MIRAE ASSET Sharekhan

Coforge Ltd

Solid momentum to drive FY27 growth

Reco/View: **BUY**	CMP: **Rs. 1,642**	Price Target: **Rs. 2,133**

Coforge

STOCK UPDATE
Result Update - Q3FY2026

SECTOR
IT & ITES

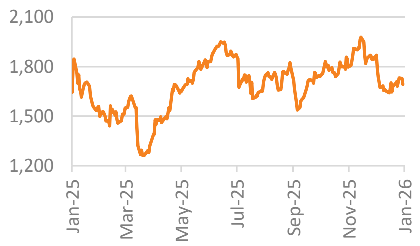
COMPANY DETAILS	
Market cap:	Rs. 55,135 cr
52-week high/low:	Rs. 1994/1194
NSE volume: (No of shares)	19.2 lakh
BSE code:	532541
NSE code:	COFORGE
Free float: (No of shares)	32.2 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)	
Promoters	0.0
FII	34.5
DII	53.7
Others	11.8

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-8.1	-6.7	-3.1	-11.0
Relative to Sensex	-3.4	-3.2	-3.2	-17.6

Source: Mirae Asset Sharekhan Research, Bloomberg

Quick Snapshot

- USD revenue grew 3.5% q-o-q (22.6% y-o-y) to $478 million and 4.4% q-o-q in CC terms. Rupee revenues grew 5.1% q-o-q (up 28.5% y-o-y) to Rs 4,188 crore, driven by healthcare & hitech, travel, insurance, and others verticals.
- EBIT stood at 13.4% and the company eyes a 15% number in Q4, resulting in a full-year guidance of 14%.
- Coforge's verticals are poised to sustain momentum - banking to grow the fastest in FY27; insurance to exceed FY26 levels, government vertical (ex-India) looks optimistic amid major impending deal, Hi-tech/healthcare stays on robust growth path.
- Above factors along with vertical tailwinds, better utilization, outcome-based engagements, non-headcount linked growth, integration of Encora and Cigniti would support Coforge's growth trajectory. Accordingly, we roll forward our valuation to Dec-27 and retain a Buy rating with a price target of Rs. 2,133 at 31x P/E.

Result overview

- **Q3 results:** EBIT stood at Rs 559 crore, rising 0.5% q-o-q (43.7% y-o-y), resulting in margins declining 60 bps q-o-q (up 141 bps) to 13.4% against our estimate of 13.3%. APAT stood at Rs. 398 crore, up 5.9% q-o-q (73.7% y-o-y), resulting in APAT Margin expansion by 7 bps q-o-q (up 247 bps y-o-y) to 9.5%.
- **Deal wins:** Fresh order intake stood at $593 million, up 15.4% q-o-q (+18.4% y-o-y), largely driven by growth in EMEA (up 59.0% q-o-q), followed by Americas (up 8.2% q-o-q), offset by lower order intake in RoW (down 13.6% q-o-q). Coforge signed 6 deal wins in the seasonally weak quarter, with two in banking, one from travel and insurance each. Executable Order Book over next twelve months at $1.72 billion, a 30.4% y-o-y increase.

Our Call

Coforge's growth is fuelled by strong vertical momentum banking poised to lead in FY27, insurance accelerating, hi-tech/healthcare exploding, and travel/BFS delivering outsized gains backed by steadily rising TCV, six large Q3 deals, and a 30% y-o-y higher twelve-month order book. Utilization (81.8%) offers sharp Q4 upside post-fresher ramp-up, while revenue per employee >$71,000 reflects a shift to higher-margin outcome-based contracts reducing headcount intensity. These drivers, combined with large-deal velocity and key-account strength, position Coforge for exceptional FY27 performance. Accordingly, we roll forward our valuation to Dec'27 and retain a Buy rating with a price target of Rs. 2,133 at 31x P/E.

Key Risks

Slowdown in AI adoption, rupee appreciation and global macroeconomic uncertainties.

