

CMP: ₹ 1,874

Target: ₹ 2,230 (19%)

Target Period: 12 months

December 9, 2025

BUY

Engineered for outperformance...

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%.

Investment Rationale:

- Hyper-specialisation + Large-deal engine driving growth:** We attended Coforge's Investor Day 2025, wherein the management highlighted Coforge's proactive, non-RFP (request for proposal) large-deal strategy and deep domain specialisation across BFS, Insurance, Travel and Healthcare which position it for sustained industry-leading growth into FY28E. **Coforge closed 6 large deals in H1FY25 and is targeting 20 by year-end, with cloud and AI embedded in two-thirds of wins.** Travel is set for a "deep acceleration" in the next 12 months, while Healthcare/Lifesciences emerges as the next scalable growth wave as it grows beyond ARR of US\$100 mn, with focus on the payers and medtech space and probabilistic opportunities seen in lifesciences and provider segments. **We expect US\$ revenue to grow at CAGR of 17.4% over FY25-28E.**
- Strong margin visibility and cash generation:** Management reiterated the 14% EBIT trajectory (with no further one-offs hitting the P&L going ahead) and expects ≥70% quarterly FCF/PAT consistently, supporting stable reinvestment. With no plans for new geographies or service lines over the next 3-5 years, focus remains on execution excellence, deal shaping and disciplined capital deployment. **Accordingly, we bake in EBIT margins of 13.5%/13.7%/14.2% in FY26E/FY27E/FY28E respectively.**
- AI-led differentiation strengthening competitive moat:** AI execution is now a core driver of velocity and wallet share expansion. Platforms like **Quasar, ForgeX and TrustAI** are compressing delivery timelines and enabling Coforge to win complex legacy-modernisation mandates such as the US\$1.56 bn Sabre mega deal in the TTH vertical. Moreover, testing (Cigniti), contrary to market fears, remains a high-growth segment, aided by 80%+ automation through **Blueswan**. This AI-first engineering stack enhances win-rates, boosts account mining and supports Coforge's premium pricing and growth resilience.

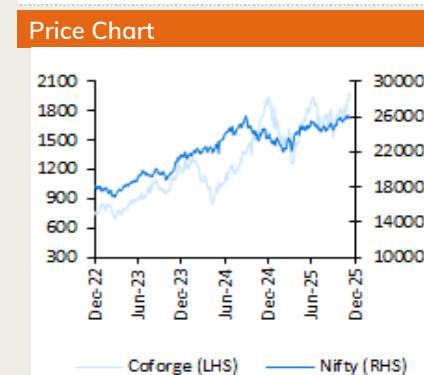
Rating and Target Price

- We continue to believe that the company's diversified business mix and strong execution engine position it well to sustain above-industry growth levels, even amid macro uncertainties.
- We maintain **BUY** rating on Coforge with revised target price of ₹2,230 (vs ₹2,110 earlier) as we roll over to FY28E; valuing it at 35x on FY28E EPS.



Particulars	
Particular	Amount
Market Capitalisation (₹ Crore)	62,807
Total Debt (₹ Crore)	6.7
Cash & Investment (₹ Crore)	1,028.9
EV (₹ Crore)	61,784
52 week H/L	2005/ 1194
Equity capital	66.9
Face value	2.0

Shareholding pattern				
	Dec-24	Mar-25	Jun-25	Sep-25
Promoters	-	-	-	-
FII	43	40	37	34
DII	48	50	52	55
Other	10	10	10	11



Key risks

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

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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	16,017	18,553	20,912	20.2%
EBITDA	1,405	1,505	1,998	NC	2,841	3,247	3,743	23.3%
EBITDA Margins (%)	17.5	16.4	16.6		17.7	17.5	17.9	
Net Profit	694	808	839	NC	1,501	1,883	2,212	38.1%
Diluted EPS (₹)	20.7	130.8	127.2		43.3	54.3	63.8	
P/E	90.3	71.5	73.5		43.2	34.5	29.3	
RoNW (%)	22.5	22.3	13.2		20.8	22.8	23.4	
RoCE (%)	27.9	23.6	15.4		19.8	21.6	22.8	

