MIRAE ASSET Sharekhan

Stock Update

Result Update

Coforge Ltd

Robust Quarter, On industry leading growth trajectory

IT & ITeS	Sharekhan code: COFORGE
Reco/View: **Buy** ↔	CMP: **Rs. 1,689**
	Price Target: **Rs. 2,100** ↔

↑ Upgrade ↔ Maintain ↓ Downgrade

3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

Company details

Market cap:	Rs. 56,496 cr
52-week high/low:	Rs. 10,018/4,291
NSE volume: (No of shares)	12.0 lakh
BSE code:	532541
NSE code:	COFORGE
Free float: (No of shares)	33.4 cr

Shareholding (%)

Promoters	-
FII	37
DII	52
Others	10

Price chart

Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-10.1	14.4	-8.5	33.6
Relative to Sensex	-8.6	11.5	-15.5	31.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Reported revenue stood at $442.4 million, up 8% q-o-q in CC terms, beating our estimate of 6.3%.
- EBITDA margins expanded ~60 bps q-o-q to 17.5%, beating our estimate of 17.3%. Twelve-month executable order book stood at $1,545 million, up 2.7% q-o-q/47% y-o-y.
- Management expects H2FY26 to be stronger than H1FY26 and eyes a 14% EBIT margin in FY26.
- We maintain Buy rating with an unchanged PT of Rs. 2,100 (valued at 36x FY27E EPS). At CMP, the stock trades at 35.7/29.1x FY26/27E EPS.

Reported revenue stood at $442.4 million, up 8% q-o-q in constant currency (CC) terms, beating our estimates of 6.3% q-o-q growth in CC terms. US Dollar revenues rose 9.6% q-o-q/51.8% y-o-y, while rupee revenues stood at Rs. 3,688.6 crore, up 8.2% q-o-q/53.6% y-o-y. EBITDA margins rose ~60 bps q-o-q to 17.5%, beating our estimate of 17.3%. Net profit stood at Rs 317.4crore, up 21.5% q-o-q/138.4% y-o-y. The company reported fresh order intake of $507 billion, up 61% y-o-y. Twelve-month executable order book stood at $1,545 million, up 2.7% q-o-q/47% y-o-y. Net headcount rose 1164 q-o-q taking the total headcount to 34,187. LTM attrition inched up 40 bps q-o-q to 11.3%. Utilisation (incl. trainees) rose 10 bps q-o-q to 82.1%. Management expects H2FY26 to be stronger than H1FY26 and expects to achieve a 14% EBIT margin in FY26. OCF to EBITDA ratio is expected to maintain at 65-70%. FCF was negative, largely due to an elevated capex related to AI data center investments. However, the company expects capex to return to normal levels of 2-3% of revenue, from current elevated levels. The company is well placed to deliver industry leading growth in FY26 led by its focus on AI and Cloud-driven growth in BFSI, travel, and healthcare, robust order pipeline and supported by the Cigniti merger. We maintain a Buy rating with unchanged PT of Rs. 2,100 (36x FY27E EPS). At CMP, the stock trades at 35.7/29.1x its FY26/27E EPS.

Key positives

- Organic revenues grew 5.9% sequentially in CC terms.
- Fresh order intake of $507 million, up 61.5% y-o-y.
- Net headcount rose 1164 q-o-q, taking the total headcount to 34,187.

Key negatives

- LTM attrition inched up 40 bps q-o-q to 11.3%.

Management Commentary

- Management expects H2FY26 to be stronger than H1FY26.
- Company expects to achieve a 14% EBIT margin in FY26, with Q2 margin improvement driven by operational efficiencies and deal ramps, and Q3 wage hike impacts largely offset by reduced ESOP costs.
- Capex to return to normal levels of 2-3% of revenues, down from current elevated levels.
- Operating cash flow (OCF) to EBITDA ratio is expected to maintain at 65-70%.
- Banking institutions are facing pressure from macro uncertainty, higher interest rates, and increased regulatory scrutiny. Business demand is healthy across commercial banking, lending, wealth management, and risk and compliance.

