ADD

Coforge

Addressing market chatter; growth, margin story set to play out

Emkay
Your success is our success

Information Technology | Company Update | **September 16, 2025** | **CMP (Rs): 1,759 | TP (Rs): 1,850**

Coforge's FY25 revenue growth and adjusted EBITDA growth were both healthy, although reported EBITDA, profit, and cash conversion—lagged expectations, raising key concerns among investors. Based on FY25 AR disclosures and interaction with the management, we provide more clarity and our viewpoint on some of these aspects, along with a comparable peer dataset, to help understand the nuances. KTAs from the FY25 AR: 1) Contract costs have risen 82% YoY, with incremental cost for obtaining a new contract being 2.5x YoY. 2) Elevated capex (+114% YoY) and capex intensity (4.6% of revenue vs 5Y average at ~2%) largely attributed to the Cigniti acquisition and investment in a data center for a client. 3) Increased ESOP expenses (+84% YoY, 1.4% of revenue), primarily due to higher new grants issued. 4) All-time high deal intake of USD2.1bn led by the Sabre deal, with the next 12M executable order book at USD1.5bn (+48% YoY). 5) Steady OCF/EBITDA conversion of ~73% (in line with the 5Y average of ~70%). In addition, the management aspires to i) sign 20 large deals (TCV of >USD20mn each) in FY26; 5 large deals signed in Q1. ii) ESOP costs to reduce to ~100bps in H2FY26. iii) Narrow divergence between GAAP and non-GAAP EBITDA, with absence of one-offs. The management remains confident of sustaining momentum in FY26 on the back of broad-based growth, and robust deal intake and deal pipeline, along with reported EBITM expansion. Factoring in all the aforementioned, we retain ADD with TP of Rs1,850, at 36x Jun-27E EPS.

Strong and consistent revenue growth on the back of sharp execution

Coforge delivered strong and consistent revenue growth performance on the back of a) execution discipline and strong delivery, b) focus on driving growth through solution-based large-size managed service deals, which emphasize its ability to gain wallet share in client spending, irrespective of macro uncertainty, c) sharp focus on building deep domain SME (Subject Matter Expert)-led specific engineering competencies. Coforge has consistently outpaced large-cap peers in CC growth, with TCV expanding ~6x from USD507mn in FY18 to USD3.5bn in FY25, supported by steady large-deal wins. Even during the Covid period, despite a ~20% contribution from the travel vertical, Coforge sustained growth momentum in FY21 through diversification and execution strength. Strategic acquisitions such as SLK Global (BFSI) and Cigniti (quality engineering and digital assurance) have expanded the company's addressable market and sharpened its capabilities across high-growth verticals. Such inorganic moves, coupled with organic traction, drove 19.5% USD revenue CAGR in FY20-25, ahead of the industry (Exhibit 1).

Contract cost jumps on the back of the Sabre deal

Coforge's contract costs rose 82% YoY to Rs7.3bn in FY25 (6.1% of revenue vs 4.4%/0.5% in FY24/18), indicating a shift toward multi-year constructs anchored by the Sabre program. Non-current contract costs increased 86% YoY to ~Rs5.8bn (~79% of total), consistent with elongated payout tails and amortization horizons of mega deals like the 13-year USD1.56bn Sabre engagement*…(contd)…*

Target Price – 12M	Jun-26
Change in TP (%)	-
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	5.2

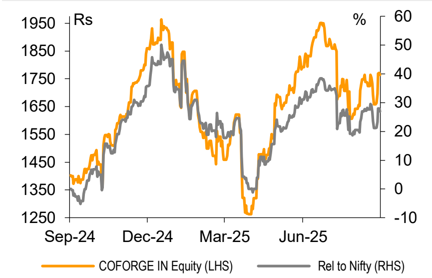
Stock Data	**COFORGE IN**
52-week High (Rs)	2,005
52-week Low (Rs)	1,191
Shares outstanding (mn)	334.5
Market-cap (Rs bn)	588
Market-cap (USD mn)	6,670
Net-debt, FY26E (Rs mn)	(6,429.6)
ADTV-3M (mn shares)	3
ADTV-3M (Rs mn)	3,292.5
ADTV-3M (USD mn)	37.3
Free float (%)	99.5
Nifty-50	25,069.2
INR/USD	88.2

