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India | Equity Research | Company Update

## Coforge

Technology

### Strong execution focus and proactive deal shaping drive strong growth despite weak demand

We attended Coforge's analyst meet, wherein management reiterated its strategy of – 1) proactive large deal win focus; 2) strong execution focus, with rewards for top sales leaders; 3) specialised expertise in select industry segments of BFS, Insurance, travel and efforts to scale up healthcare and UK public sector; 4) engineering depth; 5) client centricity, with focus on mining existing accounts; and 6) growing revenue with software and hyperscaler partners (partners drive ~USD 550mn annual revenue). Management reiterated its endeavour to maintain industry-leading revenue growth and 14%+ EBIT margin profile. We adjust USD/INR rate, leading to 1.4%/3.9% EPS increase in FY27E/FY28E. We continue to value Coforge at 32x on one-year forward EPS of INR 59 to arrive at a revised TP of INR 1,880. Maintain **HOLD**.

#### Proactive large deal pursuits and execution focus

Coforge has been able to maintain industry-leading growth rate amid a weak demand environment due to its proactive large deal shaping strategy and execution intensity. Management mentioned that clients' technology budgets are elastic and driven by value delivered from the technology solution. Coforge would be discontinuing issuance of revenue and margin guidance from FY27, but endeavours to deliver industry-leading growth. Management also reiterated that it endeavours to deliver at least 14%+ EBIT margin.

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#### Has built deep expertise in select industries

Coforge has strong expertise in BFS, insurance and travel. In BFS, it has expanded presence to EMEA and APAC, from being focussed only on North America. The company has pivoted to non-discretionary spends areas such as payments, financial crime and compliance, regulatory change management and asset servicing within BFS to maintain strong growth amid weak macro. Within Insurance, it has deep capabilities across 1) property and casualty; 2) life and health; and 3) general insurance. In travel, it works across the air travel value chain, serving 60 airlines, 65 airports, 60 air cargo terminals and 20 PSS implementations. Coforge has launched AERONOVA.AI solution for modern airline retailing with USD 15bn market opportunity. Key areas where Coforge would continue to improve scale is healthcare vertical, focussed on payers and med-tech sub-segment, UK public sector, US geography in West coast region.

#### Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	1,20,507	1,59,848	1,84,639	2,09,513
EBITDA	19,982	27,764	32,186	37,031
EBITDA Margin (%)	16.6	17.4	17.4	17.7
Net Profit	14,020	15,567	18,196	21,465
EPS (INR)	25.8	39.9	51.9	61.3
EPS % Chg YoY	2.5	54.6	30.2	18.2
P/E (x)	75.7	49.0	37.6	31.8
EV/EBITDA (x)	32.2	24.8	20.9	18.0
RoCE (%)	19.8	17.2	18.2	18.6
RoE (%)	21.2	15.8	17.7	18.5

#### Market Data

Market Cap (INR)	653bn
Market Cap (USD)	7,250mn
Bloomberg Code	COFORGE IN
Reuters Code	COFO BO
52-week Range (INR)	2,005 / 1,191
Free Float (%)	100.0
ADTV-3M (mn) (USD)	33.5

Price Performance (%)	3m	6m	12m
Absolute	17.4	9.9	9.6
Relative to Sensex	12.0	6.4	5.5

ESG Score	2023	2024	Change
ESG score	69.0	71.4	2.4
Environment	49.0	54.8	5.8
Social	72.7	71.6	(1.1)
Governance	75.1	80.9	5.8

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E	FY28E
USD Revenue	-	-	-
EBIT	-	1.3	3.2
EPS	-	1.4	3.9

#### Previous Reports

27-10-2025: [Q2FY26 results review](#)

25-07-2025: [Q1FY26 results review](#)

## AI is speeding execution timelines, keeping IT budgets stable for Coforge

Management is seeing contraction in project execution timelines as a result of AI-led automation, rather than reduction in clients' IT budgets. Technology budgets are elastic, depending on value delivered by technology solutions, as per management. Coforge has built AI platforms – 1) Quasar, a platform for building scalable GenAI apps with 100+ APIs; 2) ForgeX – an AI-native engineering platform for software delivery, both incorporating autonomous agents for efficiency and speed; and 3) TrustAI – enabling secure data use with open-source LLMs. Large-scale complex legacy modernisation is picking up due to AI-led automation. Sabre mega deal won by Coforge is an example of the same, where Coforge is modernising 12mn lines of code related to critical ticketing systems of Coforge, ensuring no disruption to business operations.

