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Growth momentum to sustain ahead...

About the stock: Coforge Ltd (Coforge) is a digital services and solutions provider that leverages its domain experience across sectors such as Banking & Financial Services, Insurance, Government, Travel, Transport and Hospitality. Coforge had a strong year (FY25) with revenue growth of 31.2% in dollar terms & rupee revenue growth of 33.5%.

Q3FY26 Performance: Coforge reported revenue of US\$478.2 mn, up 4.4% QoQ/ 21.5% YoY in CC terms. Adj. EBITDA margin (ex-one-off from new labour code, M&A legal expenses and legal provision) came at 17.4%, up ~80 bps QoQ. Adjusted EBIT margin came at 14.4%, down 60 bps QoQ. Adj. PAT (ex-one-offs) stood at ₹364.1 crore, down 3% QoQ/ up 71.2% YoY.

Investment Rationale

- **Strong growth visibility backed by robust order book and deal momentum:** The growth outlook is underpinned by a sharply expanding **12m executable order book at US\$1.72 bn (+5% QoQ/+30.4% YoY)** and strong order intake (**US\$593 mn**), including **6 large deals** across BFSI (2), healthcare (1), travel (1), Govt (1) & insurance (1), and probable deals in UK public sector & healthcare in Q4 provides high revenue visibility into FY26–FY27. Management commentary highlights confidence in maintaining strong growth through FY26 & an even better FY27, supported by steady conversion of TCV to revenue. **We expect US\$ revenue to grow at CAGR of 12.2% over FY26–28E.**
- **Margin upside intact despite near-term integration headwinds:** While Q3 EBIT margin were impacted by wage hikes (~150 bps) and hedge losses, underlying profitability remains resilient, with **management guiding for 15% EBIT in Q4 leading to the guided ~14% for FY26. Management reiterated confidence in higher margins in FY27 vs. FY26**, even after factoring Encora integration costs (US\$10–15mn over next 2 quarters). **We have baked in EBIT margins of 13.7%/13.7%/14% in FY26E/FY27E/FY28E.**
- **AI-led scale-up via Encora positions Coforge for structural outperformance:** The Encora acquisition marks a strategic inflection, creating a scaled **US\$2 bn core across data, cloud and AI-led engineering**, positioning Coforge as a leader in enterprise-scale AI transformation. The firm is moving beyond AI pilots to outcome-based, agentic AI-driven delivery models, improving deal quality & margin potential. With AI assets deployed across 50+ clients, despite marginal EPS dilution in FY27 post Encora consolidation (as per our view), Coforge is well placed for sustained market share gains.

Rating and Target Price

- With continued strong execution and healthy deal momentum, **we maintain a BUY rating, at unchanged target price of ₹1,980; at 32x P/E on FY28E EPS.**

Key Financial Summary

Financials	FY23	FY24	FY25	5 Year CAGR (FY20–25)	FY26E	FY27E	FY28E	3 year CAGR (FY25–28E)
Net Sales	8,015	9,179	12,051	NC	16,246	18,948	21,237	20.8%
EBITDA	1,405	1,505	1,998	NC	2,905	3,354	3,823	24.1%
EBITDA Margins (%)	17.5	16.4	16.6		17.9	17.7	18.0	
Net Profit	694	808	839	NC	1,397	1,846	2,156	36.9%
Diluted EPS (₹)	20.7	130.8	25.4		40.2	53.1	62.0	
P/E	79.9	63.2	65.0		41.2	31.2	26.7	
RoNW (%)	22.5	22.3	13.2		19.5	22.6	23.0	
RoCE (%)	27.9	23.6	15.4		20.5	22.0	23.1	

Source: Company, ICICI Direct Research; Note: FY25 numbers are excluding AdvantageGo divestment and thus not comparable (NC). Numbers are ex- Encora which shall be incorporated post deal completion