Revision in earnings estimates – We have revised our earnings estimates to factor in Q1FY26 performance.

Our Call

Valuation – Maintain Buy with unchanged PT of Rs. 2,100 - Coforge delivered another strong quarter, beating estimates. The executable order book for the next 12 months, up 47%, offers revenue visibility. FCF was negative, largely due to elevated capex related to AI data center investments. However, the company expects capex to return to normal levels of 2-3% of revenue, from current highs. The company is well-placed to deliver industry leading growth in FY26 led by its focus on AI and cloud-driven growth in BFSI, travel, and healthcare, robust order pipeline and supported by the Cigniti merger. We expect sales/PAT CAGR of ~27%/41% over FY25-27E. We maintain a Buy with unchanged PT of Rs. 2,100 (valued at 36x FY27E EPS). At CMP, the stock trades at 35.7/29.1x FY26/27E EPS.

Key Risks

Rupee appreciation and/or adverse cross-currency movements. Macro headwinds, and recession in the US can moderate the pace of technology spends.

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E
Revenue	9138.9	12051	16497	19552
OPM (%)	16.5	16.6	17.0	17.4
Adjusted PAT	803.7	997	1607	1973
% YoY growth	15.8	24.1	61.2	22.8
Adjusted EPS (Rs.)	25.9	29.6	47.3	58.1
P/E (x)	65.3	57.1	35.7	29.1
P/B (x)	15.5	8.8	7.6	6.5
EV/EBIDTA (x)	37.7	28.3	19.4	15.8
RoNW (%)	24.0	19.9	23.3	24.5
RoCE (%)	27.2	20.6	20.1	23.0

Source: Company; Mirae Asset Sharekhan estimates

Key highlights

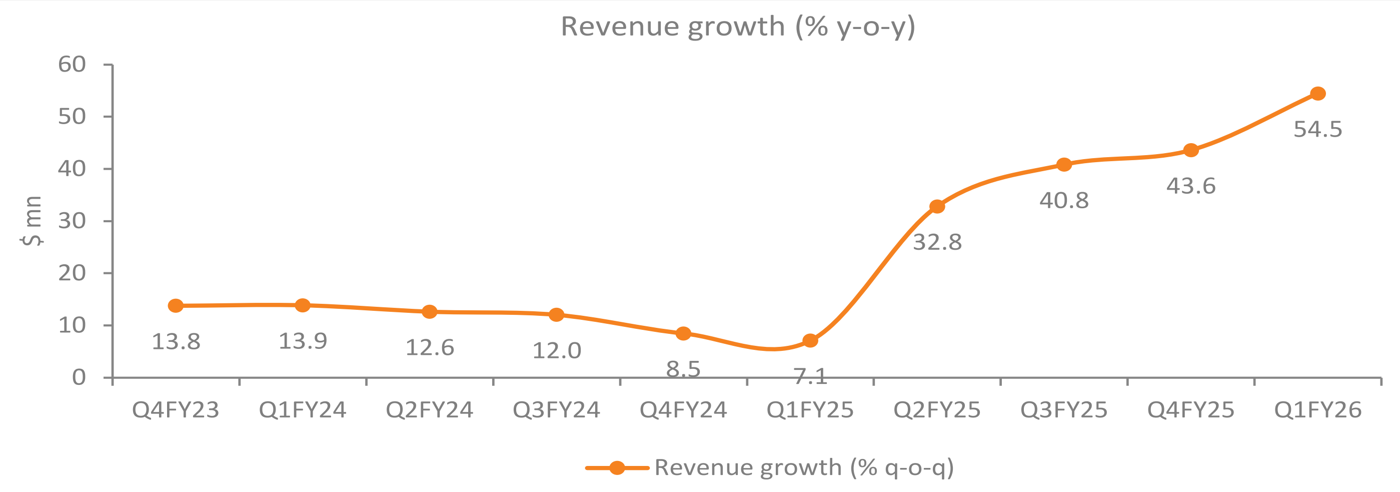
- **Revenue growth:** Coforge reported revenue of $442.4 million, up 8% q-o-q in CC terms, beating our estimates of 6.3% q-o-q growth in CC aided by ramp up of large Sabre deal and other deal wins. Organic revenues grew 5.9% sequentially in CC. Revenue in rupee terms stood at Rs. 3688.6 crore, up 8.2% q-o-q/53.6% y-o-y.
- **EBITDA margins:** They rose by 60 bps q-o-q to 17.5% despite various headwinds including higher amortisation costs, increased depreciation, increased subcontractor expenses and visa costs beating our estimate of 17.3%. Net profit stood at Rs 317.4crore, up 21.5% q-o-q/ 138.4% y-o-y.
- **Strong deal wins and robust deal pipeline:** The company reported fresh order intake of $507 billion, up 61% y-o-y. Order book executable for next 12 months stood at $1,545 million, up 2.7% q-o-q/47% y-o-y. The company signed five large deals.
- **Verticals:** TTH, government, insurance and others grew 31.5%/ 5.3%/1.2% and 5.3% q-o-q respectively while BFS declined 1.2% q-o-q, respectively, in US Dollar terms.
- **Geography:** Americas, EMEA and RoW grew 13.7%/1.5% and 12.6%, respectively.
- **Attrition and utilisation:** Net employee additions rose 1,164 q-o-q taking the total headcount to 34,187. LTM attrition inched up 40 bps q-o-q to 11.3%. Utilisation (including trainees) improved 10 bps q-o-q to 82.1%
- **Client metrics:** The number of clients in the above $10 million, $ 5-10 million category and $1-5 million increased by 4,3 and 7 respectively. Revenue from Top 5 and Top 10 client improved 24% and 15% q-o-q, respectively.