Shareholding,Jun-25	
Promoters (%)	0.0
FPIs/MFs (%)	37.4/52.3

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	7.1	(1.9)	25.4
Rel. to Nifty	5.3	(3.2)	26.8

1-Year share price trend (Rs)



Coforge: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	91,790	120,507	160,424	188,458	218,000
EBITDA	14,277	16,937	28,226	33,255	38,253
Adj. PAT	8,080	8,121	14,164	16,583	20,197
Adj. EPS (Rs)	26.1	24.3	42.4	49.6	60.4
EBITDA margin (%)	15.6	14.1	17.6	17.6	17.5
EBITDA growth (%)	11.5	18.6	66.7	17.8	15.0
Adj. EPS growth (%)	9.2	(7.1)	74.4	17.1	21.8
RoE (%)	24.1	16.2	20.8	21.4	22.8
RoIC (%)	29.8	17.7	20.9	22.7	26.0
P/E (x)	67.3	72.4	42.4	35.5	29.1
EV/EBITDA (x)	38.2	32.2	19.3	16.4	14.2
P/B (x)	15.0	9.2	8.1	7.1	6.2
FCFF yield (%)	1.2	1.2	1.8	3.1	3.9

Source: Company, Emkay Research

Dipeshkumar Mehta
dipeshkumar.mehta@emkayglobal.com
+91-22-66121253

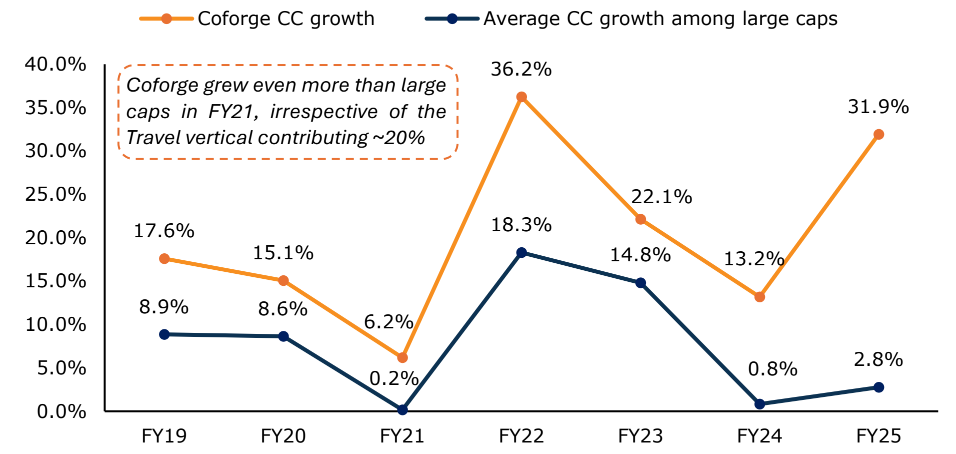
Jimit Gandhi
jimit.gandhi@emkayglobal.com
+91-22-66121255

Shivang Bagla
shivang.bagla@emkayglobal.com
+91-22-66242491

...*(contd)*...The mix skew was driven by costs to obtain contracts (deal-linked bonuses for large deals) scaling ~2.5x, while fulfilment costs were broadly stable. This tilt aligns with front-loaded sales incentives for the large deals signed. It has also created corresponding contract liabilities against these, ensuring no impact on working capital and cushioning net balance-sheet expansion, matching the staged payout schedule through the deal life (please refer to a detailed explanation below).

Coforge's investment in sales and marketing has resulted in increasing velocity and median size of the large contracts. Its differentiated growth is anchored in its large-deal led sales strategy, AI-powered solutioning, and a robust execution framework built on its 'Plan–Execute–Debrief' model. With an all-time-high USD3.5bn order book in FY25 and continued traction in platform partnerships and GCC enablement, the company is well poised to maintain strong revenue growth momentum.