Source: Company, ICICI Direct Research; Note: FY25 numbers are excluding AdvantageGo divestment and thus not comparable (NC)

Key Investor Day highlights

- Management remains highly confident about FY26 demand, calling out a “deep acceleration” in Travel and strong momentum in Healthcare/Lifesciences. 95% repeat business; client budgets viewed as “elastic” tied to value delivered. Growth engine anchored in hyper-specialisation across BFS, Insurance, Travel and increasing focus on Healthcare and UK public sector.
- Margin and outlook:** 14% EBIT margin trajectory reiterated with no further one-offs. Further, formal guidance for both revenue and margins to stop from FY27, but execution framework remains unchanged. Notably, no new geographies, industries or service lines planned for the next 3–5 years as focus remains on scaling existing pillars.
- BFS vertical:** The focus has shifted to geos outside of North America such as EMEA and APAC. Moreover, non-discretionary spends areas such as payments, financial crime and compliance, regulatory change management and asset servicing within BFS are being targeted to maintain strong growth amid weak macro.
- Travel vertical:** Strong pipeline for accelerated growth in the next 12 months; US\$15bn opportunity in modern airline retailing via Aeronova.ai solution
- Healthcare & Lifesciences:** Highlighted as the next major growth wave with focus on the payers and medtech space and probabilistic opportunities in lifesciences and provider segments.
- FCF/PAT:** FCF/PAT $\geq 70\%$ expected each quarter; strong cash generation remains intact.
- Inorganic expansion:** Cigniti acquisition (\$219mn) to close in 4–6 weeks; future acquisitions will remain contrarian and be scaled, EPS-accretive (from year 1), and focused on client access and scaling rather than capability addition.
- Large deals:** Closed 6 large deals in H1; targeting 20 by FY25-end, with proactive deal shaping (non-RFP).
- AI platforms** – Quasar, ForgeX, TrustAI now embedded across delivery; accelerating timelines and enabling large modernization deals.
- Testing market** expanding to US\$132bn by 2032 from US\$ 57bn in 2025; Coforge gaining share with 80%+ automation via Blueswan. Overall quality engineering (QE) and testing market remains in good shape.
- Cloud and AI** present in two-thirds of large deals; **hyperscaler partnerships** contribute ~\$550mn annually with triple-digit YoY growth (i.e., 100%+ YoY growth).

Exhibit 1: Change in Estimates

₹ crore)	FY26E			FY27E			FY28E	
	Old	New	% Change	Old	New	% Change	Introduced	
Revenue (USD mn)	1,863	1,863	0.0	2,096	2,096	0.0	2,337	
Revenue	16,017	16,017	0.0	18,448	18,553	0.6	20,912	
EBIT	2,176	2,159	-0.8	2,583	2,542	-1.6	2,970	
EBIT Margin (%)	13.6	13.5	-12 bps	14.0	13.7	-30 bps	14.2	
PAT	1,514	1,501	-0.8	1,922	1,883	-2.0	2,212	
EPS	43.6	43.3	-0.8	55.4	54.3	-2.0	63.8	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore FY28E
Total op. Income	12,051	16,017	18,553	20,912
Growth (%)	31.3	32.9	15.8	12.7
COGS (employee expenses)	8,002	10,551	12,245	13,760
S,G&A expenses	2,051	2,625	3,061	3,409
Total Operating Expenditure	10,053	13,177	15,306	17,169
EBITDA	1,998	2,841	3,247	3,743
Growth (%)	32.8	42.2	14.3	15.3
Depreciation	428	682	705	774
Other Income (net)	(108)	(93)	(60)	(60)
PBT	1,463	2,066	2,482	2,910
Total Tax	333	458	571	669
Adjusted PAT	839	1,501	1,883	2,212
Growth (%)	4	79	25	17
Adjusted EPS (₹)	127.2	43.3	54.3	63.8
Growth (%)	(2.8)	(66.0)	25.4	17.5

