CMP: ₹ 1,285 | Target: ₹ 1,540 (20%) | Target Period: 12 months | BUY

May 7, 2026

Strong execution; FY27 outlook remains robust…

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.

Q4FY26 & FY26 Performance: Coforge reported revenue of US$489.1 mn, up 1.7% QoQ/ 21.2% YoY in US$ terms (+2% QoQ CC/ +28.7% YoY CC). EBITDA margin came at 20.6%, up ~232 bps QoQ while EBIT margin stood at 16.6%, up ~231 bps QoQ. Reported PAT (continuing business) stood at ₹612.3 crore, up 144.8% QoQ/135.7% YoY. For FY26, revenue stood at US$1.87 bn, up 29.1% YoY. EBITDA margins came at 18.6%, up ~430 bps YoY while EBIT margin stood at 14.4%, up ~370 bps YoY. PAT (continuing business) came at ₹1485.5 crore, up 76.9% YoY.

Investment Rationale

- **Healthy growth visibility backed by strong deal momentum:** Coforge continues to demonstrate industry-leading execution with FY26 revenue growth of 29.1% YoY and Q4 order intake remaining strong at US$648 mn (+9.3% QoQ), taking the 12m executable order book to a record US$1.75 bn (+16.4% YoY). **Management remains confident of sustaining robust growth in FY27, supported by additional large framework agreements, strong traction across travel, BFSI, healthcare & public sector, & accelerating wallet share gains in top accounts**. It expects Q1FY27 to remain flattish due to planned portfolio rationalization in India of a US$15-20 mn business, with growth accelerating from Q2. **We expect US$ revenue (on organic/reported basis) to grow at CAGR of 9.4%/26.3% over FY26-28E.**

- **Structural margin expansion driven by AI-led efficiencies:** Coforge delivered EBIT margin of 16.6% in Q4FY26, up ~231 bps QoQ, aided by SG&A leverage, lower third-party costs and AI-led operational efficiencies. Management indicated that the margin improvement is structural rather than cyclical, driven by automation across delivery and internal functions, portfolio optimization and operating leverage. **The company has guided for consolidated EBITDA margins of 20.5–21% and EBIT margins of ~15.5% in FY27, alongside FCF/PAT of ~100%,** indicating improving profitability quality and stronger cash generation capabilities. **We have baked in EBIT margins of 15.5% in FY27E and FY28E.**

- **AI + Encora integration strengthen medium-term positioning:** Management believes AI will expand the addressable opportunity for tech services through modernization, agentic AI deployment and managed services rather than create a deflationary threat. Coforge has already completed 150+ AI engagements and highlighted strong traction in AI-led engineering, modernization & orchestration services. Further, Encora is expected to become a key growth driver in the hi-tech vertical, while past acquisitions such as Cigniti have demonstrated strong cross-sell success and margin improvement (EBITDA improving from ~12% to ~19%), reinforcing confidence in the company's acquisition-led scaling strategy.

Rating and Target Price

- **We maintain BUY rating, at target price of ₹1,540; at 24x P/E on FY28E EPS.**

Key Financial Summary

Financials	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Net Sales	9,179	12,073	16,403	NC	24,865	27,579	29.7%
EBITDA	1,505	1,722	3,046	NC	5,097	5,571	35.2%
EBITDA Margins (%)	16.4	14.3	18.6		20.5	20.2	
Net Profit	808	840	1,485	NC	2,638	3,009	42.3%
Diluted EPS (₹)	130.8	24.6	45.9		56.3	64.2	
P/E	49.3	52.4	28.1		22.9	20.1	
RoNW (%)	22.3	13.2	15.6		9.4	10.1	
RoCE (%)	23.6	13.7	19.3		10.9	12.2	