Exhibit 1: Coforge's growth trajectory vs IT large caps



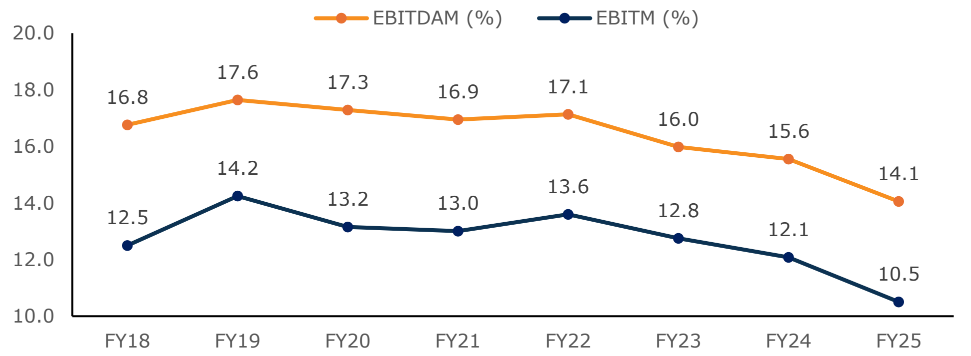
Source: Company, Emkay Research (large caps include TCS, INFO, HCLT, WPRO, TECHM, and LTIM)

Operating margin declined in FY25 due to elevated ESOP and subcontracting expenses

EBITM remained under pressure in FY25, due to an increase in ESOP-related costs and 'Other expenses' – primarily resulting from an increase in 1) legal and professional cost due to M&As, 2) subcontractor cost attributed to M&As, deal ramp-up, etc, 3) other production cost mainly due to the amortization component tied to the contract cost.

Despite such near-term pressures, the management remains confident of achieving EBITM of ~14% in FY26. This outlook is supported by expectations of lower ESOP-related expenses, continued revenue growth momentum, improved operating leverage from SG&A optimization, absence of one-offs, and a shift toward offshore delivery.

Exhibit 2: EBITM and EBITDAM remain under pressure in FY25



Source: Company, Emkay Research

Exhibit 3: Curated breakdown of 'Other expenses' and key factors that result in an increase

Particulars (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Chg YoY
Other expenses	**6,983**	**8,454**	**8,464**	**8,634**	**13,231**	**18,508**	**22,350**	**31,228**	**40%**
as a % of revenue	*23.3%*	*23.0%*	*20.2%*	*18.5%*	*20.6%*	*23.1%*	*24.3%*	*25.9%*	
Key line items leading to an increase									
Legal and Professional	789	835	971	816	960	861	1,183	2,740	**132%**
as a % of revenue	*2.6%*	*2.3%*	*2.3%*	*1.8%*	*1.5%*	*1.1%*	*1.3%*	*2.3%*	
Subcontractor cost	2,117	3,004	2,893	3,845	6,572	9,267	9,463	13,902	**47%**
as a % of revenue	*7.1%*	*8.2%*	*6.9%*	*8.2%*	*10.2%*	*11.6%*	*10.3%*	*11.5%*	
Other production expenses (incl. third party license cost)	344	403	1,064	1,660	2,352	4,751	7,412	9,149	**23%**
as a % of revenue	1.1%	1.1%	2.5%	3.6%	3.7%	5.9%	8.1%	7.6%	

Source: Company, Emkay Research

Divergence between GAAP and non-GAAP (exchange vs company reported) EBTIM set to narrow

There have been some concerns regarding the gap between GAAP and non-GAAP EBITM margins, which have recently widened due to one-off items such as bonuses and integration-related expenses linked to recent M&As. Such exceptional costs accounted for a higher divergence in FY25 and Q1FY26. However, the management expects bulk of these impacts to phase out from Q2. As a result, the margin difference should narrow considerably in coming quarters, reflecting a consistent underlying performance. Such convergence will offer a clearer view of the core operating performance and reinforce the sustainability of the underlying margin profile going forward.

Exhibit 4: Divergence between GAAP (exchange-reported) and non-GAAP (company-reported) EBITM

Particulars	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	FY25	Q1FY26
GAAP EBITM	10.4%	11.6%	13.5%	12.8%	12.1%	8.8%	9.4%	9.8%	11.8%	10.5%	11.3%
Non-GAAP EBITM	11.5%	11.9%	13.8%	14.4%	12.9%	13.6%	11.7%	11.9%	13.2%	12.7%	13.2%
Difference	*1.2%*	*0.3%*	*0.3%*	*1.7%*	*0.8%*	*4.8%*	*2.4%*	*2.2%*	*1.4%*	*2.2%*	*1.9%*