Coforge's cloud business is also growing at a strong pace, with good headroom for further growth. Coforge's business with all three hyperscalers is growing at a strong pace (upwards of 100% on YoY basis).

## Quality engineering and software testing market is growing for Coforge despite disruption from AI

Coforge's quality engineering and software testing business has been growing at a healthy pace, contrary to investor perception of the software testing business shrinking because of GenAI-led automation. Increasing digitisation and technology complexity has only increased the size of software testing market to USD 57bn in CY25. Coforge is winning share from incumbents by proactively embedding AI-led automation in software testing. Coforge's headcount in software testing business has grown despite using AI due to its participation in complex legacy modernisation opportunities and market share wins. Pricing models are combination of FTE and outcome-based pricing. Agentic AI led testing services are priced lower than humans, but the volume of work which they can do and the margin benefits which they drive are superior.

## Acquisition strategy

Coforge has expertise in acquiring semi-stressed assets and is turning it around. One of the key objectives of past acquisitions has been to acquire clients and Coforge would continue to do such acquisitions. Management mentioned that any future acquisition is likely to be EPS accretive from year one and possibly could be bigger than previous acquisition as organic business scales up.

**Key upside risks:** 1) Continued strong deal win momentum led by market share gains, 2) faster-than-expected recovery in macros.

**Key downside risks:** 1) Slower-than-expected recovery in its key focus verticals of BFS, insurance and travel, 2) increase in competitive intensity could put pressure on margins, 3) deflationary impact on overall IT services industry due to GenAI.

### Exhibit 1: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	0.0	0.0	0.0
Institutional investors	89.7	89.7	89.1
MFs and others	36.9	37.9	38.7
FIIs/Banks	0.3	0.5	0.9
Insurance	12.3	13.5	14.9
FIIs	40.2	37.8	34.6
Others	10.3	10.3	10.9

Source: Bloomberg, I-Sec research

### Exhibit 2: Price chart



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 3: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
<b>Net Sales (USD mn)</b>	<b>1,445</b>	<b>1,856</b>	<b>2,091</b>	<b>2,334</b>
<b>Net Sales (INR. mn)</b>	<b>1,20,507</b>	<b>1,59,848</b>	<b>1,84,639</b>	<b>2,09,513</b>
Operating Expense	20,508	26,071	29,912	33,732
<b>EBITDA</b>	<b>19,982</b>	<b>27,764</b>	<b>32,186</b>	<b>37,031</b>
EBITDA Margin (%)	16.6	17.4	17.4	17.7
Depreciation & Amortization	4,278	6,469	7,016	7,961
<b>EBIT</b>	<b>15,704</b>	<b>21,295</b>	<b>25,170</b>	<b>29,070</b>
Interest expenditure	-	-	-	-
Other Non-operating Income	476	(1,032)	(1,292)	(902)
<b>Recurring PBT</b>	<b>17,346</b>	<b>20,263</b>	<b>23,878</b>	<b>28,167</b>
<b>Profit / (Loss) from Associates</b>	-	-	-	-
Less: Taxes	3,326	4,696	5,682	6,702
<b>PAT</b>	<b>14,020</b>	<b>15,567</b>	<b>18,196</b>	<b>21,465</b>
Less: Minority Interest	1,240	1,472	280	280
<b>Net Income (Reported)</b>	<b>14,020</b>	<b>15,567</b>	<b>18,196</b>	<b>21,465</b>
Extraordinaries (Net)	-	-	-	-
<b>Recurring Net Income</b>	<b>12,780</b>	<b>14,095</b>	<b>17,916</b>	<b>21,185</b>

Source Company data, I-Sec research

### Exhibit 4: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	59,117	62,981	72,229	83,938
of which cash & cash eqv.	7,956	5,357	7,397	13,140
Total Current Liabilities & Provisions	14,437	17,805	20,615	22,936
<b>Net Current Assets</b>	<b>44,680</b>	<b>45,176</b>	<b>51,615</b>	<b>61,003</b>
Investments	-	-	-	-
Net Fixed Assets	7,706	14,393	17,993	21,593
ROU Assets	3,554	3,414	3,414	3,414
Capital Work-in-Progress	-	-	-	-
Goodwill	38,430	38,430	38,430	38,430
Other assets	16,100	22,418	24,818	27,218
Deferred Tax Assets	-	-	-	-
<b>Total Assets</b>	<b>1,10,470</b>	<b>1,23,831</b>	<b>1,36,270</b>	<b>1,51,658</b>
<b>Liabilities</b>				
Borrowings	6,938	4,694	4,694	4,694
<b>Deferred Tax Liability</b>	<b>5,518</b>	<b>7,284</b>	<b>7,424</b>	<b>7,564</b>
provisions	3,653	3,653	3,653	3,653
other Liabilities	7,372	9,547	9,547	9,547
Minority Interest	19,498	20,864	21,144	21,424
Equity Share Capital	669	694	669	669
Reserves & Surplus*	63,123	73,228	85,272	1,00,240
<b>Total Net Worth</b>	<b>63,792</b>	<b>73,922</b>	<b>85,941</b>	<b>1,00,909</b>
<b>Total Liabilities</b>	<b>1,10,470</b>	<b>1,23,831</b>	<b>1,36,270</b>	<b>1,51,658</b>

