Coforge (COFORGE) BUY

Scaling growth through precision, execution and synergy

TP	Rs8,722
CMP	Rs7,499
Potential upside/downside	16%
Previous Rating	BUY

Key Stock Data	
Bloomberg/Reuters	COFORGE IN / NITT.BO
Sector	IT Services
Shares o/s (mn)	67
Market cap. (Rs mn)	501,531
3-m daily avg Trd value (Rs mn)	221.4
52-week high / low	10,018 / 4,291
Sensex / Nifty	80,797 / 24,461

Price Performance (%)	-1m	-3m	-12m
Absolute	13.4	(11.8)	67.3
Rel to Sensex	6.1	(15.0)	58.0

V/s Consensus		
EPS (Rs)	FY26E	FY27E
IDBI Capital	209	253
Consensus	257	305
% differen3ce	*(18.8)*	*(17.1)*

Shareholding Pattern (%)	
Promoters	--
FII	40.2
DII	49.2
Public	10.6

Summary

Coforge delivered a robust sequential CC growth of 3.4%, primarily driven by strong performance in BFS (+13.4% QoQ) and Travel (+7.5% QoQ). Management remains bullish on sustaining this momentum on the back of significant deal ramp-ups (order book at $2.13bn, +175% QoQ), a healthy pipeline of medium-to-large deals, and synergy-led tailwinds. The company's disciplined execution, laser-sharp focus on large deals, and relentless competence-building were identified as key growth levers. These strategic pillars not only catalyzed broad-based growth across geographies and verticals but are also expected to translate into margin expansion, with management targeting 14% EBIT by fiscal year-end. Coforge's aspirational revenue milestone of $2bn appears achievable, bolstered by cross-selling opportunities, synergy realization, and deep domain expertise. Reflecting confidence in its structural growth trajectory and operational resilience, we reiterate our BUY rating, valuing the stock at a target price of ₹8,722, implying 34.5x FY27E EPS.

Key Highlights and Investment Rationale

- **AI infusion & GCC:** Building on capabilities/ service lines (30 till now) around AI/ Gen AI by expanding company's portfolio would drive growth. Management saw traction on Gen AI adoption focused on data landscape like data modernization, data vectorization and infrastructure to support AI adoption.
- **Partnership with hyper-scalers:** Recent acquisition of Xceltrait Inc. ($17.85mn), specializes in implementation of Service Now's products gives confidence that company is focusing on enhancing partnership. Hyper-scalers like Salesforce, Microsoft, Pega-systems & ServiceNow to offer innovative & scalable solutions (software embedded with license) to their clients.

Financial snapshot (Rs mn)

Year	FY23	FY24	FY25	FY26E	FY27E
Revenue	80,146	90,089	1,20,507	1,57,160	1,83,573
Change (yoy, %)	*25*	*12*	*34*	*30*	*17*
EBITDA	14,053	15,138	19,778	25,573	32,337
Change (yoy, %)	*26*	*8*	*31*	*29*	*26*
EBITDA Margin(%)	*17.5*	*16.8*	*16.4*	*16.3*	*17.6*
Adj.PAT	6,938	8,267	8,188	14,737	18,813
EPS (Rs)	114	134	122	209	253
Change (yoy, %)	*6.6*	*17.8*	*(8.5)*	*70*	*21*
PE(x)	66.0	56.1	61.3	36	30
Dividend Yield (%)	0.9	1.0	1.3	2	3
EV/EBITDA (x)	32	31	25	19	15
RoE (%)	24	25	16	17	17
RoCE (%)	30	29	22	18	18

Source: IDBI Capital Research

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Other Key Concall Highlights