Source: Company, Emkay Research

M&As remain integral part of growth strategy

M&As remain an integral part of the overall growth strategy for Coforge. It has helped the company in capability expansion, market entry, and portfolio diversification as well as differentiation. In FY25, Coforge 1) acquired Hyderabad-based Cigniti Technologies, an AI & IP-led Digital Assurance & Digital Engineering Services company 2) acquired Xceltrait Inc, a specialist in the implementation of ServiceNow's Financial Services Operations (FSO) and Customer Service Management (CSM) modules, bringing deep expertise into the P&C insurance industry 3) acquired Rythmos to strengthen its data practice and cloud engineering capabilities, coupled with deep industry knowledge in the airline sector 4) acquired TMLabs to enhance its presence in the Australian market, Healthcare vertical, and capabilities in the ServiceNow ecosystem, especially in integrated risk management, healthcare, and HR service delivery 5) entered into an asset purchase agreement with OptML Inc and its shareholders, to acquire customer contracts, key managerial personnel, employees and subcontractors/vendors of OptML Inc.

Exhibit 5: Key select acquisitions by Coforge

Acquired entity	Date of acquisition	Description
Incessant	May-15	Enhanced BPM automation and digital transformation capabilities, strengthening Coforge's North American presence
Ruletek	May-17	Expanded digital integration services and near-shore delivery model, bolstering its North American market reach
Whishworks	Apr-19	Augmented MuleSoft and big data expertise, accelerating digital integration and innovation
SLK Global	Apr-21	Strengthened BFSI sector offerings with deep mortgage, cards, and insurance BPM capabilities
On Demand Agility Solution (ODA)	Jun-22	Enhanced data and technology solutions for F100 clients, expanding delivery expertise
Cigniti Technologies	May-24	Enhance the digital assurance and engineering services portfolio
OptML Inc	Jul-24	Gained AI/ML, cloud, and UX design expertise, accelerating data-driven solutions
Xceltrait Inc	Feb-25	Strengthened ServiceNow capabilities in the BFSI and P&C insurance sectors
Rythmos Inc	Mar-25	Enhanced AI/ML, cloud, and big data capabilities, expanding data and analytics services.
TM Labs Pty	Mar-25	Boosted data and cloud capabilities, strengthening industry knowledge, especially in the airlines sector

Source: Company, Emkay Research

Exhibit 6: Zooming in on the acquisitions by Coforge in FY25

Acquired entity	Date of acquisition	Consideration	Previous revenue	Business focus/vertical
TM Labs Pty	Mar-25	AUD20mn and additional earnout payable based on the achievement/performance of certain revenue and EBITDA targets for FY26 and FY27	Revenue of AUD7.0mn / AUD10.6mn / AUD11.0mn for FY22 / FY23 / FY24, respectively	Provides implementation services related to the 'ServiceNow' platform and helps enhance Coforge's capabilities in the ServiceNow ecosystem in newer modules like Integrated Risk Management, Healthcare, and HR Service Delivery. It also strengthens presence in Healthcare and Australia
Rythmos Inc	Mar-25	USD30mn (upfront) and additional earnout payable in two tranches based on the achievement/performance of certain revenue and EBITDA targets for CY25 and CY26, subject to maximum payout of USD18.7mn	Revenue of USD22.6mn / USD24.4mn / USD25.3mn for CY22 / CY23 / CY24, respectively	Rythmos helps in adding data capabilities along with strong industry knowledge in the airlines industry and strengthens Coforge's data practice and cloud engineering capabilities
Xceltrait Inc	Feb-25	~USD17.85mn with the total consideration, including an initial payout of USD5.54mn and further earnout amount not exceeding USD10.85mn payable in two tranches based on the achievement of certain revenue and EBITDA targets of FY26 and FY27	Revenue of USD3.7mn/ USD4.5mn/ USD5.8mn for CY21 / CY22 / CY23, respectively	Xceltrait helps the company expand its ServiceNow capabilities and up sell/cross sell opportunities

Source: Company, Emkay Research

"The balance sheet leverage is largely going to be for acquisitions that fit the valuation and the capability profile of assets that we are looking at, but you will not see more by way or anything material by way of data center plays in the short to medium term…" – Sudhir Singh, CEO

Q1FY26 Earnings Call

Capex acceleration in FY25 driven by specific investments; stressing on FCF growth in the short term

