

Misplaced concerns?

Coforge's 1Q revenues exceeded our elevated expectations. Revenues grew 8% cc QoQ (Organic: 5.9%), ahead of JMFe: 7.4%. Non-GAAP EBIT margins were flat at 13.2% (JMFe: 13.5%), as company absorbed Sabre's transition cost and higher D&A expenses. This was however overshadowed – as evident from stock's sharp reaction – by concerns around few elements of financial statements. Our discussion with the management on these specific concerns indicates that many of these are borne out of misunderstanding and hence misplaced. For example, higher third party cost (10.5% of revenues) refers to subcontracting expense and not pass-through cost. That should alleviate worries around quality of revenues. Second, c.USD 30mn of the cash inflow associated with AI-DC deal is masked by weaker operational cash flow – due to seasonality and delays in collections – which should normalise. In fact, upfront cash flow in DC is due to Coforge's prudent deal construct and limits credit risk on DC investment. Finally, one-time bonus was given in-lieu of the windfall gains from AdGo stake sale and hence both should be adjusted together. After all, Coforge's adjusted EPS (INR 9) was lower than the reported one (INR 9.5). That said, we do believe that ideal financial statements are ones which needs no explaining. We however draw comfort from Coforge's improved disclosures. Better FCF will help too. Besides, at c.1x PEG, valuations have already priced in these concerns, limiting downside, in our view. **BUY with INR 2,200 TP.**

- **1QFY26 – beats expectations:** Revenues grew 8% cc QoQ (5.9% cc QoQ organic growth) vs JMFe: 7.4%. Growth was led by Travel (+31.2% QoQ), driven by the Sabre deal ramp-up, Govt. outside India (+6.8%) and other emerging verticals (+12.8% QoQ). BFS segment, however, marginally declined (-1.1%) after a strong 4Q (+13% QoQ). Large deal ramps and GCC deals are likely infusing some lumpiness across verticals, in our view. Non-GAAP EBIT margin were flat QoQ to 13.2%, missing JMFe: 13.5%. OCF/non-GAAP EBITDA was 57%, a sharp decline from 109% in Q4, with the management stating 65-70% aspiration once the Sabre deal stabilizes.
- **Deal wins, order book and outlook:** Coforge won USD 0.5bn of TCV, taking LTM TCV to USD 3.6bn (book-to-bill: 2x). Coforge signed five large deals, including contracts in app modernization, GCC buildouts, and infra transformation. 12-M EOB increased 3% QoQ (46.9% YoY) to USD 1.55bn (0.96x LTM revenues). Besides, management is confident of converting at least 20 large deals in FY26 (vs. 14 in FY25). H2 is expected to be stronger than H1, driven by ramp-ups and deal closures. Capex is expected to taper from Q2 onwards, reverting to ~2-3% of revenue, with no additional data centre projects planned. Management also indicated that EBIT margins could improve from 13.2% to 14% by FY26-end, aided by operating leverage, lower ESOP cost from Q3 (expected to be partially offset by wage hikes in Q3).
- **EPS up by 1-5% Retain BUY:** Our FY26-28E cc revenue growth is largely unchanged. We however raise our FY26-28E EBIT margin estimates by 10-50bps on positive outlook. Our FY26E EBIT margins (13.7%) however is still below management guidance of 14%, hence achievable. At 30% EPS CAGR, stock trades at 32x FY27E EPS (1x PEG). **BUY.**

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	92,060	1,21,702	1,60,307	1,83,969	2,11,477
Sales Growth (%)	14.5	32.2	31.7	14.8	15.0
EBITDA	15,343	20,014	29,037	34,218	39,796
EBITDA Margin (%)	16.7	16.4	18.1	18.6	18.8
Adjusted Net Profit	8,602	9,242	13,495	18,451	21,722
Diluted EPS (INR)	26.3	27.4	40.0	52.2	61.4
Diluted EPS Growth (%)	-4.7	4.3	46.1	30.3	17.7
ROIC (%)	29.3	19.6	18.7	20.1	22.1
ROE (%)	25.6	18.5	19.9	23.8	24.3
P/E (x)	63.8	61.2	41.9	32.1	27.3
P/B (x)	14.2	8.8	7.8	7.1	6.1
EV/EBITDA (x)	36.5	28.9	20.0	16.9	14.4
Dividend Yield (%)	3.6	4.6	1.1	1.3	1.5

Source: Company data, JM Financial. Note: Valuations as of 24/Jul/2025

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,200
Upside/(Downside)	31.3%
Previous Price Target	2,150
Change	2.3%

Key Data – COFORGE IN

Current Market Price	INR1,676
Market cap (bn)	INR560.7/US\$6.5
Free Float	92%
Shares in issue (mn)	333.5
Diluted share (mn)	337.2
3-mon avg daily val (mn)	INR3,973.2/US\$46.0
52-week range	2,005/1,120
Sensex/Nifty	82,184/25,062
INR/US\$	86.4