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

Coforge

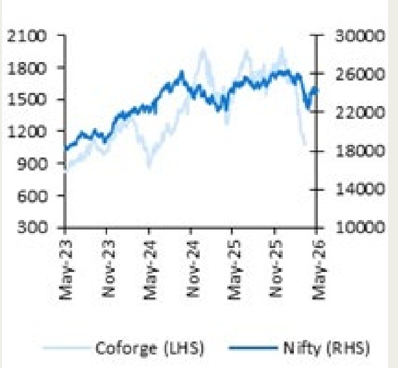
Particulars

Particular	Amount
Market Capitalisation (₹ Crore)	41,594
Total Debt (₹ Crore)	116.7
Cash & Investment (₹ Crore)	1,099.2
EV (₹ Crore)	40,612
52 week H/L	1994/ 1008
Equity capital	67.2
Face value	2.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoters	-	-	-	-
FII	37	34	35	23
DII	52	55	54	44
Other	10	11	12	32

Price Chart



Key risks

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

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Result Update

ICICI Securities – Retail Equity Research

Performance highlights and outlook

- **Revenue Performance:** Coforge in Q4FY26 reported revenue of US$489.1 mn, up 1.7% QoQ/ 21.2% YoY in US$ terms (+2% QoQ CC/ +28.7% YoY CC). In rupee terms revenue came at ₹4,450.4 crore, up 5.2% QoQ/ 30% YoY**.** For FY26, revenue stood at US$1.87 bn, up 29.1% YoY. In rupee terms revenue came at ₹16,402.7 crore, up 35.9%.
- **Geography performance**: Geography wise on a QoQ basis in US$ terms, all geos grew with Americas (56.7% of the mix), EMEA (28.3% of the mix) and RoW (15% of the mix) reporting growth of 5.3%, 1.8% and 0.9% respectively.
- **Segment performance**: Segment wise on a QoQ basis in US$ terms, the growth was led by Government (7.5% of the mix), Healthcare & Hi-tech (11.5% of the mix), TTH (23.4% of the mix), Insurance (14.8% of the mix) and BFSI (24.9% of the mix) which grew 24.3%, 15.5%, 7.4% 5% and 0.8% respectively while Others (17.9% of the mix) de-grew by 3.3%.
  - **BFSI and Insurance:** Weakness in this quarter is attributed to a single top-3 banking client that did not grow in FY26; this account has been transferred to President John Speight's personal stewardship, a new team installed, and AI used to transform the engagement; management expects a meaningful BFS growth recovery in FY27.
  - **TTH:** Impact to Travel and hospitality vertical due to ongoing middle East tensions was characterised as negligible ; Spirit Airlines' impact is expected to be small at ~10bps of FY27 revenues.
- **Margin performance**: EBITDA margin came at 20.6%, up ~232 bps QoQ while EBIT margin stood at 16.6%, up ~231 bps QoQ aided by tailwinds from SG&A leverage (+100 bps) Forex (+80 bps), direct cost reduction due to third party (+50 bps), lower marketing spends (+40 bps), lower ESOP cost (+20 bps) partially offset by headwinds from provision for doubtful debts (-60 bps). **The management clarified that even on the old reporting basis (hedges through revenue), EBIT margins in Q4 would have been 15.2%.** Reported PAT (continuing business) stood at ₹612.3 crore, up 144.8% QoQ/135.7% YoY, aided by one-off tax benefits due to Cigniti merger. For FY26, EBITDA margins came at 18.6%, up ~430 bps YoY while EBIT margin stood at 14.4%, up ~370 bps YoY. PAT (continuing business) came at ₹1485.5 crore, up 76.9% YoY.
- **Revenue & Margin Guidance: The company expects Q1FY27 to remain flattish QoQ due to the planned exit from a ~$15–20 mn low-margin portfolio in India, with growth expected to accelerate from Q2 onwards. The management also remained confident of sustaining industry-leading growth in FY27, supported by a robust $1.75bn executable order book, additional material framework agreements pipeline and improving traction across key verticals including BFSI and travel. It added that margins are likely to structurally step up, with EBIT margins (consolidated basis incl. Encora) at ~15.5% (including Encora amortisation of ~USD 40mn/year) and 16.5-17% (standalone), alongside FCF/PAT of ~100% FY27 onwards, reflecting benefits of automation, portfolio rationalization (exit from low-margin portfolio) and operating leverage.**
- **Deal pipeline:** In Q4FY26, the company reported an order book of US$648 mn (+9.3% QoQ) with 5 large deals, and its 12-month executable order book grew 2% QoQ/ 16.4% YoY to US$1.75 bn (excluding material framework agreements pipeline).
- **AI/GenAI:** Management outlined a six-pillar AI roadmap comprising: (i) strong vertical/domain-led expertise positioning applied AI ahead of generic AI models; (ii) deeper client engagement built on trust and contextual understanding; (iii) a reimagined delivery framework through AI ModSquads — blended teams of AI agents and senior specialists operating on outcome-based pricing, enabling 40–50% faster go-to-market; (iv) leaner delivery and AI-first operations for greater agility and scalability; (v) expansion of the OneAI platform with 100+ industry-specific solutions and