Results (Consolidated) Rs cr

Particulars	Q1FY26	Q1FY25	Q4FY25	% YoY	% QoQ
Revenues ($ mn)	**442.4**	**291.4**	**403.5**	**51.8**	**9.6**
Revenues in INR	**3,688.6**	**2,400.8**	**3,409.9**	**53.6**	**8.2**
Direct expenses	2,432.7	1,609.7	1,995.8	51.1	21.9
Gross Profit	**1,255.9**	**791.1**	**1,414.1**	**58.8**	**-11.2**
Selling / G&A	552.5	362.5	1,352.5	52.4	-59.1
Acquisition related expenses & costs of ESOPs	59.3	19.9	61.6	198.0	-3.7
EBITDA	**644.1**	**408.7**	**574.8**	**57.6**	**12.1**
Depreciation	110.4	81.5	125.4	35.5	-12.0
EBIT	**484.9**	**327.2**	**449.4**	**48.2**	**7.9**
Other income	(44.8)	(27.2)	(30.0)	64.7	49.3
PBT	**365.2**	**204.7**	**393.3**	**78.4**	**-7.1**
Tax provision	79.2	65.4	87.4	21.1	-9.4
Net profit	317.2	133.2	261.2	138.1	21.4
Adjusted PAT	**392.1**	**228.5**	**287.3**	**71.6**	**36.5**
EPS (Rs)	9.3	4.2	7.8	123.5	20.3
Margin (%)					
EBITDA	**17.5**	**17.0**	**16.9**	**44**	**61**
EBIT	13.1	13.6	13.2	-48	-3
NPM	10.6	9.5	8.4	111	220