- Consolidated revenue stood at US$410; +3.3%/+43% QoQ/YoY in $ terms & +3.4% in CC terms (Excl. Advantage Go stood at $403.8mn). This growth was driven by BFS (+13.4% QoQ), travel (7.5% QoQ) & Govt. outside India (+8.5% QoQ); While, other emerging vertical declined by 8.3% sequentially.
- EBITDA margin for the quarter stood at 18.7%; expanded by 100bps largely by reduced ESOP cost (33bps) and EBIT margin at 13.2%, an expansion of 123bps sequentially. ESOP cost has come down by 33bps at 1.8% & would come down to 100bps by H2FY26.
- Fresh order intake during the quarter stood at US$2,126mn, up 175% QoQ & 324% YoY; these consists of Americas $1,828mn, EMEA $170mn & ROW $128mn and $3.5bn for FY25 (+75% YoY). Executable order book over next 12months at $1.5bn (up by 10%/47% QoQ/YoY). Company expects this momentum to continue in the coming quarters ahead. Drivers of large deal; transformation & legacy modernization.
- **Demand zone:** Company expects growth to come from across verticals. Travel vertical is witnessing cautious approach in US due to geopolitical issues. Strong outlook is provided while factoring the current scenario backed by large deals. Management donot see any macro impact in near term & showed confidence in Q1FY26 growth as well. Also management emphasied on more revenue share of GCC (10% in the current quarter) and will also be a driver for growth.
- During the quarter, company signed a definitive agreement to sell entire stake of Advantage Core Business at a consideration of GBP 43mn. Advantage Go Business generated revenue of $23 million, EBIT loss of $5 million, and a cash burn of $8.5 million. Company also acquired Data and Cloud asset in the US generating quarterly revenues of $6 million and ServiceNow asset in Australia generating a revenue of $2 million per quarter. Both these acquisitions generate margin in line with company's performance. Revenue from these acquisitions are largely offset by sale of advantage go business.
- Headcount for the quarter is 33,497 with utilization of 82% up by 100bps QoQ due and attrition at 10.9% declined of 100bps. Large deal ramp up in the coming quarters has also preceded headcount addition during the quarter and will continue to do so.
- **Guidance:** Management re-iterates their $2bn revenue mark by FY27 & expects EBITDA margin to be in range of 18% & EBIT margin to come to around 14% by the end of this fiscal year.

Exhibit 1: Financial snapshot (Rs mn)

Year-end: March	Q4FY25	Q3FY25	QoQ (%)	Q4FY24	YoY (%)
Revenues (US$ mn)	**410**	**397**	***3.2***	**287**	***43.0***
Revenues	**34,099**	**32,581**	***4.7***	**23,184**	***47.1***
COGS	19,983	19,591	*2.0*	13,451	*48.6*
Gross profit	14,116	12,990	*8.7*	9,733	*45.0*
SG&A	8,846	8,639	*2.4*	5,835	*51.6*
EBITDA	**5,270**	**4,351**	***21.1***	**3,898**	***35.2***
Depreciation & amortization	1,254	1,165	*7.6*	792	*58.3*
EBIT	4,016	3,186	*26.1*	3,106	*29.3*
Other income	-83	216	*(138.4)*	-330	*(74.8)*
PBT	3,933	3,402	*15.6*	2,776	*41.7*
Tax	874	870	*0.5*	588	*48.6*
Minority interest	461	404	*14.1*	55	*738.2*
Reported net profit	**2,598**	**2,155**	***21***	**2,237**	***16***
Exceptional items	0	0	*n.m*	116	*n.m.*
Adjusted net profit	**2,598**	**2,155**	***21***	**2,353**	***10***
Diluted EPS (Rs)	**38.8**	**31.85**	***22***	**36.40**	***7***
As % of net revenue					
Gross profit	41.4	39.9		42.0	
SG&A	25.9	26.5		25.2	
EBITDA	15.5	13.4		16.8	
EBIT	11.8	9.8		13.4	
Adjusted net profit	7.6	6.6		9.6	
Tax rate	22.2	25.6		21.2	

Source: Company; IDBI Capital Research

Exhibit 2: Actual vs. estimates

Year to March	Q4FY25	Q4FY25E	*Variance (%)*
Revenue (US$ mn)	410	416	*(1.3)*
Revenue (Rs mn)	34,099	36,022	*(5.3)*
EBIT (Rs mn)	4,016	4,830	*(16.9)*
EBIT margin (%)	*11.8%*	*13.4%*	*-163 bps*
PAT (Rs mn)	2,598	2,808	*(7.5)*
PAT margin (%)	*7.6%*	*7.8%*	*-18 bps*
EPS (Rs)	38.8	42.0	*(7.6)*