Price Performance

%	1M	6M	12M
Absolute	-10.0	-9.3	32.3
Relative*	-9.4	-15.9	28.8

* To the BSE Sensex

JM Financial Research is also available on:
Bloomberg - JMFR <GO>,
Thomson Publisher & Reuters,
S&P Capital IQ, FactSet and Visible Alpha

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Key Highlights from the call

- **Demand:** Coforge reported 8% cc QoQ growth in Q1 FY26, with broad-based performance across key verticals. Growth was led by the Travel vertical, driven by continued ramp-up of the Sabre deal, followed by Emerging Verticals (Healthcare, Retail, and Hi-tech) and Government (outside India). Management noted healthy demand across commercial banking, lending, wealth management, and risk & compliance, with large enterprise clients prioritizing digital transformation, intelligent automation, cloud-native modernization, and AI-led cost efficiency. Leadership highlighted that large deal activity remains centered around modernization mandates, platform transformation, and enterprise-scale AI deployments. They also noted that top 5 and top 10 clients grew 25.1% and 15.7% QoQ, reflecting continued traction in strategic accounts.
- **Growth drivers:** Management outlined three core levers driving Coforge's consistent outperformance – execution intensity, hyperspecialisation in key verticals, and deep engineering capabilities. They highlighted that execution remains a cultural cornerstone, with the firm tracking weekly submissions of proactive large deal proposals and demonstrating relentless follow-through on strategic bets. The second lever, hyperspecialisation, enables Coforge to deliver industry-specific value across BFSI, travel, and insurance, particularly as clients increasingly shift budgets from “run” to “grow” initiatives in the AI era. Finally, the company's noted that their strong engineering DNA powers its differentiated delivery – evident in platforms like Forge-X and domain-led AI deployments – which enable faster modernization, automation, and real-world scale-out of enterprise transformation programs.
- **Outlook:** Management remains confident of delivering another strong year in FY26. Leadership expects deal conversion to accelerate through H2, translating into stronger revenue momentum. Growth is expected to be broad-based, with BFSI and travel continuing to see strong demand. The firm reiterated highly positive near-term and medium-term outlook, supported by differentiated industry specialization and continued investment in AI delivery assets.
- **Margins:** Q1 FY26 EBIT margin stood at 13.2%, flat QoQ, despite ramp-up costs linked to the firm's largest-ever deal, higher amortization from recent acquisitions, increased depreciation related to the AI-powered data centre deal, elevated subcontractor expenses, and seasonal visa costs. Management reiterated its FY26 margin aspiration of 14%, with margin expansion expected from Q2 onwards as operating leverage kicks in and ramp-related costs taper. Management noted an anticipated headwind for Q3 from wage hikes, which is expected to be offset by lower ESOP costs.
- **Bookings:** Leadership reported that Q1FY26 was a strong quarter for Coforge in terms of order intake and deal closures. The company highlighted total order intake of USD 507mn, including 5 large deal wins spread across North America, the Middle East, and Asia. They noted that these included AI-led app modernization, Pega Cloud transformation, Microsoft-based workplace modernization, GCC buildouts, and infrastructure scaling. The company mentioned that the executable order book rose to a record USD 1.55bn, up 46.9% YoY, underscoring continued strength in proactive deal pursuits. Management highlighted increasing velocity and median size of large deals, with the firm targeting closure of at least 20 large deals in FY26, up from 14 in the prior year.
- **Segments:** Growth in Q1FY26 was led by the **Travel** vertical, which posted a strong 31.2% QoQ increase driven by continued ramp-up of the Sabre deal (deal will continue to ramp up in Q2, with stabilization expected in Q3). **Emerging verticals** – including healthcare, retail, and hi-tech also saw healthy traction, growing 12.7% QoQ. **The Government (outside India)** vertical rose 6.8% QoQ, while **Insurance** posted modest growth at 1.1% QoQ. The **BFS** vertical saw a marginal QoQ decline of 1.1%, though YoY growth remained robust at 32%. Management emphasized strong pipeline visibility across BFSI, supported by demand in commercial banking, lending, and wealth management. Engineering and modernization-led service lines continued to benefit from platform transformation mandates and AI-infused delivery models.

Demand was observed to be broad based. Growth was led by Travel followed by Emerging Verticals.

Three growth drivers - execution intensity, hyperspecialisation in key verticals, and deep engineering capabilities

Management confident of delivering a strong FY26

EBIT Margins to reach 14% in the near term

Q3 Headwind of wage hikes will be offset by Tailwind of lower ESOP costs

Total order intake of USD 507mn including 5 large deal wins. Executable order book grew 47% YoY. Large deal win momentum to sustain.