75+ horizontal capabilities backed by enterprise governance; and (vi) AI-powered workforce transformation, driving 25–35% productivity gains in development, 40–60% improvement in code generation, and up to 10x faster modernisation cycles. Management expects AI-led efficiencies to keep G&A costs broadly stable in absolute terms, making it a key structural margin lever for FY27. The company also dismissed concerns around AI-led pricing deflation, highlighting that while AI-generated code may be inexpensive to create, maintaining, securing, and operating it remains complex and creates a sticky managed-services opportunity.

- **Employee addition & Attrition:** The employees during Q4 increased by 436 to 35,777 while LTM attrition declined by ~10 bps QoQ to 10.8%.
- **Accounting changes:** With effect from FY26, realised gains/losses on cash-flow hedges are reclassified to other income (previously adjusted to revenue),

Exhibit 1: Quarter Performance

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments	FY26	FY25	YoY (%)
Revenue in USD	489.1	403.5	21.2	480.9	1.7	- Revenue in CC terms increased 2% QoQ. - The company expects Q1FY27 to remain flattish QoQ due to the planned exit from a ~$15–20 mn low-margin portfolio in India, with growth expected to accelerate from Q2 onwards. The management also remained confident of sustaining industry-leading growth in FY27.	1,870.0	1,448.0	29.1
Revenue in ₹	4,450.4	3,422.2	30.0	4,231.5	5.2		16,402.7	12,073.3	35.9
Employee expenses	2,919.5	2,248.4	29.8	2,809.7	3.9		10,858.6	8,004.6	35.7
Gross Margin	1,530.9	1,173.8	30.4	1,421.8	7.7		5,544.1	4,068.7	36.3
Gross margin (%)	34.4	34.3	10 bps	33.6	80 bps		33.8	33.7	10 bps
SG&A expenses	614.1	586.7	4.7	648.2	-5.3		2,502.9	2,346.9	6.6
EBITDA	916.8	587.1	56.2	773.6	18.5		3,041.2	1,721.8	76.6
EBITDA Margin (%)	20.6	17.2	344 bps	18.3	232 bps		18.5	14.3	428 bps
Depreciation & amortisation	180.0	125.4	43.5	170.8	5.4		681.9	427.6	59.5
EBIT	736.8	461.7	59.6	602.8	22.2		2,359.3	1,294.2	82.3
EBIT Margin (%)	16.6	13.5	306 bps	14.2	231 bps	Management guided that margins are likely to structurally step up, with EBIT margins (consolidated basis incl. Encora) at ~15.5% (including Encora amortisation of ~USD 40mn/year) and 16.5-17% (standalone).	14.4	10.7	366 bps
Other income (less interest)	-58.2	-26.2	122.1	-71.0	-18.0		-205.8	1.9	-10,931.6
Exceptional items	53.6	42.2	27.0	147.6	-63.7		226.0	0.0	NA
PBT	625.0	435.5	43.5	384.2	62.7		1,927.5	1,296.1	48.7
Tax paid	-41.2	87.4	-147.1	87.5	-147.1		258.3	332.6	-22.3
PAT	612.3	259.8	135.7	250.2	144.7		1,485.4	839.5	76.9

Source: Company, ICICI Direct Research;

Exhibit 2: Change in estimates

	FY27E			FY28E		
(₹ crore)	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	2,104	2,688	27.8	2314	2,981	28.9
Revenue	18,831	24,865	32.0	20824	27,579	32.4
EBIT	2,580	3,854	49.4	2936	4,275	45.6
EBIT Margin (%)	13.7	15.5	180 bps	14.1	15.5	140 bps
PAT	1,834	2,638	43.9	2112	3,009	42.5
EPS	52.8	56.3	6.8	60.8	64.2	5.7