The spike in capex intensity (including acquisitions), from 16.7% in FY22 (SLK acquisition) and 21.9% in FY25 (Cigniti acquisition), coincides with the sharp jump in goodwill to 40% and then to 64% of net worth, respectively. The sharp increase in capex in FY25 (Rs5.6bn; +114% YoY) was essentially due to:

- **acquisition of Cigniti** (~Rs1bn), which elevated goodwill to 64% of net worth, compared to ~35-40% in earlier years (Exhibit 9).
- **AI-powered data center** in Thailand, wherein Coforge invested ~USD85mn over the last two quarters. The funding structure partly cushions the burden with USD62mn (73%) already recovered through client advances, while the remaining USD23mn (27%) financed via a Thai Baht–denominated term loan at interest rate of ~3.5%.

The consequences of the current elevated capex are most visible in cash flow dynamics. Coforge, which historically generated steady positive FCF, slipped into a negative Rs14bn FCF position in FY25, including acquisition-related outflows.

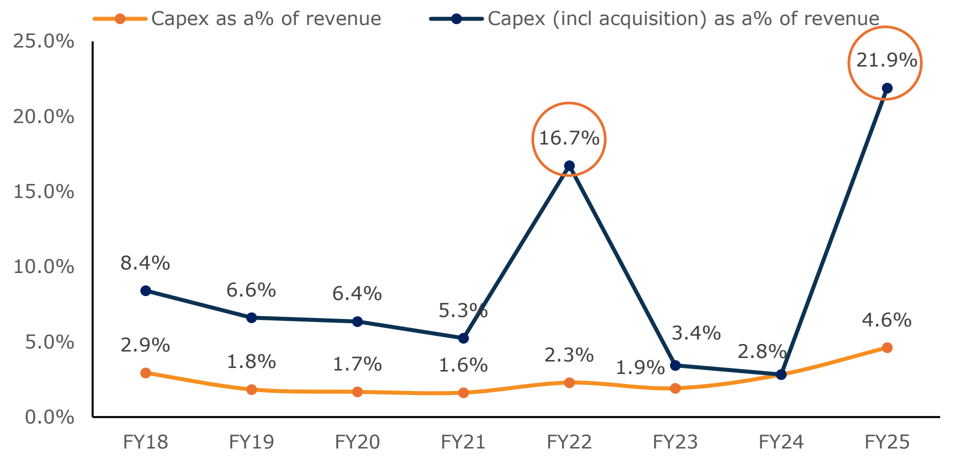
The management has indicated that no further investments are planned in the data center space. While Coforge could continue acquisitions as a part of its inorganic growth strategy, it expects the capex intensity to revert toward historical levels of ~2-3% of revenue, consistent with the asset-light base outside episodic programs.

Exhibit 7: Capex grew ~2x, fueled by specific one-off investments for a client (data center development) with capex intensity peaking in FY25

Particulars (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Chg YoY
Capex	879	676	703	757	1,475	1,537	2,598	5,572	**114%**
As a % of revenue	*2.9%*	*1.8%*	*1.7%*	*1.6%*	*2.3%*	*1.9%*	*2.8%*	*4.6%*	
Capex (incl acquisition)	2,518	2,432	2,662	2,448	10,761	2,759	2,598	26,382	**915%**
As a % of revenue	*8.4%*	*6.6%*	*6.4%*	*5.3%*	*16.7%*	*3.4%*	*2.8%*	*21.9%*	