BFS saw 1.1% QoQ decline, Sabre deal will continue to ramp-up in Q2

Expect capex to return to normal levels (~2-3% of revenue) in near-term

- **Capex:** Management noted that capex for Q1FY26 stood at USD 65mn, largely driven by investments in the AI-powered data center project (INR 58mn allocated to AI data centre project). They reported that of the total USD 85mn deployed over the last two quarters, USD 62mn has been received from the client as advance (booked as deferred revenue), while the remaining USD 23mn was funded via a term loan at 3.5% interest. They highlighted that the asset has a useful life of five years, resulting in elevated depreciation in the quarter. Management reiterated that capex intensity will taper in near-term, reverting to historical levels of ~2–3% of revenue.
- **Supply:** Coforge added 1,164 net employees during Q1FY26, taking total headcount to 34,187. Utilization for the quarter was reported at 82.1%, which management indicated remains in a comfortable zone. Leadership noted that attrition declined further to 11.3% on an LTM basis, positioning Coforge among the lowest attrition companies in the sector.

Exhibit 1. 1QFY26 result summary

	1Q26 A	4Q25 A	Change (QoQ)	Estimate (JMFe)	Variance (vs. JMFe)	Estimate (Consensus)	Variance (vs. consensus)	QoQ estimate	
								JMFe	Consensus
USD-INR	83.38	84.51	-1.3%	85.71	-2.7%	85.73	-2.7%	1.4%	1.4%
CC growth (QoQ) – reported	8.0%	3.4%	460bp	7.4%	59bp		800bp	7.4%	
Revenue (USD mn)	442	404	9.6%	437	1.3%	433	2.2%	8.2%	7.3%
Revenue (INR mn)	36,886	34,099	8.2%	37,434	-1.5%	37,124	-0.6%	9.8%	8.9%
EBITDA (INR mn)	6,442	5,748	12.1%	6,306	2.2%	6,311	2.1%	9.7%	9.8%
EBITDA margin	17.5%	16.9%	61bp	16.8%	62bp	17.0%	47bp	-1bp	14bp
EBIT (INR mn)	4,858	4,507	7.8%	5,046	-3.7%	4,984	-2.5%	12.0%	10.6%
EBIT margin	13.2%	13.2%	-5bp	13.5%	-31bp	13.4%	-26bp	26bp	21bp
PAT - adjusted (INR mn)	3,174	2,612	21.5%	2,981	6.5%	3,332	-4.8%	14.1%	27.6%
EPS - adjusted(INR)	9.50	7.82	21.5%	8.92	6.5%	9.97	-4.8%	14.1%	27.6%

Source: Company, JM Financial estimates

1QFY26 result review

Exhibit 2. Key financial summary

	FY24	1QFY25	2QFY25	3QFY25	4QFY25	FY25	1QFY26
Cons. revenues (USD mn)	1,118.7	291.4	369.4	397.1	403.5	1,456.4	442.4
Change (QoQ/YoY)	11.4%	7.2%	32.8%	40.8%	40.7%	30.2%	54.5%
Cons. revenues (INR mn) – excl. FX	92,060	23,999	30,690	33,228	34,222	121,702	36,930
Change (QoQ/YoY)	14.5%	1.7%	27.9%	8.3%	3.0%	32.2%	7.9%
Cost of revenues	61,873	16,097	20,701	22,166	22,471	81,319	24,308
Gross profit	30,187	7,902	9,989	11,062	11,751	40,383	12,622
Gross margin	32.8%	32.9%	32.5%	33.3%	34.3%	33.2%	34.2%
SG&A costs	14,844	3,824	5,148	5,872	6,003	20,369	6,180
Operating profit (EBITDA)	15,343	4,078	4,841	5,190	5,748	20,014	6,442
Operating margin	16.7%	17.0%	15.8%	15.6%	16.8%	16.4%	17.4%
Depreciation & amortization	3,186	815	1,176	1,222	1,131	4,194	1,540
EBIT	12,157	3,263	3,665	3,968	4,494	15,820	4,902
EBIT margin	13.2%	13.6%	11.9%	11.9%	13.2%	13.0%	13.3%
Other income	-1,426	256	-173	-328	-300	-2,087	-1,205
Profit before tax	10,731	3,531	3,492	3,640	4,317	13,733	3,697
Income tax expense	2,093	654	799	874	874	3,265	792
Net income from operations	8,638	2,877	2,693	2,766	3,443	10,468	2,905
Share of minority interest	276	61	314	404	447	1,226	390
PAT - Adjusted	8,362	2,816	2,379	2,362	2,996	9,242	2,515
Change (QoQ/YoY)	1.2%	20.2%	-17.9%	0.2%	24.1%	10.5%	-14.0%
Exceptional item (Adjusted for Tax)	261	953	290	161	261	1,665	749
PAT - Reported	8,101	1,863	2,022	2,155	2,612	9,256	3,220
Adjusted Basic EPS	135.69	42.22	34.67	34.69	42.96	27.00	7.41
Change (QoQ/YoY)	0.2%	11.4%	-17.9%	0.1%	23.8%	-1.1%	-13.8%

Source: Company, JM Financial

Revenue in the quarter grew 8% cc QoQ and 51.5% cc YoY. Growth was led by ramp up of Sabre deal. Travel and transportation vertical grew 31% in the quarter.