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Total op. Income	**16,403**	**24,865**	**27,579**
Growth (%)	35.9	51.6	10.9
COGS (employee expenses)	10,859	16,286	18,009
S,G&A expenses	2,503	3,481	3,999
Total Operating Expenditure	13,361	19,767	22,008
EBITDA	**3,046**	**5,097**	**5,571**
Growth (%)	76.9	67.3	9.3
Depreciation	682	1,243	1,296
Other Income (net)	(206)	(280)	(200)
PBT	2,159	3,574	4,075
Total Tax	258	900	1,026
Adjusted PAT	1,485	2,638	3,009
Growth (%)	77	78	14
Adjusted EPS (₹)	45.9	56.3	64.2
Growth (%)	86.6	22.7	14.0

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Profit before Tax	2,159	3,574	4,075
Add: Depreciation	682	1,243	1,296
(Inc)/dec in Current Assets	(1,418)	(3,200)	405
Inc/(dec) in CL and Provisions	567	956	505
Taxes paid	(439)	(900)	(1,026)
CF from op.activities	**1,792**	**(15,326)**	**5,255**
(Inc)/dec in Investments	-	-	-
(Inc)/dec in Fixed Assets	(743)	(696)	(689)
Others	26	(280)	(200)
CF from inv. activities	**(435)**	**(976)**	**(889)**
Issue/(Buy back) of Equity	0	17,027	-
Inc/(dec) in loan funds	(105)	-	-
Dividend paid & dividend tax	(543)	(1,187)	(1,354)
CF from fin. activities	**(1,094)**	**18,839**	**(2,471)**
Net Cash flow	263	2,537	1,895
Exchange difference	35	-	-
Opening Cash	796	1,099	3,636
Closing Cash	**1,099**	**3,636**	**5,531**

Source: Company, ICICI Direct Research

Exhibit 3: Balance Sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Liabilities			
Equity Capital	67	94	94
Reserve and Surplus	9,470	27,922	29,577
Total Shareholders funds	9,538	28,015	29,670
Total Debt	117	3,117	2,000
Provisions	319	319	319
Minority Interest / Other NCL	1,204	1,240	1,280
Total Liabilities	**11,177**	**32,690**	**33,269**
Assets			
Net Block	2,592	2,045	1,439
Capital WIP	3	3	3
Total Fixed Assets	2,596	2,049	1,442
Goodwill	4,167	21,167	21,167
Deferred tax assets	652	652	652
Debtors	3,970	6,018	6,675
Other Current Assets	837	2,268	1,407
Cash	1,099	3,636	5,531
Current Investments	-	-	-
Total Current Assets	**5,906**	**11,922**	**13,612**
Trade payables	1,775	1,989	2,206
Other current liabities	1,795	2,486	2,758
Short term provisions	99	150	166
Total Current Liabilities	3,669	4,625	5,130
Net Current Assets	2,236	7,297	8,483
Application of Funds	**11,177**	**32,690**	**33,269**

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Adjusted EPS (Diluted)	45.9	56.3	64.2
DPS	21	25	29
Cash per Share	34.0	77.6	118.0
BV per share (Diluted)	294.7	598.0	633.3
Operating Ratios (%)			
EBITDA Margin	18.6	20.5	20.2
PBT Margin	13.2	14.4	14.8
PAT Margin	9.1	10.6	10.9
Debtor days	88	88	88
Creditor days	40	29	29
Return Ratios (%)			
RoE	15.6	9.4	10.1
RoCE	19.3	10.9	12.2
RoIC	23.5	13.3	15.4
Valuation Ratios (x)			
P/E (Adjusted)	28.1	22.9	20.1
EV / EBITDA	13.4	8.1	6.9
EV / Net Sales	2.5	1.7	1.4
Market Cap / Sales	2.5	1.7	1.5
Price to Book Value	4.4	2.2	2.0
Solvency Ratios			
Debt/EBITDA	0.0	0.6	0.4
Debt / Equity	0.0	0.1	0.1
Current Ratio	1.3	1.8	1.6
Quick Ratio	1.3	1.8	1.6

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: <-15%

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