Coforge

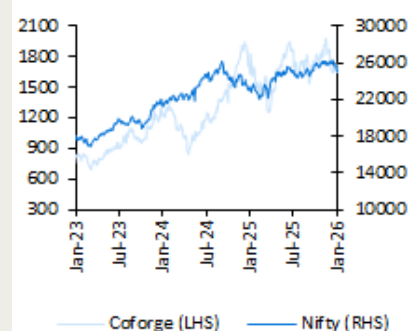
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	54,178
Total Debt (₹ Crore)	6.7
Cash & Investment (₹ Crore)	1,028.9
EV (₹ Crore)	53,156
52 week H/L	1994/ 1194
Equity capital	66.9
Face value	2.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoters	-	-	-	-
FII	40	37	34	35
DII	50	52	55	54
Other	10	10	11	12

Price Chart



Key risks

- Lower than expected revenue and margin expansion;
- Slower than expected pipeline to deal conversion

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Performance highlights and outlook

- **Revenue Performance:** Coforge in Q3FY26 reported revenue of US\$478.2 mn, up 4.4% QoQ/ 21.5% YoY in CC terms. In rupee terms revenue came at ₹4,188.1 crore, up 5.1% QoQ/ 28.5% YoY. **Revenue growth was aided by sales of third-party software licenses – suggested by a jump in other direct costs.**
- **Geography performance:** Geography wise on a QoQ basis in US\$ terms, all geos grew with RoW (14.7% of the mix), EMEA (28.5% of the mix) and America (56.8% of the mix) reporting growth of 15.4%, 1.9% and 1.6% respectively.
- **Segment performance:** Segment wise on a QoQ basis in US\$ terms, the growth was led by Others which includes Retail, Manufacturing and Media and Utilities (19.5% of the mix), Healthcare and Hi-tech (10.5% of the mix), Travel, Transportation & Hospitality - TTH (23% of the mix) and Insurance (15% of the mix) which grew 18.3%, 8.5%, 1.6% and 1.5% respectively while Government (6.3% of the mix) and BFSI (26% of the mix) de-grew by 5.7% and 2.4%.
 - **Healthcare and Hi-tech:** A segment is carved out of the Others vertical. A probable net new deal is expected to lead the deal momentum in Q4 as well for this vertical. Strategic focus remains on life-sciences and payer segment.
 - **BFSI and Insurance:** Based on current bookings and deal pipeline, management expects BFSI and travel to lead growth in FY27. Insurance vertical is also expected to report better growth in FY27 vs. FY26
- **Margin performance:** Adj. EBITDA margin (ex-one-off from new labour code, M&A legal expenses and legal provision) came at 17.4%, up ~80 bps QoQ. Adj. EBIT margin (ex-one-off from new labour code, M&A legal expenses and legal provision) came at 13.4%, down 60bps QoQ, led by an impact of 150 bps from wage hike, which was partly offset by lower ESOP costs (down 30 bps QoQ) and operating efficiencies. Reported PAT stood at ₹250.2 crore, down 33.4% QoQ / up 17.6% YoY while Adj. PAT (ex-one-off from new labour code of ₹117.9 crore, M&A legal expenses and legal provision) stood at ₹364.1 crore, down 3% QoQ/ up 71.2% YoY.
- **Encora acquisition:** Coforge has decided for finalising a term loan of US\$550 mn for a period of three years with a consortium of four to five banks to retire term loan of Encora with interest rate of mid-single digit vs. the QIP route. As per the management, Encora acquisition-related approvals are expected to be in place by Apr'27.
- **Cigniti acquisition:** Minority interest will get added back to profits post approval of Cigniti merger by end of Q4FY26 and this will offset the impact of increase in number of shares resulting in increase in FY26 EPS as per management.
- **Revenue & Margin Guidance:** Management expects to exit FY26 on a strong note and have an exceptional FY27 on the back of strong order book and deal momentum. Management has guided for 15% EBIT in Q4 leading to the guided ~14% for FY26. Management exuded confidence in higher margins in FY27 vs. FY26, even after factoring Encora integration costs (US\$10-15mn over next 2 quarters). Moreover, Q4 margins could benefit from an absence of headwinds arising out of wage hike, furloughs and third-party software costs, which impacted Q3 margins.
- **Deal pipeline:** In Q3FY26, the company reported an order book of US\$593 mn (up 15% QoQ/18% YoY), with **6 large deals signed this quarter** across BFSI (2), healthcare (1), travel (1), Govt (1) & insurance (1). **The executable order book (12 month) stood at US\$1.72 billion, up 5% QoQ/ 30.4% YoY.**

The increasing deal velocity and entry into new logos (+9 new logos in Q3) strengthen revenue visibility.