GAAP EBITDA margin for the quarter stood at 15.6% (+10bps QoQ), while Non-GAAP EBITDA margin was 17.5%. Key reconciling items included discounting of long term contracts, income from mortgage business, FX, integration expenses (Cigniti) and onetime bonus.

Exhibit 3. Vertical portfolio

	1Q25	2Q25	3Q25	4Q25	1Q26
Distribution					
BFS	31.8%	29.4%	27.5%	30.2%	27.7%
Insurance	21.4%	19.1%	18.8%	18.2%	15.5%
Travel and Transportation	18.1%	18.5%	18.1%	18.8%	22.9%
Others	21.0%	25.9%	28.7%	25.5%	26.7%
Revenue (USD mn and QoQ growth)					
BFS	92.7	108.6	109.2	121.9	122.5
Change	-4.1%	17.2%	0.6%	11.6%	-1.1%
Insurance	62.4	70.6	74.7	73.4	68.6
Change	0.7%	13.1%	5.8%	-1.6%	1.2%
Transportation	52.7	68.3	71.9	75.9	101.3
Change	4.5%	29.6%	5.2%	5.5%	31.5%
Others	61.2	95.7	114.0	102.9	118.1
Change	9.4%	56.3%	19.1%	-9.7%	13.0%

Source: Company, JM Financial

Travel and transportation added c.25mn in revenue QoQ aided by Sabre deal ramp up

Exhibit 4. Horizontal portfolio

	1Q25	2Q25	3Q25	4Q25	1Q26
Distribution					
Engineering	32.1%	42.4%	41.9%	45.4%	45.9%
Intelligent Automation	11.7%	9.1%	8.9%	8.7%	8.4%
Data and intergation	27.4%	23.2%	22.4%	22.1%	20.4%
Cloud and infrastructure management (CIMS)	19.2%	17.2%	19.1%	16.2%	17.9%
Business Process Management(BPM)	9.4%	8.1%	7.6%	7.7%	7.5%
Revenue (USD mn and QoQ growth)					
Engineering	93.5	156.6	166.4	183.2	203.1
Change	-7.1%	67.4%	6.2%	10.1%	10.8%
Intelligent Automation	34.1	33.6	35.3	35.1	37.2
Change	6.1%	-1.4%	5.1%	-0.7%	5.9%
Data and integration	79.8	85.7	89.0	89.2	90.2
Change	10.5%	7.3%	3.8%	0.3%	1.2%
Cloud and Infrastructure Management (CIMS)	55.9	63.5	75.8	65.4	79.2
Change	2.1%	13.6%	19.4%	-13.8%	21.1%
Business Process Management(BPM)	27.4	29.9	30.2	31.1	33.2
Change	1.6%	9.2%	0.9%	2.9%	6.8%

Source: Company, JM Financial

Exhibit 5. Key manpower metrics

Manpower Base	1Q25	2Q25	3Q25	4Q25	1Q26
IT	17,920	22,886	23,015	23,510	24,097
Addition	990	4,966	129	495	587
BPS	7,117	7,548	7,966	7,844	7,916
Addition	804	431	418	-122	72
Total Billable	25,037	30,434	30,981	31,354	32,013
As a % of Total	94.1%	93.7%	93.6%	93.6%	93.6%
Sales & Marketing	442	575	583	586	594
Addition	54	133	8	3	8
Others	1133	1474	1530	1557	1580
Addition	38	341	56	27	23
Total	26,612	32,483	33,094	33,497	34,187
Headcount additions	1,886	5871	611	403	690
- As % of opening base	7.6%	22.1%	1.9%	1.2%	2.1%
Operating metrics					
Utilization - IT services (blended)	81.6%	82.2%	81.3%	82.0%	82.1%
Attrition - quarterly annualized	11.4%	11.7%	11.9%	10.9%	11.3%

Source: Company, JM Financial

Utilization remained in management's comfort zone. Attrition was reported to be one of lowest among peers