Source: Company; IDBI Capital Research

Exhibit 3: Earnings Revision

	FY26E			FY27E		
Year-end: March	New	Old	*Chg (%)*	New	Old	*Chg (%)*
Revenue (US$ mn)	1,815	1,818.95	*(0.2)*	2,120	2,154	*(1.6)*
Revenue (Rs bn)	1,57,160	1,53,883	*2.1*	1,83,573	1,82,225	*0.7*
EBIT (Rs mn)	*20,533*	*19,386*	*5.9*	*25,360*	*24,094*	*5.3*
EBIT margin (%)	*13.1%*	*12.6%*	*47 bps*	*13.8%*	*13.22%*	*59 bps*
EPS (Rs/sh)	208.6	203.9	*2.3*	252.8	247.2	*2.3*

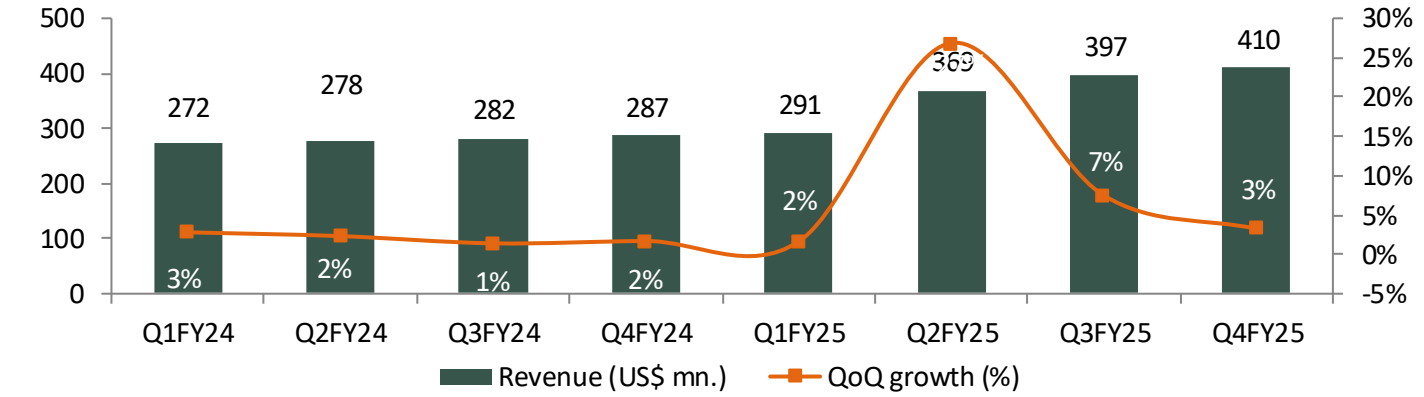
Source: Company; IDBI Capital Research

Exhibit 4: Large clients trend

No. of large clients	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
USD1m – USD5m	101	102	104	109	112	118	173	176	173
USD5m – USD10m	23	24	23	23	24	25	29	31	35
USD10m+	21	21	23	24	24	23	29	31	31

