

 **1. INDUSTRY RESEARCH**

Industry: IT Services / Software Services

Industry Stage: Growth

1. Market size: Global IT services market is multi-trillion dollar.

2. Market \geq 5x Coforge sales? Yes

3. Pricing power: Low Moderate High

4. Key success factors:

- Client relationships
- Domain expertise (banking, insurance, travel)
- Cost efficiency

5. Entry barriers:

- Talent
- Client trust
- Long contracts

6. Leaders stable? Yes (TCS, Infosys, Wipro, HCL remain leaders)

7. Industry health: Mostly doing well

8. Bargaining power:

- Customers: High
- Suppliers (talent): Medium
- Competitors: High

9. Major risks:

- Tech disruption (AI)
- Client budget cuts
- Currency risk

10. Regulation: Moderate



2. BUSINESS MODEL

1. Products / Services:

- Digital services
- Cloud
- Data & AI
- Banking & Insurance software

2. Revenue model:

Services billing

3. Product unique?

→ Domain specialization (BFSI, travel)

4. Relevant after 10 years? Yes

5. Substitutes:

- In-house IT teams
 - Other IT firms
- Switching: Yes (clients can switch vendors)

6. Market share growing? Yes (through acquisitions)

7. Major costs:

- Employee cost
- Infrastructure

8. Cost type: Both

9. Unique assets:

- Long-term BFSI clients
- Domain IP



3. KNOWING THE COMPANY

1. Industry rank: Mid-tier IT player

2. Years in existence: ~30+ years

3. Same business 10 yrs? Yes

4. Core business growth? Yes

5. Pros:

- High ROE
- Strong growth
- Specialized verticals

6. Cons:

- Smaller than top IT majors
- Client concentration

7. Competitive advantages:

- High ROCE (~27%)
- Good margins

8. Disadvantages:

- Lower scale than TCS/Infosys

9. Growth type: Organic + Acquisitions



4. MANAGEMENT

1. Top management:

- CEO: Sudhir Singh

2. Past performance:

- Strong revenue and profit growth

3. Compensation:

- Performance linked

4. Promises vs delivery:

- Growth targets largely met

5. Promoter pledge? No

6. Promoter holding: ~0%

7. Management net worth in company: Low

5. ANNUAL REPORT VIEW

1. Chairman/CEO goals:

- Digital growth
- BFSI expansion

2. Tone:

Transparent

3. Goals realistic? Yes

4. Risks mentioned:

- Macro slowdown
- Tech changes

5. Special resolutions:

- M&A approvals
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6. INCOME STATEMENT

Revenue

- Growth: Rising
- Major source: IT services

Cost

- Gross margin: Healthy (~40%+)
- Raw material: Manpower
- Economies of scale? Yes

Expenses

- Biggest: Employee cost
- Costs vs peers: In line

Profitability

- Fixed costs high? Yes
 - Margins: Stable
 - ROE > 15%? Yes (~21%)
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7. BALANCE SHEET

1. Debt/Equity: ~0.14 (Low)
 2. Fixed asset turnover: Good
 3. Working capital: Healthy
 4. Big items:
 - Reserves
 - Receivables
 5. Trend: Assets increasing
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8. CASH FLOW

1. CFO vs PAT: Consistent
 2. Capital usage:
 - Capex: Moderate
 - Acquisitions: High
 - Dividends: Yes
 - Buybacks: No
 3. Free cash flow: Consistent
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9. FINANCIAL RATIOS (10Y TREND)

Ratio	Trend
Gross Margin	Stable
EBITDA Margin	Stable

Ratio	Trend
EBIT Margin	Stable
ROE	High
ROCE	High
ROA	Improving

FINAL VERDICT

Strengths:

- Strong growth
- High ROCE
- Low debt
- Domain focus

Weaknesses:

- Client concentration
- Sensitive to IT spending cycles

Risks:

- AI disruption
- US recession
- Talent cost inflation

Investment View:

BUY / HOLD (depending on valuation)

Reason:

Quality mid-cap IT company with strong profitability and balance sheet.

SIMPLE CONCLUSION

Coforge is:

- ✓ Profitable
- ✓ Growing
- ✓ Low debt
- ✓ Good return ratios

But:

IT sector cyclical

Client concentration

So it is:

👉 **Fundamentally strong mid-cap IT stock**