Exhibit 6. Key client metrics

	4Q24	1Q25	3Q25	4Q25	1Q26
Client wins and order book					
New customer wins	10	13	14	10	6
Fresh order intake	314	515	501	2126	507
Change (YoY)	-41%	65%	42%	174%	61%
Orders executable over next 12 months	1070	1305	1365	1505	1545
Change (YoY)	19%	40%	40%	48%	44%
Pending order book	2776	2921	3025	4748	4817
Change (YoY)	29%	33%	34%	72%	73%
Revenue concentration					
Top 5 clients	21.0%	18.7%	19.8%	18.0%	20.7%
Next 5 clients	11.9%	9.5%	10.2%	9.7%	8.6%
Top 10 clients	32.9%	28.2%	30.0%	27.7%	29.3%
Revenue growth					
Top 5 clients	-7.1%	13.9%	14.6%	-6.4%	24.1%
Next 5 clients	7.1%	2.1%	16.2%	-2.1%	-4.3%
Top 10 clients	-2.4%	9.6%	15.2%	-4.9%	14.1%

Source: Company, JM Financial

5 large deal wins in the quarter. AI-led app modernization, Pega Cloud transformation, Microsoft-based workplace modernization, GCC buildouts, and infrastructure scaling were the areas where deals were won.

Exhibit 7. New client addition

New Clients Added	4Q24	1Q25	3Q25	4Q25	1Q26
Americas	7	7	7	6	3
EMEA	2	6	7	0	2
Rest of World	1	0	0	4	1

Source: Company, JM Financial

Exhibit 8. Order-book distribution

Fresh order Intake	4Q24	1Q25	3Q25	4Q25	1Q26
Americas	126	245	294	1828	272
EMEA	96	184	93	170	140
Rest of World	92	86	114	128	95
Total Fresh order intake	314	515	501	2126	507

Source: Company, JM Financial

Exhibit 9. EBITDA and PAT reconciliation

EBITDA walk	INR Mn	Comments
Revenue from operations	36,886	
Less: Purchases of stock-in-trade	14	
Less: Employee benefits expense	22,154	
Less: Other expenses	8,948	
GAAP EBITDA (A)	5,770	
Discounting income on long term customer contracts	97	- As per accounting rules, this could be classified as other operational income
Income from Mortgage Business	31	
Forex loss included in Other expenses	43	
Total (B)	171	
Integration & Merger Exp - Cigniti	19	-Now subsiding
Other Acquisition related Expenses	24	-Due to recent acquisitions
One Time Bonus	458	-In-Lieu of AdGo stake sale; hence out of turn bonus for broader set of employees
Total (C)	501	
Non GAAP EBITDA (A+B+C)	6,442	
Particulars	INR Mn	EPS
Reported PAT	3174	INR 9.5
Gain on account on AdGo Sale	-702	
Legal expenses for Cyber security dispute	248	
One-off bonus to employees	458	
Tax adjustment	-176	
Normalised PAT	3,002	INR 9.0

Source: Company, JM Financial

Retain BUY; TP revised to INR 2,200

We have revised our YoY cc growth expectations by (70bps)-38bps over FY26-28E. Revenue estimates have been cut by 0.2%-0.6% over the same period. EBITDA margin (Non GAAP) expanded 65bps in 1Q. We have raised our EBITDA Margin estimates by 126bps-159bps over FY26-28E. We have built higher gross margins and decreased SG&A expenses (%). EBIT margin estimates, however, saw limited changes as we raise our D&A estimates. The quarter saw a sharp uptick in D&A expenses. Changes to our growth and margin estimates drives (0.2%)-2% changes to our PAT estimates. EPS for FY26E has seen an increase as we postpone the the dilution impact of Cigniti share swap. Our EPS estimates have been raised by 1.3%-2.2% over FY27-28E. We continue to value Coforge at 40x 12 M fwd earnings. Maintain BUY with a revised TP of 2,200.

Exhibit 10. What has changed

	Old			New			Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Exchange rate (INR/USD)	85.93	86.00	86.00	85.41	86.00	86.00	-0.6%	0.0%	0.0%
YoY – CC growth	28.5%	14.0%	14.6%	27.8%	14.0%	15.0%	-70bp	-8bp	38bp
Consolidated revenue (USD mn)	1,886	2,151	2,465	1,877	2,139	2,459	-0.5%	-0.6%	-0.2%
Growth in USD revenues (YoY)	29.1%	14.0%	14.6%	28.9%	14.0%	15.0%	-21bp	-8bp	38bp
Consolidated revenue (INR mn)	162,107	185,021	211,976	160,307	183,969	211,477	-1.1%	-0.6%	-0.2%
EBITDA margin	16.5%	17.3%	17.4%	18.1%	18.6%	18.8%	159bp	126bp	139bp
EBIT margin	13.2%	14.0%	14.4%	13.7%	14.1%	14.5%	52bp	8bp	16bp
PAT (INR mn)	13,479	18,220	21,245	13,451	18,451	21,722	-0.2%	1.3%	2.2%
EPS	38.10	51.50	60.05	39.89	52.15	61.40	4.7%	1.3%	2.2%