- **Sabre deal:** Sabre deal is progressing on expected lines with execution cost slightly lower than expected at start of the year. Management is also seeing cross-sell opportunity as Sabre is now both partner and client. This is seen in a US\$20mn deal in pipeline with an airline client (among top clients of Sabre) with whom Coforge did not have material relationship earlier.
- **AI/GenAI:** The company is integrating GenAI and intelligent automation across its delivery using proprietary platforms such as **Code Insight AI**, **BlueSwan**, **ForgeX** and **Quasar** to transform technology and BPO services. Management noted that Coforge's delivery is shifting towards hybrid delivery models that combine agentic workflows with human expertise on AI deals. It is willing to underwrite outcomes with risk-reward commercial models tied to client's achieved results.
- **Employee addition & Attrition:** The employees during Q3 increased by 445 to 35,341 while LTM attrition declined by ~50 bps QoQ to 10.9%.
- **Dividend:** The company declared dividend of ₹4 per share.

Exhibit 1: Quarter Performance

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
Revenue in USD (continuing ops*)	478.2	390.0	22.6	462.0	3.5	Revenue in CC terms increased 4.4% QoQ / 21.5% YoY
Revenue in ₹ (continuing ops*)	4,188.1	3,258.1	28.5	3,985.7	5.1	
Employee expenses	2,810.2	2,169.9	29.5	2,630.6	6.8	
Gross Margin	1,377.9	1,088.2	26.6	1,355.1	1.7	
Gross margin (%)	32.9	33.4	-50 bps	34.0	-110 bps	
SG&A expenses	647.7	582.5	11.2	626.9	3.3	
EBITDA	730.2	505.7	44.4	728.2	0.3	
EBITDA Margin (%)	17.4	15.5	191 bps	18.3	-84 bps	
Depreciation & amortisation	170.8	116.5	46.6	171.9	-0.6	
EBIT	559.4	389.2	43.7	556.3	0.6	
EBIT Margin (%)	13.4	11.9	141 bps	14.0	-60 bps	- Adj. EBIT margin (ex-one-off from new labour code, M&A legal expenses and legal provision) came at 13.4%, down 60bps QoQ, led by an impact of 150 bps from wage hike, which was partly offset by lower ESOP costs (down 30 bps QoQ) and operating efficiencies. - Management is guiding for 15% EBIT in Q4 leading to the guided ~14% for FY26.
Other income (less interest)	-27.6	-32.9	-16.1	1.8	-1,633.3	
Exceptional items	147.6	16.2	NA	0.0	NA	
PBT	384.2	356.3	7.8	558.1	-31.2	
Tax paid	87.5	87.0	0.6	132.8	-34.1	
PAT	250.2	212.7	17.6	375.7	-33.4	Adj. PAT (ex-one-off from new labour code of ₹117.9 crore, M&A legal expenses and legal provision) stood at ₹364.1 crore, down 3% QoQ/ up 71.2% YoY.

Source: Company, ICICI Direct Research; Note: Continuing ops = Ex-AdvantageGo divestment revenues in USD and INR terms

Exhibit 2: Change in estimates

	FY26E			FY27E			FY28E		
(₹ crore)	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	1,863	1,875	0.7	2,096	2,117	1.0	2,337	2,360	1.0
Revenue	16,186	16,246	0.4	18,867	18,948	0.4	21,029.0	21,237	1.0
EBIT	2,186	2,228	1.9	2,528	2,596	2.7	2,986.2	2,994	0.3
EBIT Margin (%)	13.5	13.7	20 bps	13.4	13.7	30 bps	14.2	14.1	-10 bps
PAT	1,516	1,397	-7.9	1,803	1,846	2.4	2,149.6	2,156	0.3
EPS	43.6	40.2	-7.9	51.9	53.1	2.4	61.8	62.0	0.3