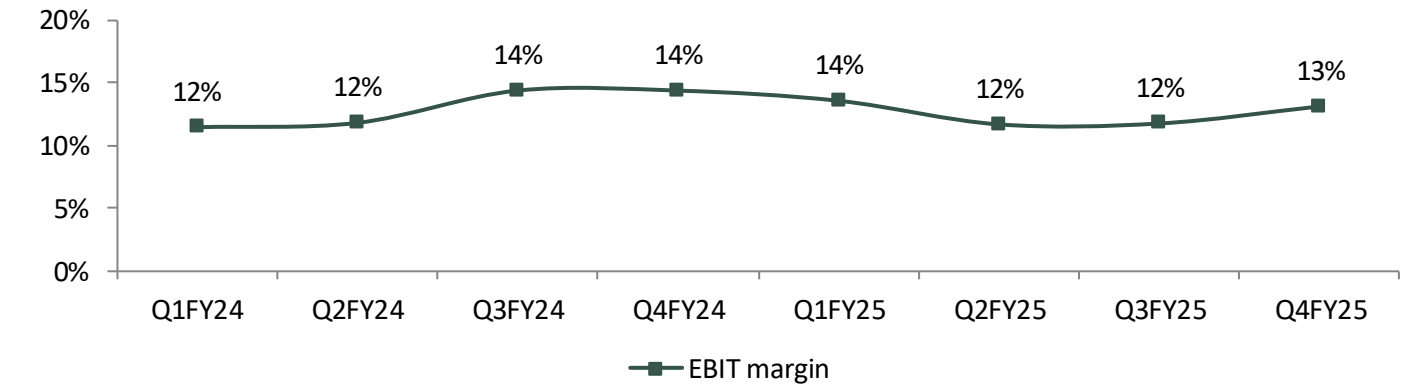
Source: Company; IDBI Capital Research

Exhibit 5: Q4FY25 revenue growth was below our estimates



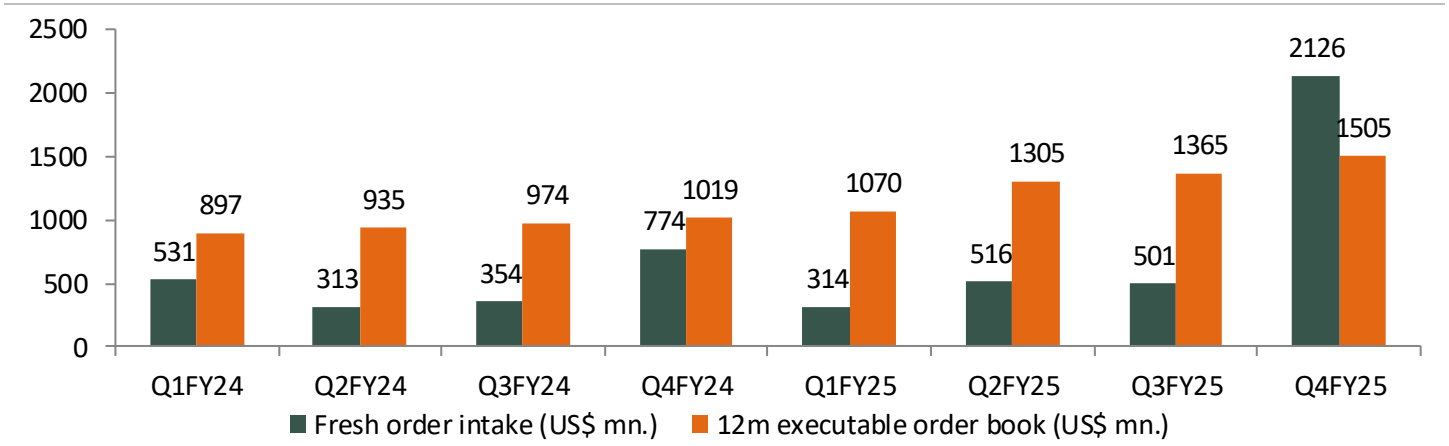
Source: Company; IDBI Capital Research

Exhibit 6: EBIT margin improved marginally



Source: Company; IDBI Capital Research

Exhibit 7: 12month order book continued to be robust



Source: Company; IDBI Capital Research

Exhibit 8: Revenue growth across various segments (%)

	% of revenue (%)	*YoY (%)*
Total revenue		***3.4%***
by geography		
North America	*53.8%*	*56.2%*
Europe	*33.3%*	*15.0%*
RoW	*12.9%*	*46.4%*
by vertical		
BFS	*30.2%*	*20.4%*
Insurance	*18.2%*	*20.3%*
Transportation	*18.8%*	*43.4%*
Govt (outside India)	*7.3%*	*48.0%*
Others	*25.5%*	*88.2%*