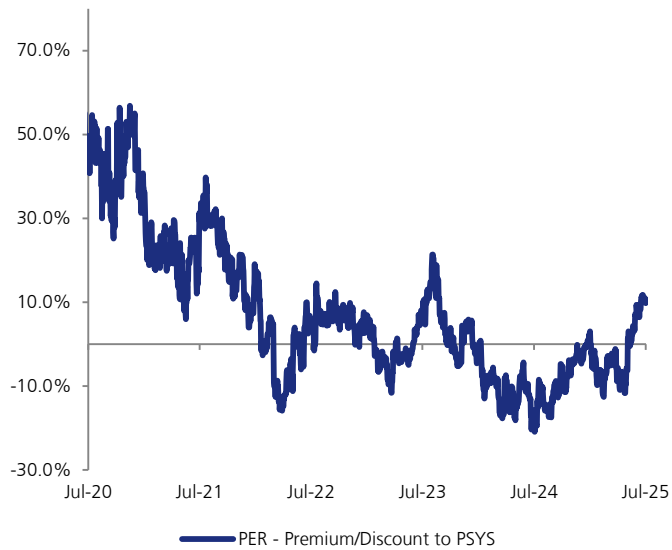
Source: JM Financial estimates

Exhibit 11. JMFe vs. Consensus estimates

	Consensus estimates			JMFe			Difference		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Sales (USD mn)	1,853	2,152	2,455	1877	2139	2459	1.3%	-0.6%	0.2%
Sales (INR mn)	158,824	184,468	210,426	160,263	183,969	211,477	0.9%	-0.3%	0.5%
EBITDA (INR mn)	26,812	31,874	36,433	28,993	34,218	39,796	8.1%	7.4%	9.2%
EBITDA margin	16.9%	17.3%	17.3%	18.1%	18.6%	18.8%	121bp	132bp	150bp
EBIT (INR mn)	21,273	25,690	29,682	21,982	25,937	30,753	3.3%	1.0%	3.6%
EBIT margin	13.4%	13.9%	14.1%	13.7%	14.1%	14.5%	32bp	17bp	44bp
EPS (INR)	41.8	52.6	61.7	39.9	52.2	61.4	-4.6%	-0.8%	-0.4%

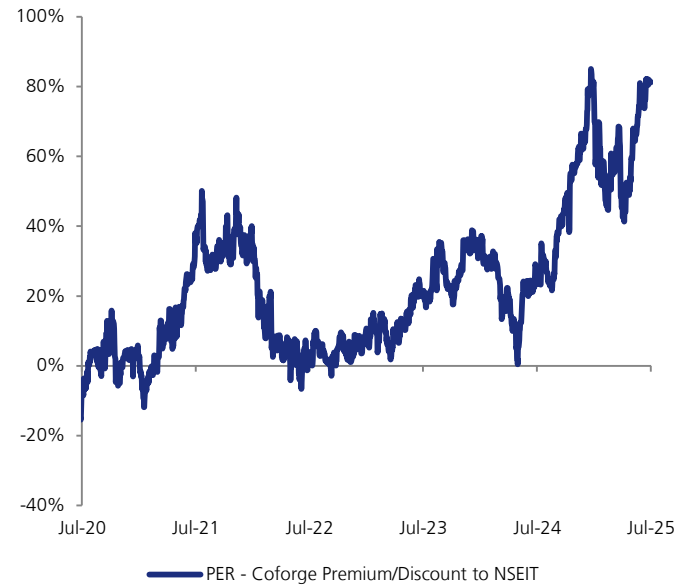
Note: Consensus estimates as of 10th Jul and may not reflect changes in estimates post result. Source: Visible Alpha, JM Financial estimates

Exhibit 12. Coforge – PER premium/discount to PSYS
Discount to PSYS rising while growth differential narrowing



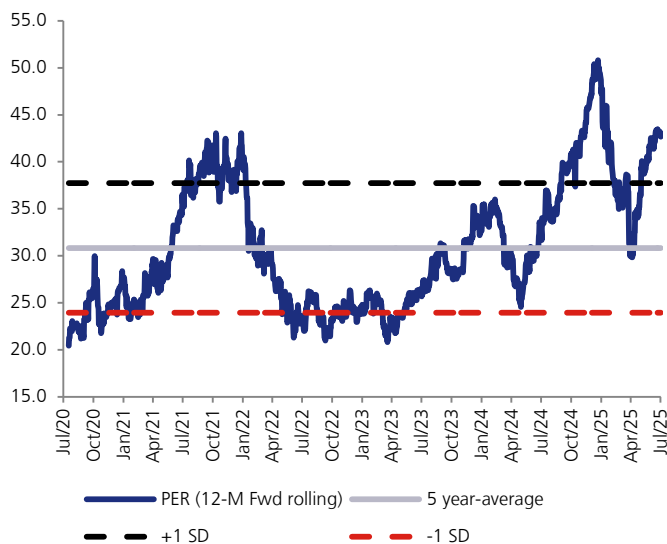
Source: Bloomberg, JM Financial

Exhibit 13. Coforge – PER premium/discount to NSE IT
Coforge trading at c.80% premium to NSE IT