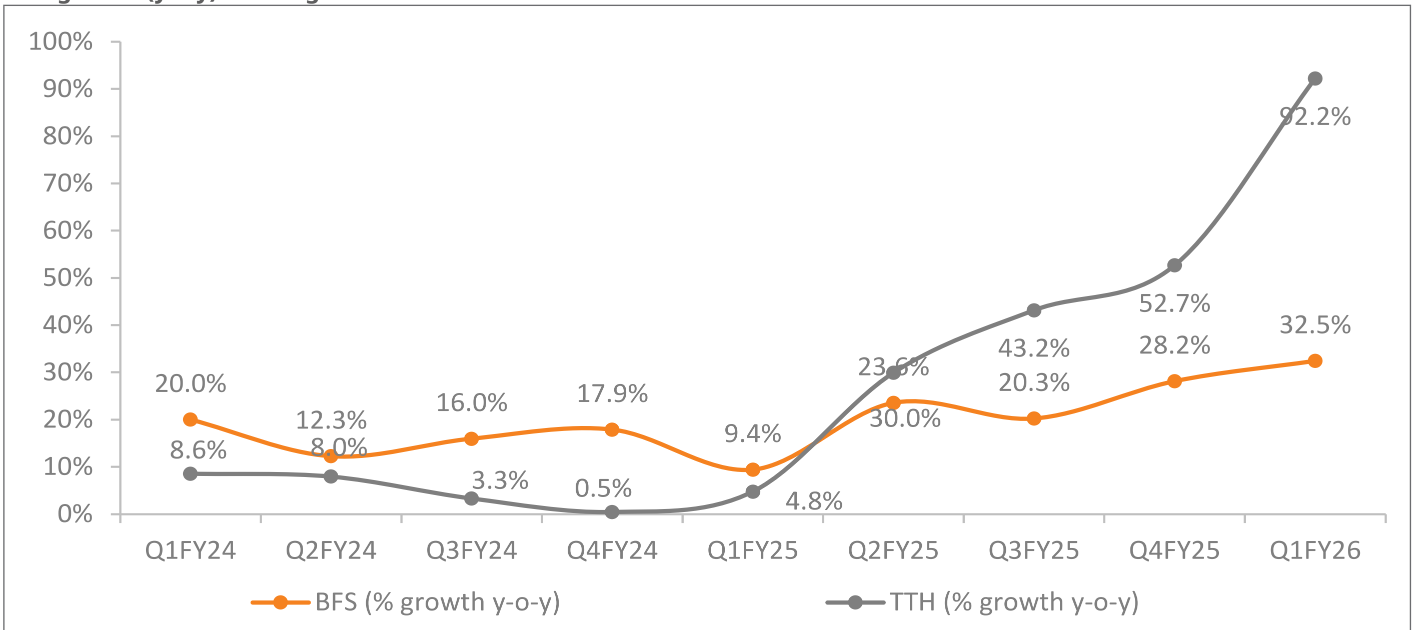
Source: Company; Mirae Asset Sharekhan Research