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Total op. Income	12,051	16,246	18,948	21,237
Growth (%)	31.3	34.8	16.6	12.1
COGS (employee expenses)	8,002	10,765	12,468	13,974
S,G&A expenses	2,051	2,576	3,126	3,440
Total Operating Expenditure	10,053	13,341	15,594	17,414
EBITDA	1,998	2,905	3,354	3,823
Growth (%)	32.8	45.4	15.5	14.0
Depreciation	428	677	758	828
Other Income (net)	(108)	(96)	(70)	(60)
PBT	1,463	2,132	2,526	2,934
Total Tax	333	438	636	739
Adjusted PAT	839	1,397	1,846	2,156
Growth (%)	4	66	32	17
Adjusted EPS (₹)	25.4	40.2	53.1	62.0
Growth (%)	(80.6)	57.9	32.2	16.8

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit before Tax	1,463	2,132	2,526	2,934
Add: Depreciation	428	677	758	828
(Inc)/dec in Current Assets	(1,182)	(768)	(694)	(588)
Inc/(dec) in CL and Provisions	841	324	516	437
Taxes paid	(396)	(438)	(636)	(739)
CF from op.activities	1,237	1,928	2,470	2,874
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(614)	(487)	(531)	(531)
Others	71	(96)	(70)	(60)
CF from inv. activities	(2,448)	(583)	(601)	(591)
Issue/(Buy back) of Equity	2,202	-	-	-
Inc/(dec) in loan funds	(87)	-	-	-
Dividend paid & dividend tax	(510)	(628)	(831)	(970)
CF from fin. activities	1,675	(628)	(831)	(970)
Net Cash flow	464	717	1,039	1,313
Exchange difference	10	-	-	-
Opening Cash	321	883	1,600	2,638
Closing Cash	796	1,600	2,638	3,951

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	67	70	70	70
Reserve and Surplus	6,312	7,083	8,098	9,284
Total Shareholders funds	6,379	7,152	8,168	9,353
Total Debt	7	7	7	7
Provisions	174	174	174	174
Minority Interest / Other NCL	2,932	3,077	3,121	3,161
Total Liabilities	9,492	10,410	11,470	12,695
Assets				
Net Block	2,253	2,063	1,836	1,539
Capital WIP	2	2	2	2
Total Fixed Assets	2,256	2,066	1,838	1,541
Goodwill	3,843	3,843	3,843	3,843
Deferred tax assets	329	329	329	329
Debtors	2,577	3,657	4,265	4,780
Other Current Assets	1,156	939	1,096	1,228
Cash	883	1,452	2,491	3,804
Current Investments	146	146	146	146
Total Current Assets	4,762	6,194	7,997	9,957
Trade payables	988	1,634	1,906	2,136
Other current liabilities	1,721	1,386	1,616	1,811
Short term provisions	71	85	99	110
Total Current Liabilities	2,780	3,104	3,621	4,058
Net Current Assets	1,982	3,089	4,376	5,900
Application of Funds	9,492	10,410	11,470	12,695

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Adjusted EPS (Diluted)	25.4	40.2	53.1	62.0
DPS	57	18	24	28
Cash per Share	26.8	41.8	71.6	109.4
BV per share (Diluted)	193.3	205.7	234.9	269.0
Operating Ratios (%)				
EBITDA Margin	16.6	17.9	17.7	18.0
PBT Margin	12.1	13.1	13.3	13.8
PAT Margin	7.0	8.6	9.7	10.2
Debtor days	78	82	82	82
Creditor days	30	37	37	37
Return Ratios (%)				
RoE	13.2	19.5	22.6	23.0
RoCE	15.4	20.5	22.0	23.1
RoC	18.6	25.3	29.4	34.2
Valuation Ratios (x)				
P/E (Adjusted)	64.5	40.9	30.9	26.5
EV / EBITDA	26.6	18.1	15.4	13.1
EV / Net Sales	4.4	3.2	2.7	2.4
Market Cap / Sales	4.5	3.3	2.9	2.6
Price to Book Value	8.5	8.0	7.0	6.1
Solvency Ratios				
Debt/EBITDA	0.0	0.0	0.0	0.0
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.3	1.5	1.5	1.5
Quick Ratio	1.3	1.5	1.5	1.5

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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