure.

**Sudhir Singh:** The one thing that I do want to point out Devang and the point that I do want to underline the point that I have made earlier right given the operating synergies, given the operating level that gets created, we will deliver as a composite entity, the combined entity will deliver a higher EBITDA of course. It will also deliver a higher PAT margin after baking-in the offsets because of interest cost, amortization, minority interest etc. So as Ajay said, it is a very robust operating

profile and not just the last 12-month operating profile, last 3-year CAGR that has been created in the margins. We will take this offline Devang. We feel very confident about what it does to us.

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

**Dipesh Mehta:** I have a follow up question. First was, can you help us understand non-top client related growth over last 3 years, so if you exclude Fifth Third bank, how is the revenue growth trajectory? Second question on the mortgage side, what would be the dependency on the origination side of the business or other way, if you can answer, what was the, let us say, mix year or 2 year back between banking, insurance and mortgage and the third question is, what would be the voice and nonvoice revenue mix for the entity?

**Sudhir Singh:** Mr. Mehta, to your three questions, on the non-Fifth Third top clients we don't have exact specific data, but if I look at the non-Fifth Third bank clients and their growth that has been higher, significantly higher than the growth of the Fifth Third relationship. On the mortgage side, there are three segments that the firm operates in. It operates on originations, on servicing and around ancillary services. Origination is a sub area that flexes up and down given the state of the mortgage industry, but servicing and ancillary services are not just more resilient, but in some ways also help in offsetting the fluctuations that might come in there. In terms of voice vs nonvoice, this is effectively and fundamentally a nonvoice business. Out of the 7000 odd employees, not more than 500-550 work on the voice side. Did I answer you three questions, Mr. Mehta?

**Dipesh Mehta:** What would be revenue mix between banking, insurance and mortgage, may be year back or 2 year back if you can share that number?

**Sudhir Singh:** I don't have the numbers for 2 or 3 years back Mr. Mehta, but banking was currently 40%, I believe insurance is 11% and mortgage is 49%. Ajay, keep me honest on this, but I believe that is the current contribution.

**Ajay Kalra:** That is correct, Sudhir. That is the current contribution.

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

**Vibhor Singhal:** Sir, just wanted to basically get an idea of how well the SLK Global was able to basically adopt to the new paradigm got impacted because of the COVID pandemic, so in the sense what would be the kind of work from home percentage at this point of time and how do you think the core impact of the business has been because of the pandemic over the last 1 year?

**Sudhir Singh:** The SLK Global operates under the policy that they call "Work from Anywhere" and they have completely pivoted over through this work from anywhere concept over the last 12 months, slightly more than 12 months where the pandemic has been raising right now. The growth of the

firm, despite the pandemic, was 15%. This 15% growth that I called out in the opening commentary is more or less in line with the last 3-year CAGR. There has been a minor impact because of the pandemic. The last 3-year revenue CAGR of the firm is 17%. In FY21, that growth number is roughly about 15% as I called out in the opening commentary, so operations have been resilient, and revenue also has been resilient despite the pandemic that set everyone back for the last 12 to 14 months.

**Vibhor Singhal:** And sir, any impact that you see from let us say, I know it has been an early stages, but any sort of a lockdown that we are contemplating at this point of time, do you see any kind of impact on these, but as you said, because they work from home which will be negligible if at all?

**Sudhir Singh:** Yes, the firm has specially over the last 3 to 4 months signed material contracts and when I responded to an earlier question, I talked about the fact that the current employee strength of 7000 has got very significantly augmented particularly over the last 3 months to service those contracts. So the order executable, which is what we call it at Coforge and which I had said was 18% higher for Coforge at the end of the quarter, of the acquired firm is on a very strong growth gradient. And that growth gradient seems to be mirroring the Coforge growth gradient that we had referred to in the quarter 3 post results investor call. Did I answer your question Vibhor adequately and I am sorry I got dropped off?

**Moderator:** Thank you. We move to the next question. The next question is from Jyoti Singh from Arihant Capital. Please go ahead.