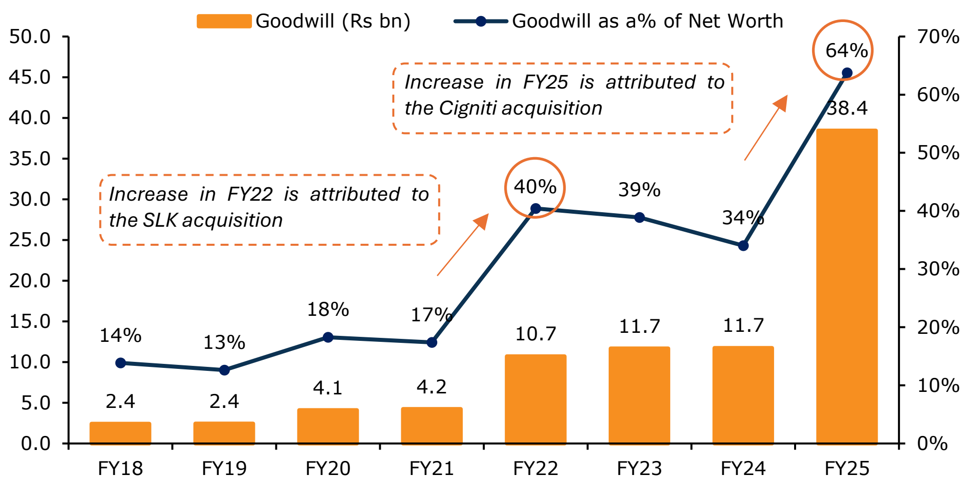
Source: Company, Emkay Research

Exhibit 8: Capex (with and without acquisition) intensity has ballooned in FY25



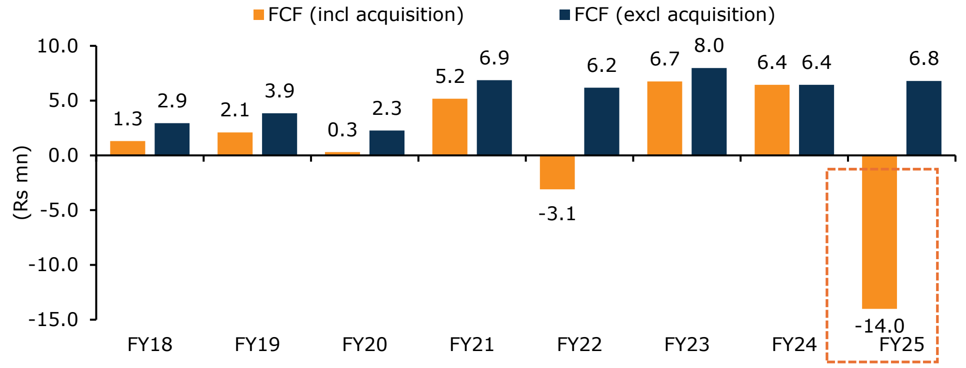
Source: Company, Emkay Research

Exhibit 9: Coforge's goodwill has jumped significantly in FY25, underlining its acquisition-led inorganic growth strategy



Source: Company, Emkay Research

Exhibit 10: Payment related to the Cigniti acquisition led to a negative FCF in FY25



Source: Company, Emkay Research

Coforge has generated cumulative FCF (excluding acquisition) of Rs43.4bn since FY18

Cashflow profile has been largely steady, adjusting for strategic investments

With the objective of broadening its service portfolio and extending market reach, Coforge has actively pursued strategic acquisitions over the past few years. The integrations of Incessant, Ruletek, and Wishworks have specifically strengthened its digital transformation and automation capabilities, enabling the company to address a wider client base across geographies.

Coforge's cash generation trends accentuate the interplay between its aggressive capex cycle, acquisition-led expansion, and operating efficiency. While headline FCF/PAT looks volatile, dipping to negative territory in FY25, the distortions are largely attributable to inorganic investments and elevated data-center capex rather than structural weakness in operations. Stripping these out, the company's FCF conversion has been consistently healthy, sustaining in the 80-115% range, a level that reflects disciplined cash management even during expansion phases. The is further validated by its OCF-to-EBITDA, which has held steady at 65-70% across cycles, despite integration spends, working capital movements, and any other one-offs. Coforge has been frontloading investments, both—organic (data centers, tech infra) and inorganic (Cigniti, earlier tuck-ins) —to expand delivery capacity and capability stack, temporarily compressing free cash while positioning the business for operating leverage.

Exhibit 11: FCF/PAT trend over FY18-25 – The ratio looks steady, if adjusted for acquisitions

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Capex	879	676	703	757	1,475	1,537	2,598	5,572
(-) Capex attributed to data center	-	-	-	-	-	-	-	2,548
Capex (ex-data center)	879	676	703	757	1,475	1,537	2,598	3,024
FCF	1,306	2,095	307	5,175	(3,105)	6,746	6,436	(14,011)
FCF (ex-acquisitions)	2,945	3,851	2,266	6,866	6,181	7,968	6,436	6,799
PAT	2,802	4,033	4,511	4,736	6,617	6,938	8,080	8,121
FCF / PAT	47%	52%	7%	109%	-47%	97%	80%	-173%
FCF / PAT (ex-acquisitions)	105%	95%	50%	145%	93%	115%	80%	84%
FCF / PAT (ex-acquisitions and ex-data center capex)	105%	95%	50%	145%	93%	115%	80%	115%