Source Company data, I-Sec research

### Exhibit 5: Quarterly trend

(INR mn, year ending March)

	Dec-25	Mar-25	Jun-25	Sep-25
Net Sales	34,099	36,886	39,857	41,050
% growth (YOY)	44.6	53.6	30.2	23.7
EBITDA	5,748	5,812	7,282	7,184
Margin %	16.9	15.8	18.3	17.5
Other Income	(300)	(319)	18	(325)
Extraordinaries	-	-	-	-
<b>Adjusted Net Profit</b>	<b>2,598</b>	<b>2,471</b>	<b>3,757</b>	<b>3,568</b>

Source Company data, I-Sec research

### Exhibit 6: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
CFO before WC changes	11,447	18,543	23,598	27,887
<b>CFO after WC changes</b>	<b>16,330</b>	<b>21,657</b>	<b>27,556</b>	<b>33,157</b>
Tax Paid	(3,959)	(4,696)	(5,682)	(6,702)
Cashflow from Operations	12,371	16,961	21,875	26,454
Capital Commitments	(6,144)	(16,866)	(13,016)	(13,961)
<b>Free Cashflow</b>	<b>18,515</b>	<b>33,827</b>	<b>34,891</b>	<b>40,416</b>
Other investing cashflow	2,471	(3,550)	(1,342)	(952)
<b>Cashflow from Investing Activities</b>	<b>(3,673)</b>	<b>(20,416)</b>	<b>(14,358)</b>	<b>(14,914)</b>
Dividend and Buyback	(5,088)	(5,376)	(5,872)	(5,872)
Inc (Dec) in Borrowings	6,039	1,441	-	-
Others	15,802	4,791	395	75
<b>Cash flow from Financing Activities</b>	<b>16,753</b>	<b>856</b>	<b>(5,477)</b>	<b>(5,797)</b>
Chg. in Cash & Bank balance	25,451	(2,599)	2,039	5,743
Closing cash & balance	28,664	5,357	7,397	13,140

Source Company data, I-Sec research

### Exhibit 7: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
<b>Per Share Data (INR)</b>				
Reported EPS	25.8	39.9	51.9	61.3
Diluted EPS	25.6	39.9	51.4	60.8
Cash EPS	51.7	58.1	72.2	84.4
Dividend per share (DPS)	15.4	15.2	17.0	17.0
Book Value per share (BV)	193.3	209.0	248.8	292.1
Dividend Payout (%)	60.1	38.1	33.1	28.0
<b>Growth (%)</b>				
Net Sales	31.3	32.6	15.5	13.5
EBITDA	32.6	38.9	15.9	15.1
EPS	2.5	54.6	30.2	18.2
<b>Valuation Ratios (x)</b>				
P/E	75.7	49.0	37.6	31.8
P/CEPS	37.8	33.6	27.0	23.1
P/BV	10.1	9.3	7.8	6.7
EV / EBITDA	32.2	24.8	20.9	18.0
P/S	5.3	4.3	3.7	3.2
Dividend Yield (%)	0.8	0.8	0.9	0.9
<b>Operating Ratios</b>				
EBITDA Margins (%)	16.6	17.4	17.4	17.7
EBIT Margins (%)	13.0	13.3	13.6	13.9
Effective Tax Rate (%)	19.2	23.2	23.8	23.8
Net Profit Margins (%)	11.6	9.7	9.9	10.2
<b>Inventory Turnover Days</b>				
Fixed Asset Turnover (x)	19.4	14.5	11.4	10.6
Receivables Days	66	66	68	68
Payables Days	38	37	38	38
Working Capital Days	88	87	83	80
Net Debt / EBITDA (x)	(0.2)	(0.1)	(0.4)	(1.1)
<b>Profitability Ratios</b>				
RoCE (%)	19.8	17.2	18.2	18.6
RoIC (%)	15.1	17.7	19.1	20.5
RoNW (%)	21.2	15.8	17.7	18.5

Source Company data, I-Sec research

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