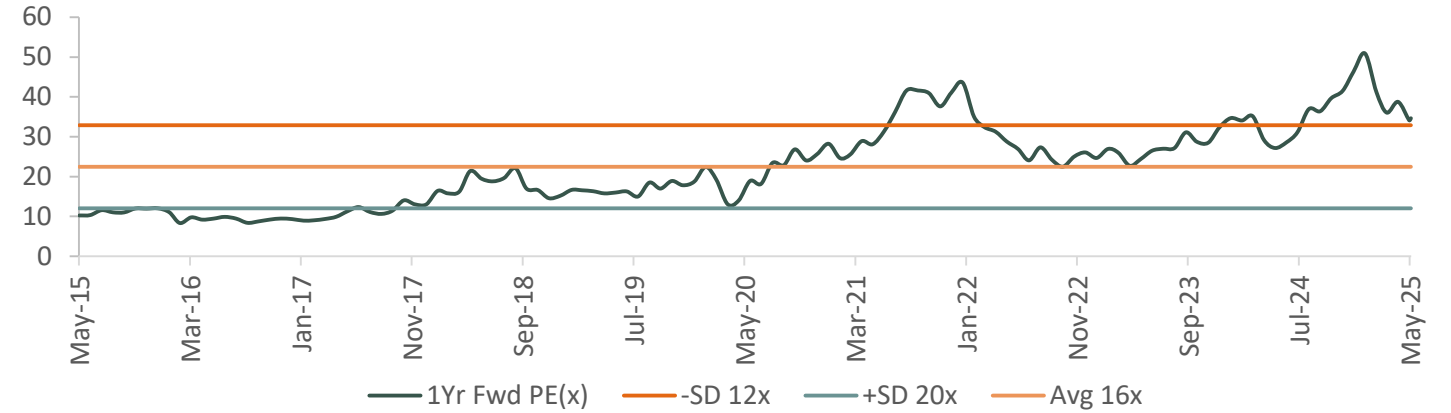
Source: Company; IDBI Capital Research

Exhibit 9: Geo wise Adj. EBITDA margin trend

Regions	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Americas	15%	13%	15%	18%	19%	20%	16%	17%	18%
Europe	24%	19%	19%	17%	21%	20%	14%	16%	18%
APAC	16%	15%	9%	7%	7%	7%	1%	7%	17%
India	-15%	5%	-22%	-17%	-14%	-16%	-8%	-11%	-11%

Source: Company; IDBI Capital Research

Exhibit 10: One-year forward PER trend



Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Net sales	**64,320**	**80,146**	**90,089**	**1,20,507**	**1,57,160**	**1,83,573**
Change (yoy, %)	*37.9*	*25*	*12*	*34*	*30*	*17*
Operating expenses	(53,166)	(66,093)	(74,951)	(1,00,729)	(1,31,587)	(1,51,236)
EBITDA	**11,154**	**14,053**	**15,138**	**19,778**	**25,573**	**32,337**
Change (yoy, %)	*41.8*	*26*	*8*	*31*	*29*	*26*
Margin (%)	*17.3*	*17.5*	*16.8*	*16.4*	*16.3*	*17.6*
Depreciation	(2,272)	(2,585)	(2,972)	(4,278)	(5,040)	(6,977)
EBIT	**8,882**	**11,468**	**12,166**	**15,500**	**20,533**	**25,360**
Interest paid	-	-	-	-	-	-
Other income	(266)	(630)	(1,414)	(2,746)	430	1,044
Pre-tax profit	**8,616**	**10,838**	**10,752**	**12,754**	**20,963**	**26,404**
Tax	(1,468)	(2,061)	(2,209)	(3,326)	(5,450)	(6,601)
Effective tax rate (%)	*17.0*	*19.0*	*20.5*	*26.1*	*26.0*	*25.0*
Minority Interest	(530.0)	(513.0)	(276.0)	(1,240.0)	(775.6)	(990.2)
Net profit	**6,618**	**9,590**	**8,267**	**8,188**	**14,737**	**18,813**
Exceptional items	-	-	-	-	-	-
Adjusted net profit	**6,618**	**6,938**	**8,267**	**8,188**	**14,737**	**18,813**
Change (yoy, %)	*34.6*	*5*	*19*	*(1)*	*80*	*28*
EPS	106.5	113.6	133.8	122.4	208.6	252.8
DPS	50.7	65.3	77.3	95.4	156.4	189.6
Dividend Payout (%)	*47.6*	*57.5*	*57.8*	*78*	*75*	*75*

Balance Sheet

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Shareholders' funds	**27,331**	**30,825**	**36,266**	**63,792**	**86,278**	**1,09,784**
Share capital	609	611	618	669	707	707
Reserves & surplus	26,722	30,214	35,648	63,123	85,572	1,09,077
Total Debt	**3,365**	**3,382**	**3,399**	**67**	**-**	**-**
Other liabilities	5,709	4,028	4,467	12,331	6,286	7,343
Curr Liab & prov	**12,156**	**17,725**	**15,942**	**29,219**	**47,911**	**55,713**
Current liabilities	11,840	17,365	15,525	28,513	46,339	53,877
Provisions	316	360	417	706	1,572	1,836
Total liabilities	**21,230**	**25,135**	**23,808**	**41,617**	**54,197**	**63,056**
Total equity & liabilities	**49,544**	**56,834**	**61,077**	**1,24,907**	**1,60,749**	**1,94,103**
Net fixed assets	20,835	23,165	23,762	60,986	59,089	55,783
Investments	-	-	-	-	-	-
Other non-curr assets	4,809	5,833	9,826	16,502	16,502	16,502
Current assets	**23,900**	**27,836**	**27,489**	**47,419**	**85,158**	**1,21,818**
Inventories	-	-	-	-	-	-
Sundry Debtors	15,585	17,903	19,503	29,682	38,710	45,216
Cash and Bank	4,535	5,787	3,352	10,289	33,875	61,916
Loans and advances	-	-	-	-	-	-
Total assets	**49,544**	**56,834**	**61,077**	**1,24,907**	**1,60,749**	**1,94,103**