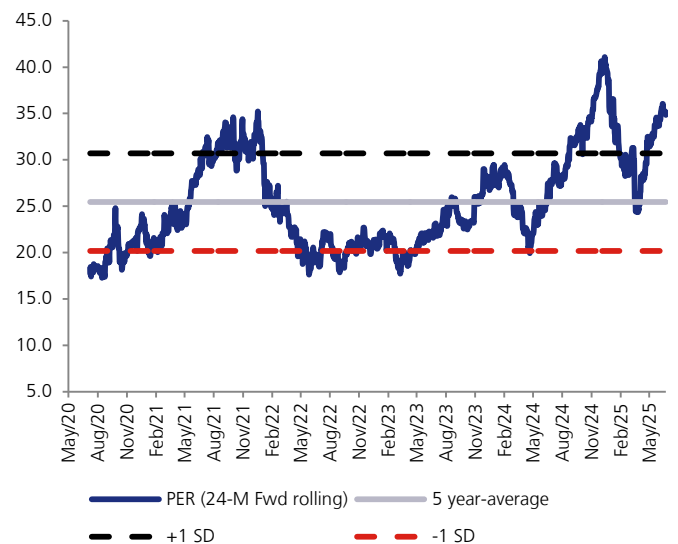
Source: Bloomberg, JM Financial

Exhibit 14. Price-to-Earnings 12M-Fwd - Valuation chart



Source: Bloomberg, JM Financial

Exhibit 15. Price-to-Earnings 24M-Fwd - Valuation chart



Source: Bloomberg, JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	92,060	1,21,702	1,60,307	1,83,969	2,11,477
Sales Growth	14.5%	32.2%	31.7%	14.8%	15.0%
Other Operating Income	-1,426	-2,087	-2,262	-1,296	-1,789
Total Revenue	92,060	1,21,702	1,60,307	1,83,969	2,11,477
Cost of Goods Sold/Op. Exp	61,873	81,319	1,04,966	1,20,322	1,38,056
Personnel Cost	0	0	0	0	0
Other Expenses	14,844	20,369	26,303	29,429	33,625
EBITDA	15,343	20,014	29,037	34,218	39,796
EBITDA Margin	16.7%	16.4%	18.1%	18.6%	18.8%
EBITDA Growth	7.3%	30.4%	45.1%	17.8%	16.3%
Depn. & Amort.	3,186	4,194	7,055	8,281	9,043
EBIT	12,157	15,820	21,982	25,937	30,753
Other Income	-1,186	-736	-513	441	412
Finance Cost	0	-1,351	-1,704	-1,737	-2,201
PBT before Excep. & Forex	9,785	11,812	17,547	23,345	27,174
Excep. & Forex Inc./Loss(-)	1,186	1,921	2,218	1,296	1,789
PBT	10,971	13,733	19,765	24,641	28,963
Taxes	2,093	3,265	4,638	5,914	6,951
Extraordinary Inc./Loss(-)	-261	-1,665	-749	0	0
Assoc. Profit/Min. Int.(-)	276	1,226	1,632	277	290
Reported Net Profit	8,341	7,577	12,746	18,451	21,722
Adjusted Net Profit	8,602	9,242	13,495	18,451	21,722
Net Margin	9.3%	7.6%	8.4%	10.0%	10.3%
Diluted Share Cap. (mn)	327.4	337.4	337.2	353.8	353.8
Diluted EPS (INR)	26.3	27.4	40.0	52.2	61.4
Diluted EPS Growth	-4.7%	4.3%	46.1%	30.3%	17.7%
Total Dividend + Tax	22,463	30,858	7,712	9,368	10,645
Dividend Per Share (INR)	60.8	76.7	19.2	22.2	25.3

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	10,449	12,536	19,721	24,641	28,963
Depn. & Amort.	3,186	4,683	7,055	8,281	9,043
Net Interest Exp. / Inc. (-)	1,081	459	-794	-2,145	-2,149
Inc (-) / Dec in WCap.	-2,800	-2,689	-3,761	-5,228	-7,316
Others	779	1,341	0	0	0
Taxes Paid	-3,661	-3,959	-4,638	-5,914	-6,951
Operating Cash Flow	9,034	12,371	17,583	19,635	21,591
Capex	-2,655	-6,144	-20,357	-9,886	-10,897
Free Cash Flow	6,379	6,227	-2,774	9,749	10,694
Inc (-) / Dec in Investments	0	1,185	0	0	0
Others	177	-19,524	2,512	408	-53
Investing Cash Flow	-2,478	-24,483	-17,845	-9,477	-10,949
Inc / Dec (-) in Capital	0	22,015	3,019	10,564	11,679
Dividend + Tax thereon	-4,664	-4,976	-6,340	-7,611	-8,752
Inc / Dec (-) in Loans	967	2,323	0	0	0
Others	-1,657	-2,425	1,704	1,737	2,201
Financing Cash Flow	-5,354	16,937	-1,617	4,690	5,128
Inc / Dec (-) in Cash	1,202	4,825	-1,878	14,848	15,770
Opening Cash Balance	6,025	3,548	7,956	4,257	8,240
Closing Cash Balance	7,227	8,373	6,078	19,105	24,010