Revenue growth (% q-o-q) trend



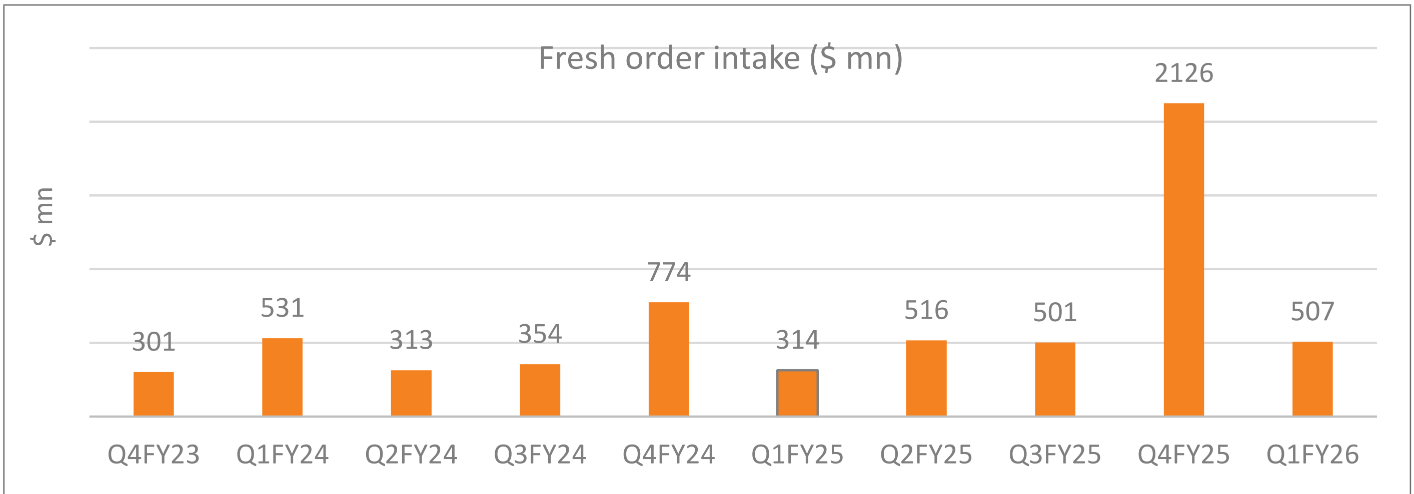
Source: Company; Mirae Asset Sharekhan Research

BFS growth (y-o-y) Vs TTH growth trend



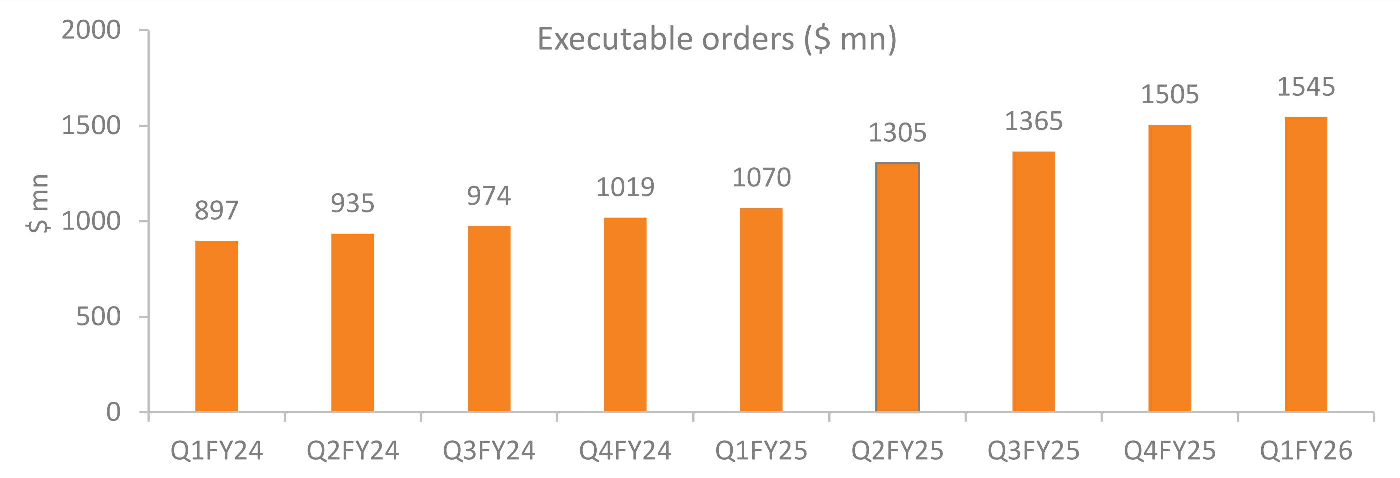
Source: Company; Mirae Asset Sharekhan Research