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore FY28E
Profit before Tax	1,463	2,066	2,482	2,910
Add: Depreciation	428	682	705	774
(Inc)/dec in Current Assets	(1,182)	(706)	(657)	(607)
Inc/(dec) in CL and Provisions	841	281	485	451
Taxes paid	(396)	(458)	(571)	(669)
CF from op.activities	1,237	1,865	2,443	2,858
(Inc)/dec in Investments	-	-	-	-
(Inc)/dec in Fixed Assets	(614)	(481)	(519)	(523)
Others	71	(93)	(60)	(60)
CF from inv. activities	(2,448)	(574)	(579)	(583)
Issue/(Buy back) of Equity	2,202	-	-	-
Inc/(dec) in loan funds	(87)	-	-	-
Dividend paid & dividend tax	(510)	(676)	(847)	(996)
CF from fin. activities	1,675	(676)	(847)	(996)
Net Cash flow	464	616	1,016	1,279
Exchange difference	10	-	-	-
Opening Cash	321	883	1,499	2,516
Closing Cash	796	1,499	2,516	3,795

Source: Company, ICICI Direct Research

Exhibit 4: Balance Sheet				
(Year-end March)	FY25	FY26E	FY27E	₹ crore FY28E
Liabilities				
Equity Capital	67	69	69	69
Reserve and Surplus	6,312	7,140	8,176	9,393
Total Shareholders funds	6,379	7,210	8,245	9,462
Total Debt	7	7	7	7
Provisions	174	174	174	174
Minority Interest / Other NCL	2,932	3,035	3,063	3,091
Total Liabilities	9,492	10,425	11,489	12,734
Assets				
Net Block	2,253	2,052	1,867	1,616
Capital WIP	2	2	2	2
Total Fixed Assets	2,256	2,055	1,869	1,618
Goodwill	3,843	3,843	3,843	3,843
Deferred tax assets	329	329	329	329
Debtors	2,577	3,605	4,176	4,707
Other Current Assets	1,156	926	1,073	1,209
Cash	883	1,499	2,516	3,795
Current Investments	146	146	146	146
Total Current Assets	4,762	6,176	7,910	9,857
Trade payables	988	1,611	1,866	2,104
Other current liabilities	1,721	1,366	1,582	1,784
Short term provisions	71	83	97	109
Total Current Liabilities	2,780	3,061	3,545	3,996
Net Current Assets	1,982	3,116	4,365	5,860
Application of Funds	9,492	10,425	11,489	12,734

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (₹)				
Adjusted EPS (Diluted)	24.2	43.3	54.3	63.8
DPS	57	19	24	29
Cash per Share	26.8	43.2	72.5	109.4
BV per share (Diluted)	183.9	207.8	237.7	272.7
Operating Ratios (%)				
EBITDA Margin	16.6	17.7	17.5	17.9
PBT Margin	12.1	12.9	13.4	13.9
PAT Margin	7.0	9.4	10.1	10.6
Debtor days	78	82	82	82
Creditor days	30	37	37	37
Return Ratios (%)				
RoE	13.2	20.8	22.8	23.4
RoCE	15.4	19.8	21.6	22.8
RoIC	18.6	24.6	28.8	33.8
Valuation Ratios (x)				
P/E (Adjusted)	73.7	43.3	34.5	29.4
EV / EBITDA	30.9	21.5	18.5	15.7
EV / Net Sales	5.1	3.8	3.2	2.8
Market Cap / Sales	5.2	3.9	3.4	3.0
Price to Book Value	9.7	9.0	7.9	6.9
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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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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