

Pick of the Day (Short Term Delivery Call)

Company Name: Coforge Ltd

NSE code	COFORGE
BSE code	532541
Market Cap (Rs Cr)	31,498
Promotor holding (%)	0.0
PE(x) TTM	39.4
Industry PE (x) TTM	35.1
EV/EBITDA (x) TTM	21.6
P/PB (x) TTM	8.65

**CMP (Rs): 5100 | Buy Range: 5050-5100 | Target Price: 5865 |
Upside: 15%**

Duration of recommendation: 1 to 3 months

Coforge is an IT services firm that offers comprehensive software solutions and services. It ranks among the top 20 software exporters in India. Notable international clients include British Airways, the ING Group, SEI Investments, Sabre, and SITA. Over the years, Coforge has established subsidiaries in the US, Singapore, Australia, the UK, Germany, and Thailand, primarily to market and support projects for its software division. Additionally, the company has formed business partnerships with major IT companies worldwide.

Investment Rationale

Robust order book provides strong revenue visibility: Coforge signed two large deals in Q4, totaling \$774 million. Closed fiscal year 24 with the highest ever recorded early order intake of \$1.97 billion, up 56% YoY. Executable order book stands at a record \$1.02 billion. Renewed a 10-year contract in the banking and financial services sector. Significant activity in the insurance sector with multiple deals signed.

Strategic acquisition of Cigniti to help expand to new markets: Coforge has signed a definitive agreement to take over Cigniti Technologies. Coforge believes that acquisition of Cigniti will not only help it grow to a US\$ 2 bn by FY27, but equally importantly ensure that the Coforge's operating margins improve by 150-200 bps by FY27 itself.

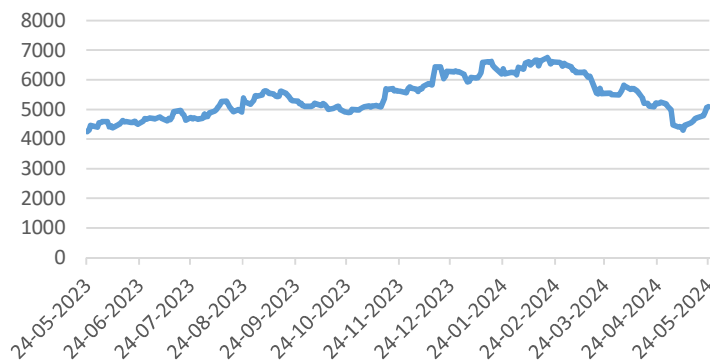
Macro Challenges Stabilizing with Improved Earnings Outlook: We expect growth momentum to pick up in FY25, supported by a lower base and diminishing sector challenges. Although the IT sector surpassed Nifty's performance last year, we anticipate continued outperformance in CY24 due to diminishing challenges and improved earnings visibility.

Healthy Q4FY24 results: Consolidated Revenue/EBITDA/PAT increased by 8.7%/30.5%/96% YoY to Rs. 2359 cr/Rs. 386 cr/Rs. 229 cr respectively. EBITDA margins improved by 274 bps to 16.4% from 13.6% last year. On QoQ basis, Revenue/EBITDA/PAT are +1.5%/-2.4%/-6% respectively.

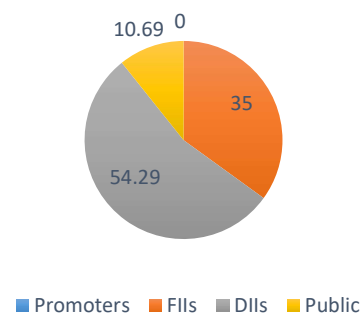
Consistent Financial Performance: Consolidated Revenue/EBITDA/PAT grew at a CAGR of 20%/17%/14% respectively over FY19-24 period. EBITDA margins have consistently been above 15% during this period. Company's 5-year average ROE/ROCE are 25% & 27% respectively. Company's leverage position is also good at D/E of 0.20.

Reasonable Valuation: At current market price, the is currently trading at 21x/25x it FY25E/FY26E EPS respectively, which seems reasonable considering company's executable order book over next 12 months year.

Price Performance



Shareholding Pattern %



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