Cash Flow Statement

(Rs mn)

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	8,616	10,838	10,752	12,754	20,963	26,404
Depreciation	724	2,585	2,972	4,278	5,040	6,977
Tax paid	(2,656)	(3,082)	(4,035)	(3,213)	(5,450)	(6,601)
Chg in working capital	(3,284)	3,251	(3,383)	3,098	9,663	1,296
Other operating activities	4,135	(2,833)	(524)	16,863	15,463	17,668
Cash flow from operations (a)	**7,535**	**10,759**	**5,782**	**33,780**	**45,679**	**45,745**
Capital expenditure	(11,351)	(4,915)	(3,569)	(41,502)	(3,143)	(3,671)
Chg in investments	-	-	-	-	-	-
Other investing activities	1,663	-	-	-	-	-
Cash flow from investing (b)	**(9,564)**	**(4,915)**	**(3,569)**	**(42,959)**	**(1,686)**	**(3,671)**
Equity raised/(repaid)	3	2	7	51	38	-
Debt raised/(repaid)	3,360	17	17	(3,332)	(67)	-
Dividend (incl. tax)	(3,150)	(3,989)	(4,775)	(6,382)	(11,053)	(14,110)
Chg in minorities	453	(622)	(147)	17,255	-	-
Other financing activities	(2,224)	-	-	-	-	-
Cash flow from financing (c)	**(1,558)**	**(4,592)**	**(4,898)**	**7,592**	**(11,082)**	**(14,110)**
Net chg in cash (a+b+c)	**(3,587)**	**1,252**	**(2,686)**	**(1,587)**	**32,911**	**27,964**

Financial Ratios

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
Book Value (Rs)	439.9	505	587	954	1,221	1,475
Adj EPS (Rs)	*106.5*	*113.6*	*133.8*	*122.4*	*208.6*	*252.8*
Adj EPS growth (%)	*34.7*	*7*	*18*	*-8*	*70*	*21*
EBITDA margin (%)	*17.3*	*17.5*	*16.8*	*16.4*	*16.3*	*17.6*
Pre-tax margin (%)	*13.4*	*13.5*	*11.9*	*10.6*	*13.3*	*14.4*
Net Debt/Equity (x)	*0.0*	*-0.1*	*0.0*	*-0.2*	*-0.4*	*-0.6*
ROCE (%)	*27.9*	*30*	*29*	*22*	*18*	*18*
ROE (%)	*25.5*	*24*	*25*	*16*	*17*	*17*
DuPont Analysis						
Asset turnover (x)	1.5	1.5	1.5	1.3	1.0	0.9
Leverage factor (x)	1.6	1.8	1.8	1.9	1.9	1.8
Net margin (%)	*10.3*	*8.7*	*9.2*	*6.8*	*9.4*	*10.2*
Working Capital & Liquidity ratio						
Inventory days	0	0	0	0	0	0
Receivable days	88	82	79	90	90	90
Payable days	45	38	42	42	37	37

Valuations

Year-end: March	FY22	FY23	FY24	FY25	FY26E	FY27E
PER (x)	70	66	56	61	36	30
Price/Book value (x)	17.0	14.9	12.8	7.9	6.1	5.1
EV/Net sales (x)	7	6	5	4	3	3
EV/EBITDA (x)	42	32	31	25	19	15
Dividend Yield (%)	*0.7*	*0.9*	*1.0*	*1.3*	*2.1*	*2.5*

Source: Company; IDBI Capital Research

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Key to Ratings Stocks:

BUY: 15%+; **HOLD:** -5% to 15%; **SELL:** -5% and below.

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