Fresh order book trend



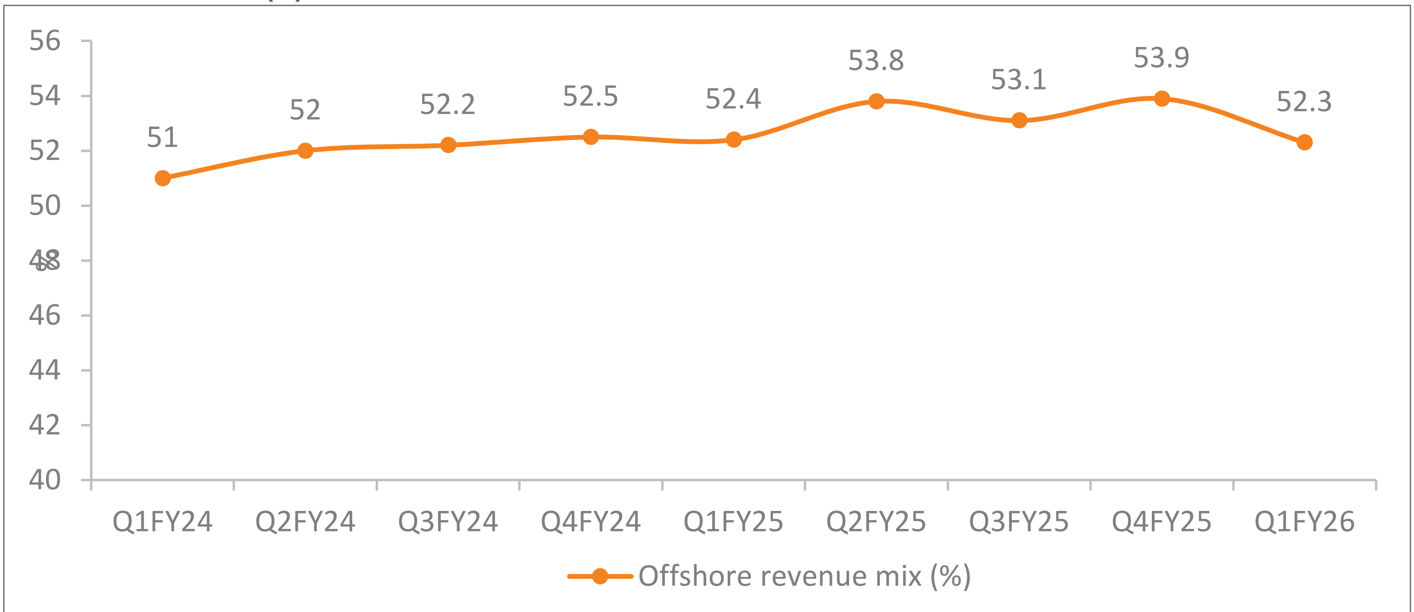
Source: Company; Mirae Asset Sharekhan Research