Valuation Rs cr

Particulars	FY25	FY26E	FY27E	FY28E
USD revenue (Mn)	1,445	1,878	2,155	2,455
Total Revenue	12,051	16,320	19,397	22,097
EBITDA Margin (%)	16.6	18.2	18.2	18.4
EBIT Margin (%)	13.0	14.0	14.4	14.8
Adjusted Net Profit	997	1,541	2,045	2,423
% YoY growth	24.1	54.5	32.7	18.5
EPS (Rs)	29.7	44.8	59.5	70.5
PER (x)	52.4	36.7	27.7	23.3
P/BV (x)	8.1	7.4	6.3	5.3
EV/EBITDA	27.6	18.3	15.1	12.8
ROE (%)	19.9	22.4	25.4	25.5
ROCE (%)	20.6	20.8	22.9	23.9

Source: Company; Mirae Asset Sharekhan estimates

Concall Highlights:

- **Vertical-wise updates:** YTD, the healthcare and high-tech verticals now contributing 10.5% of total revenue have nearly doubled compared to the prior year. Travel has grown 66%, BFSI 21%, non-Indian government vertical by 20%, and the remaining verticals (including retail and manufacturing) 23%. Banking is expected to become the fastest-growing core vertical next year, fuelled by recent deal wins and key account expansion. Insurance growth is projected to accelerate beyond FY26 levels. The government vertical (ex-India) declined q-o-q, but management remains optimistic due to an impending large deal in the vertical. Banking and travel are anticipated to outpace insurance, while high-tech and healthcare are expected to sustain very strong growth momentum.
- **Other details:** Excluding exceptional items, the company reported quarterly EPS of Rs. 10.9. Nine-month EPS stood at INR 31.6, up 83% year-over-year. Post-approval of the Cigniti merger, EPS is expected to rise further as minority interest is added back to profits, more than offsetting the dilutive effect from the increased share count.
- **Encora:** The company signed a share repurchase agreement to acquire Encora equity at a $2.35 billion enterprise value. $1.89 billion will be funded via share swap, with the balance covered by a term loan to repay Encora's existing debt. The company is close to securing a three-year $550 million term loan from a 4–5 bank consortium. Pricing is acceptable, and no QIP will be required.
- **Cigniti merger:** NCLT hearing in March; approval expected by March/early Q4 FY26; effective April 1, 2025; full financial integration in FY26 full-year results (no minority interest).
- **Encora acquisition:** No QIP required; $550M term loan finalization underway; regulatory approvals (HSR, etc.) targeted March–April; consolidation to start post-closure in that period.
- **Growth rocket:** The top 10 accounts growing at a 47% YTD clip, a next 12-month signed order book which is 30% higher year-on-year, a sales execution engine that has that signed 14 large deals last year and this year in three quarters has already closed 16 large deals, a pathway to 14% EBIT in FY26.
- **Revenue growth outpacing headcount growth:** The company's headcount grew 8–9% year-on-year over the past year (Q3 to Q3) with utilization showing no material improvement, yet revenue growth significantly outpaced headcount addition. Revenue per employee crossed $71,000 per annum, primarily driven by a rising share of outcome-based and fixed-price contracts that deliver higher realizable revenue and better margins due to the risk taken, while reducing dependence on proportional headcount scaling. Current lower utilisation stems from ongoing fresher induction and ramp-up, but management sees meaningful upside once the bench stabilizes. Third-party costs in these outcome-based deals have also supported higher revenue per employee. Going forward, non-headcount-linked drivers such as outcome-based contracts, automation, and productivity initiatives are expected to contribute a larger portion of growth, further improving revenue efficiency and reducing headcount intensity.

