

Coforge Limited (erstwhile NIIT Technologies Limited)

(CIN NO. L72100DL1992PLC048753)

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Chairman's Speech

Coforge Limited

Chairman's speech at the 30th Annual General Meeting on August 24, 2022

Dear shareowners, ladies and gentlemen:

I take great pleasure in welcoming you to the 30th Annual General Meeting (AGM) of your Company. Thank you for joining us here today and I hope that you and your loved ones are safe and healthy. Since we met at the last AGM, our business environment has continued to be volatile. What was already challenging at the beginning of FY2021-22, on account of the pandemic, considerably worsened with the onset of the second wave of Covid-19 in India, which is home to the majority of our global workforce.

Over the year, large scale vaccination programs in India and our markets worldwide helped the return to normalcy to a great degree. However, at the time of writing this, the war in Ukraine, rising oil and gas prices and inflation around the world, have created uncertainty in the near term. Unemployment in our major markets like the US remains low but many commentators expect growth to slow down considerably, some even predicting a recession. The impact of this on global IT spending and consequently, on our business, is not known at this time. But we will be watching these indicators closely so we may, as far as possible, insulate our business from an economic downturn in our markets.

Despite the challenges, I am pleased to tell you that your Company delivered another year of industry-leading performance in FY2021-22. It was a year in which Coforge performed exceptionally well, demonstrating its ability to grow consistently across our core verticals. The firm continues to be led by its vision to “Engage with the Emerging”, enhancing the company’s long-standing deep domain expertise in select industry verticals with its competency in emerging technologies to transform customer businesses.

Landmark Year for Coforge

The financial year under review has been a landmark year for your Company that has been characterized by exceptional growth, higher profitability, record orders from large deal wins and industry-leading employee commitment indicators in a demanding industry landscape. The Company’s consolidated revenue for the full year FY2021-22 grew 37.9% over last year to Rs. 64,320 million. In constant currency terms, growth for the year was 37.6% and on an organic basis (excluding the SLK Global acquisition), revenues grew by 24.9% in USD terms and 24.1% in rupee terms. On the back of large deal wins and contribution from the acquisition of SLK Global, the Banking and Financial Services (BFS) vertical grew by a stunning 101.8% in FY2022 and contributed 25.5% of the total revenues. Travel, Transportation and Hospitality (TTH) vertical rebounded smartly to grow 36.0% and contributed 19.0% of the total revenues. The Insurance vertical grew 20.2% and contributed 28.3% of the total revenues. Other businesses, including primarily Healthcare, High Tech, Retail and Overseas Public Sector collectively grew 21.6% year-on-year representing 27.2% of the overall revenues.

Strong growth in revenue was accompanied by an uptick in operating profit margins as well during the year. EBITDA (before ESOP and acquisition related costs) increased by 43.7% during the year and stands at Rs. 12,056 million, translating into a margin of 18.7% for the year, up by 75 bps and the highest margin reported in over a decade. This was achieved through significant improvement in offshoring percentage of our IT services business from 38% in FY21 to 44% in FY2022. The increase in offshoring was driven by the eleven large deals that were signed up during the fiscal year. The net profits (after minority interest) for the year increased by 45.2% and stood at Rs. 6,617 million.

The financial year also saw significant industry-wide increases in hiring and retention costs as well as elevated attrition levels. Despite these challenges, Coforge added net 10,109 people to the headcount (including 6,299 resources from the acquisition). The firm added 1,680 freshers in FY2022, which is more than 6 times the corresponding figure a year ago. This robust headcount growth was aided by the low attrition of 17.7% over the year which was one of the lowest in the industry – a testament to the company’s culture and employee commitment.

Driving Differentiation Through Execution

We believe that an intense focus on seamless and “no surprises” execution is at the core of our operating culture and drives our differentiation. The focus on execution is reflected in the high rate of repeat business that the firm enjoys. In FY2022, our repeat business (defined as revenue in a year from clients carried forward from the previous year) stood at 93%. The focus on high-quality execution resulted in growth of 36% year-on-year, in the company’s top 10 accounts. The firm is a preferred tech services partner across many Fortune 100 and Fortune 500 clients. As of March 31, 2022, Coforge serves 60+ Forbes Global 1000 clients. This has been possible due to our mission of “Transform at the Intersect” which emphasizes our deep focus in certain industry verticals as well as our expertise in emerging technologies to actively engage with our clients to deliver their business transformation agenda.

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Engage With The Emerging

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In line with our vision of “Engage with the Emerging”, we have also created differentiated service offerings by developing deep expertise in third-party technologies where we benefit from a strong partnership network with the world's leading software providers. We have strategic platinum level partnerships with several industry leading software providers, including Pegasystems and Duck Creek, which support our continued engagement with next-generation digital technologies. During the financial year under review, the firm continued to strengthen its positioning across existing partner ecosystems and forged new partnerships with leading technology providers.

Balanced approach towards capital allocation

During FY2022, Coforge continued with its established track record of consistent payouts to shareholders and each quarter, the Board also recommended for your approval an interim dividend of Rs. 13 per share.

At the same time, we continued reinvesting in the business to strengthen its capabilities. We supplemented the firm's strong organic growth with acquisitions that fit into our broader strategy and goals. With that intent, we acquired a 60% stake in SLK Global in April 2021 with an agreement to acquire a total of 80% interest in two years. SLK Global is a business process transformation enterprise offering BPM and digital solutions. The acquisition came with a very attractive operating profile characterized by fast growth, robust margins, deep domain expertise in the BFSI space and a focus on the North American geography. In addition to further strengthening Coforge's position in its core BFS and insurance verticals, the transaction offers substantial opportunities to generate synergies through enhancing SLK Global's offerings and cross selling Coforge's technology services, especially its cloud and digital capabilities, into SLK Global's marquee clientele. The transaction was funded through a judicious mix of internal accruals and external borrowings. Since the acquisition, the business has been fully integrated into Coforge (currently known as Coforge Business Process Solutions).

Separately, during FY2022, we acquired the remaining 18.6% stake in WHISHWORKS to make it a wholly owned subsidiary of the firm effective October 5, 2021. WHISHWORKS is also now fully integrated into the firm and operates as the Salesforce business unit of the firm. We plan to continue pursuing strategic inorganic opportunities as a value-added growth driver to accelerate the firm's growth profile.

Strong outlook

Over the last five years, our efforts to create a product engineering driven culture has been underpinned by a complete re-creation of the firm's technological services stack and we continue to focus our investments in our product engineering, cloud, data, intelligent automation, and digital integration service lines. A structured go-to-market strategy along with a focus on selected verticals has resulted in larger deals being won by the firm. During financial year 2022, Coforge signed 11 large deals including a \$105 million TCV contract in the BFS space, and three \$50 million+ contracts. The total order intake for the year stood at an all-time high of \$1.15 billion, up 47% from \$781 million in FY2021. As a result, the order book executable over the next 12 months stood at \$720 million as on March 31, 2022 and the deal pipeline continues to be robust. FY2023 will be a milestone year in Coforge's journey as we surpass our publicly stated goal of a billion dollars of revenue and deliver another year with strong industry leading growth. At this stage we have already begun to think about how to advance towards the next important milestone of \$2 billion with maximum speed.

Conclusion

On behalf of the Board, I would like to conclude by thanking all our stakeholders, including our customers, partners, vendors, and shareholders for their continued trust and support. I also wish to thank the management team and all our employees for their relentless efforts towards delivering a landmark year for the firm and positioning it well for future opportunities.

Thank you.

Basab Pradhan

Chairman, Coforge Ltd.