Executable orders to be executed over next 12 months trend



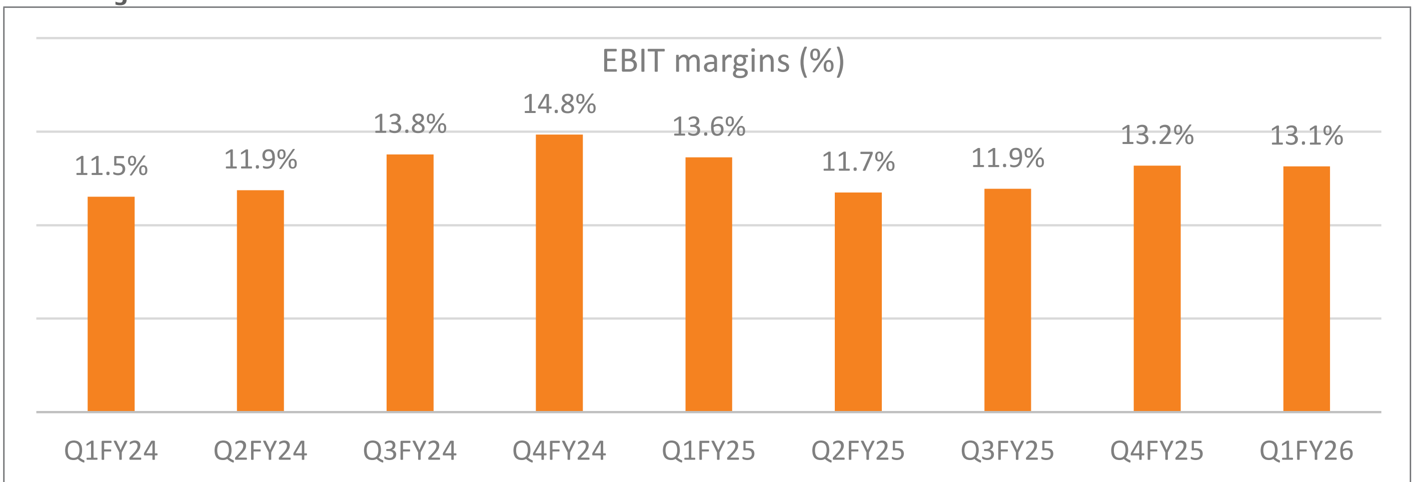
Source: Company; Mirae Asset Sharekhan Research

Offshore revenue mix (%) trend



Source: Company; Mirae Asset Sharekhan Research

EBIT margin trend



Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ **Sector Outlook – Robust deal pipeline, cost optimisation, and technology modernisation opportunities to aid growth**

The Indian IT sector is poised for modest growth in FY2026, driven by stabilisation in key markets like the US and Europe, alongside increasing demand for AI, Cloud, and digital transformation services. Despite near-term challenges such as macroeconomic uncertainty, discretionary spending delays and geopolitical volatility, the sector is expected to benefit from a robust deal pipeline and a shift toward cost optimisation and technology modernisation.

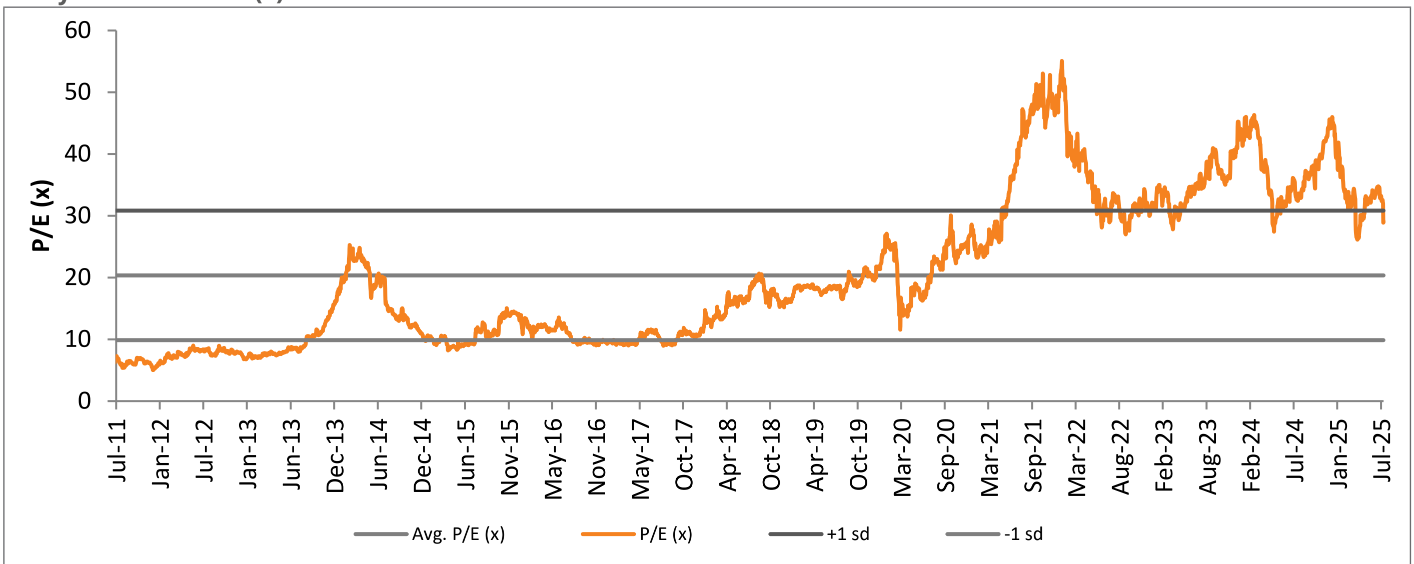
■ **Company Outlook – Well-prepared for next leg of growth**