Q3FY26 Result Snapshot: **Rs cr**

Particulars	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Revenue (in USD Mn)	**478**	**390**	**462**	**22.6**	**3.5**
Q-o-Q CC	4.4	8.4	5.9	-400	-150
Revenues in INR	**4,188**	**3,258**	**3,986**	**28.5**	**5.1**
Direct expenses	2,811	2,170	2,630	29.5	6.9
Selling / G&A	602	513	572	17.4	5.4
Acquisition related expenses & costs of ESOPs	44	70	56	-36.1	-20.9
EBITDA	**730**	**506**	**728**	**44.4**	**0.3**
Depreciation	123	80	125	54.6	-1.8
Amortisation of intangible assets	48	37	47		
EBIT	**559**	**389**	**556**	**43.7**	**0.5**
Other income	-28	-33	2	-16.1	-1633.3
PBT	**532**	**356**	**558**	**49.2**	**-4.7**
Tax provision	88	87	133	0.6	-34.1
Minority Interest	47	40	50	15.1	-6.3
Adj PAT	**398**	**229**	**376**	**73.7**	**5.9**
EO	148	16	0	811.1	0.0
Reported PAT	**250.10**	**212.70**	**375.70**	**17.6**	**-33.4**
Adj. PAT	**398**	**229**	**376**	**73.7**	**5.9**
EPS Basic	**12**	**6**	**11**	**85.6**	**5.9**
Margin (%)					
GPM	32.9	33.4	34.0	-52	-114
EBITDA	17.4	15.5	18.3	191	-84
EBIT	13.4	11.9	14.0	141	-60
NPM	9.5	7.0	9.4	247	7

Source: Company; Mirae Asset Sharekhan Research

Particulars	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Fresh Order Intake	593	501	514	18.4	15.4
Americas	304	294	281	3.4	8.2
EMEA	194	93	122	108.6	59.0
Rest of World	95	114	110	-16.7	-13.6
TCVs (USD Mn) - Executable Order Book over Next 12 Months	1,717	1,317	1,635	30.4	5.0

Source: Company; Mirae Asset Sharekhan Research

Vertical Mix (%)

Particulars	Q3FY26	Q3FY25	Q2FY26	YoY bps	QoQ bps
Insurance	14.8	17.3	15.1	-250	-30
Banking and Financial Services (BFS)	26.0	28.0	27.6	-200	-160
Travel, Transportation and Hospitality (TTH)	22.9	18.4	23.3	450	-40
Healthcare & HiTech	10.5	8.2	10.0	230	50
Govt outside India	6.3	7.0	6.9	-70	-60
Others	19.5	21.0	17.0	-150	250

Source: Company; Mirae Asset Sharekhan Research

Revenue (in USD)

Particulars	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Insurance	70.8	67.5	69.8	4.9	1.4
Banking and Financial Services (BFS)	124.3	109.2	127.5	13.9	-2.5
Travel, Transportation and Hospitality (TTH)	109.5	71.8	107.7	52.6	1.7
Healthcare & HiTech	50.2	32.0	46.2	57.0	8.7
Govt outside India	30.1	27.3	31.9	10.4	-5.5
Others	93.2	81.9	78.6	13.9	18.7

Source: Company; Mirae Asset Sharekhan Research

Vertical Mix (%)

Particulars	Q3FY26	Q3FY25	Q2FY26	YoY bps	QoQ bps
Americas	56.8	57.0	57.9	-20	-110
EMEA	28.5	33.0	28.9	-450	-40
RoW	14.7	10.0	13.2	470	150

Source: Company; Mirae Asset Sharekhan Research

Revenue (in USD)

Particulars	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Americas	271.6	222.3	267.6	22.2	1.5
EMEA	136.3	128.7	133.5	5.9	2.1
RoW	70.3	39.0	61.0	80.2	15.2

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Motilal Oswal AMC	9.54
2	HDFC AMC	5.72
3	LIC	4.66
4	Vanguard Group	4.10
5	Government Pension Fund - Global	3.63
6	Norges Bank	2.92
7	SBI Life Insurance Co	2.74
8	DSP Asset Managers Pvt Ltd	2.26
9	HDFC Life Insurance	2.20
10	UTI AMC	2.19

Source: Bloomberg

Key management personnel

Name	Designation
Saurabh Goel	CFO
Sudhir Singh	CEO & Director
Manish Hemrajni	Head - IR

Source: Company Website

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