**Jyoti Singh:** Sir, what will be the minimum revenue commitment from Fifth Third bank down the line, 5 years?

**Sudhir Singh:** I am sorry, Jyoti, was your question, what is the quantum of the MRC from Fifth Third bank?

**Jyoti Singh:** Yes.

**Sudhir Singh:** Jyoti, the way we look at the organization, it is a quasi-captive. Under the terms of the agreement that we have with Fifth Third, we are not allowed to share the exact number, it is a material number, and it is 5-year base volume commitment for each of those five year.

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

**Sandeep Shah:** Just a last question, in terms of the debt, will it be a foreign currency debt or will it be an Indian rupee denominated debt?

**Ajay Kalra:** It will be an Indian rupee denominator debt that we will be taking.

**Sandeep Shah:** What is the purpose of taking Indian rupee denominator because there could be huge saving if we take in foreign currency?

**Ajay Kalra:** We are buying an Indian asset, shares of an Indian company and given that we are an Indian company, taking a foreign currency debt for acquisition of shares will not be permitted given the FEMA rules.

**Moderator:** Thank you. The next question is from the line of Prashant Kothari from Pictet. Please go ahead.

**Prashant Kothari:** Just a follow-up question on SLK Global's financials. When I look at the filings from Fifth Third bank, it seems that the revenue contribution for them from Fifth Third bank was less than half of the revenues, so why are we calling it quasi-captive? It seems to be that yes, Fifth Third bank was a large customer, but this still seems to me that more than 50% of the revenues were still coming from other customers, is that understanding right?

**Sudhir Singh:** The revenue from Fifth Third is almost half, but less than 50%, I think that is the first thing that I would like to call out. Second, Fifth Third is as we call out at the outset, is a minority shareholder and the revenue used to be close to 70% of the aggregate revenue 3 to 4 years back, it has been coming down. Fifth Third is a co-owner of the asset and Fifth Third has offered an MRC which is spread over the next 5 years, which is why we characterize it as a quasi-captive, not of course as a pure captive, as a quasi-captive. The growth in the recent years has come on account of the new capabilities that have been built and the acquisition of new logos that has happened. Fifth Third bank as a client in absolute revenue terms has not been declining. It is the portion that has been coming down. It is because of these factors that we called it out as a quasi-captive, not a pure captive.

**Prashant Kothari:** And for this proportion of Fifth Third bank reducing, has this also helped the profitability of the overall entity took over or is profitability increase more driven by kind of differentiated capabilities?

**Sudhir Singh:** The margin profile of the Fifth Third client relationship and the non-Fifth Third client relationships, Prashant are very similar. There is not much of a difference there. So the change has not impacted the margin profile of the organization, which obviously logically created a greater growth run rate for the organization and which is what has been translating as I called out earlier during the call, into very strong contract closures over the last 3 to 4 months, which in turn has resulted in very strong net employee headcount additions to the organization.

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

**Sudhir Singh:** I want to thank everyone for having joined in. We completely acknowledge the fact that this was short notice that we offered, and we as always very sincerely appreciate your time and your interest. As I called out, a quasi-captive with a 5-year minimum commitment relationship that straight out becomes a top 5 global relationship for us, a margin accretive asset we have purchased, a proven experienced management team which has built this up with the 17% revenue CAGR over the last 3 years and a very reasonable enterprise valuation, 2.67x revenue, single-digit EBITDA multiple are what makes us feel extremely confident about creating a very

differentiated and a fast growth proposition as a consequence. Thank you very much once again for your time and for the interest that you have shown. I look forward to speaking with you in our post results call in early May. Thank you.

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

---

**Note:**

*1. This is a transcription and may contain transcription errors. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy. Some editing may have been done for better readability.*

*2. Any of the statements made above may be construed as opinions only and as of the date. We expressly disclaim any obligation or undertaking to release any update or revision to any of the views contained herein to reflect any changes in our expectations with regard to any change in events, conditions or circumstances on which any of the above opinions might have been based upon.*