Coforge has successfully transformed and re-organised itself into one of the fastest-growing mid-sized IT services provider under a revamped management in the past few years. Strong leadership, deep domain capability in select verticals, improved capability and marquee client base would help the company to sustain growth momentum. Further, the strategic focus on diversifying business into emerging verticals, improvement in client metrics, strong executable orders and sharp recovery in travel segment would further aid growth. Strong growth, a better digital mix and operating efficiencies should drive margin expansion in the next two years.

■ **Valuation – Maintain Buy with unchanged PT of Rs. 2,100**

Coforge delivered another strong quarter, beating estimates. The executable order book for the next 12 months, up 47%, offers revenue visibility. FCF was negative, largely due to elevated capex related to AI data center investments. However, the company expects capex to return to normal levels of 2-3% of revenue, from current highs. The company is well-placed to deliver industry leading growth in FY26 led by its focus on AI and cloud-driven growth in BFSI, travel, and healthcare, robust order pipeline and supported by the Cigniti merger. We expect sales/PAT CAGR of ~27%/41% over FY25-27E. We maintain a Buy with unchanged PT of Rs. 2,100 (valued at 36x FY27E EPS). At CMP, the stock trades at 35.7/29.1x FY26/27E EPS.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

Established in 1981, Coforge is one of the leading mid-sized Indian IT services company, engaged in providing services in cloud, managed services, data & analytics, automation, application development & maintenance and Business Process Management. The company focuses on three key industries such as insurance, travel, transportation & hospitality and BFS. The company has started focusing on other industries such as manufacturing, healthcare, hi-tech, public sector to capture the opportunity. Digital technologies revenue, including product engineering, intelligent automation, data, integration and cloud, stood around 71% of total revenue. Coforge has over 22,000 professionals serving customers in North America, Europe, Asia and Australia.

Investment theme

Coforge's deep-domain expertise in select industry verticals and sub-verticals with heavy investments on technology, proprietary products and resources position it to participate in customers' transformation journey. Further, the company has reinvested its excess profitability in enhancing the technical capabilities by adding management/sales bandwidth. The company has also started scaling up the sub-segments such as healthcare within other verticals to drive its growth. We believe the company's differentiated positioning in select verticals, strong leadership, robust executable orders and mining of strategic accounts would position the company to deliver strong revenue growth going ahead.

Key Risks

- Rupee appreciation and/or adverse cross-currency movements
- Macro headwinds and possible recession in the US can moderate the pace of technology spends.

Additional Data

Key management personnel

Name	Designation
Sudhir Singh	Chief Executive Officer & ED
Saurabh Goel	Chief Financial Officer
John Speight	Chief Customer Success Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Motilal Oswal Asset Management Co	9.37
2	Goldman Sachs Group Inc/The	8.25
3	HDFC Asset Management Co Ltd	5.45
4	Life Insurance Corp of India	5.27
5	DSP Investment Managers Pvt Ltd	4.12
6	Vanguard Group Inc/The	3.88
7	Capital Group Cos Inc/The	3.65
8	UTI Asset Management Co Ltd	3.07
9	GOVERNMENT PENSION FUND - GLOBAL	2.88
10	HDFC Life Insurance Co Ltd	2.22

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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