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	36,266	63,792	71,997	82,838	95,807
Share Capital	618	669	669	669	669
Reserves & Surplus	35,648	63,123	71,328	82,169	95,138
Preference Share Capital	0	0	0	0	0
Minority Interest	1,003	19,498	19,743	19,743	19,743
Total Loans	4,366	9,740	7,126	7,126	6,126
Def. Tax Liab. / Assets (-)	-5,117	3,701	1,238	238	-762
Total - Equity & Liab.	36,518	96,731	1,00,104	1,09,945	1,20,914
Net Fixed Assets	23,762	67,911	78,579	80,184	82,038
Gross Fixed Assets	7,397	18,161	24,353	25,958	27,812
Intangible Assets	16,133	49,726	54,226	54,226	54,226
Less: Depn. & Amort.	0	0	0	0	0
Capital WIP	232	24	0	0	0
Investments	0	0	0	0	0
Current Assets	31,732	51,101	51,880	65,378	78,250
Inventories	0	0	0	0	0
Sundry Debtors	14,279	29,682	28,548	32,762	37,660
Cash & Bank Balances	3,548	7,956	4,257	8,240	12,040
Loans & Advances	0	0	0	0	0
Other Current Assets	13,905	13,463	19,075	24,376	28,549
Current Liab. & Prov.	18,976	22,281	30,355	35,618	39,374
Current Liabilities	18,731	22,281	26,932	32,195	35,951
Provisions & Others	245	0	3,423	3,423	3,423
Net Current Assets	12,756	28,820	21,525	29,760	38,876
Total - Assets	36,518	96,731	1,00,104	1,09,945	1,20,914

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	9.3%	7.6%	8.4%	10.0%	10.3%
Asset Turnover (x)	2.4	1.7	1.5	1.6	1.7
Leverage Factor (x)	1.2	1.4	1.5	1.5	1.4
RoE	25.6%	18.5%	19.9%	23.8%	24.3%

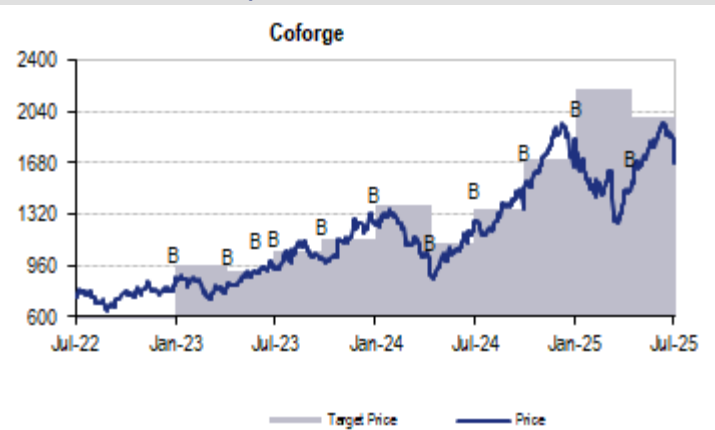
Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	118.1	190.9	215.8	236.6	273.7
ROIC	29.3%	19.6%	18.7%	20.1%	22.1%
ROE	25.6%	18.5%	19.9%	23.8%	24.3%
Net Debt/Equity (x)	0.0	0.0	0.0	0.0	-0.1
P/E (x)	63.8	61.2	41.9	32.1	27.3
P/B (x)	14.2	8.8	7.8	7.1	6.1
EV/EBITDA (x)	36.5	28.9	20.0	16.9	14.4
EV/Sales (x)	6.1	4.8	3.6	3.1	2.7
Debtor days	57	89	65	65	65
Inventory days	0	0	0	0	0
Creditor days	89	80	75	78	76

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
21-Jan-23	Buy	958	
27-Apr-23	Buy	924	-3.5
20-Jun-23	Buy	924	0.0
21-Jul-23	Buy	1,060	14.7
19-Oct-23	Buy	1,146	8.1
23-Jan-24	Buy	1,388	21.1
3-May-24	Buy	1,114	-19.7
24-Jul-24	Buy	1,354	21.5
24-Oct-24	Buy	1,706	26.0
24-Jan-25	Buy	2,198	28.8
6-May-25	Buy	2,000	-9.0
25-Jul-25	Buy	2,200	10.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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* REITs refers to Real Estate Investment Trusts.

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