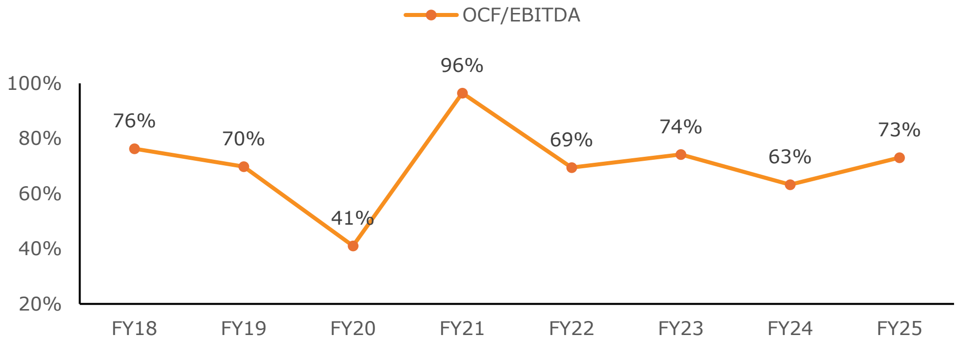
Source: Company, Emkay Research

Exhibit 12: Cash conversion (OCF-to-EBITDA) across peers and select large-caps

Company	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Coforge	*70%*	*41%*	*96%*	*69%*	*74%*	*63%*	*73%*
Persistent	72%	62%	107%	87%	63%	73%	56%
Mphasis	72%	80%	81%	81%	60%	90%	72%
Infosys	76%	83%	87%	79%	66%	72%	94%
TCS	80%	84%	91%	79%	75%	74%	76%
HCLTech	64%	77%	98%	82%	80%	93%	87%

Source: Company, Emkay Research

Exhibit 13: OCF-to-EBITDA trend over the past 8 years; steady at ~73% in FY25



Source: Company, Emkay Research

Deconstructing the details of contract cost

The company's contract costs have grown significantly, in both—magnitude (absolute terms) and composition (as a share of revenue)—from FY18 (0.5% of revenue) to FY25 (6.1% of revenue). The sharp escalation in FY25 (Rs7.3bn, +82% YoY) looks to be primarily attributable to the Sabre deal (along with other large deals), which introduced higher upfront acquisition costs and longer amortization tails. There has been quite a lot of ambiguity with the numbers pertaining to the contract cost and hence with this note, we have made an attempt to simplistically explain the details around it, per the disclosure by Coforge.

Based on the nature of the costs

- Incremental cost of obtaining a contract: These are costs incurred to secure a contract that would not have been incurred if the contract had not been obtained. It represents the direct upfront investment in securing new business, such as deal bonuses for sales teams. In FY25, this cost surged 2.5x YoY to Rs5.2bn (73% of total contract cost) on the back of new large deals won by Coforge, resulting in increased sales commissions and bonuses.
- Cost incurred for fulfilling a contract with customers: These are direct costs associated with taking over wallet share from a competitor, displacing an incumbent vendor, or incurring certain costs on behalf of the client. In FY25, this cost was steady YoY to ~Rs2bn (27% of total cost) probably led by the consolidation deals won by Coforge. Depending on their nature, such costs may be classified under either 'other production expenses' or 'employee benefits expenses'.

Accounting treatment of the contract costs

Both categories mentioned as 'contract costs' are capitalized as assets and amortized over the contract life, ensuring costs align with associated revenue streams. Specifically, deal bonuses (a significant portion of the incremental cost) are largely recognized under 'employee benefits expense' and then spread across the term of the contract.

This structure allows Coforge to match costs with revenues, avoiding immediate compression of reported margins despite the surge. However, if contracts underperform, the risks could be two-fold: 1) asset impairments from contract cost write-downs, 2) sudden recognition of unamortized costs as expenses, pressuring margins.

Building liability against contract assets

Against such contract cost assets, the company reported corresponding contract liabilities of Rs3bn in FY25, a 10x increase from Rs298mn in FY24. These liabilities represent obligations tied to customer advances and are housed under financial and other liabilities. The steep rise signals longer payment timelines and higher deferred obligations over lifespan of these contracts.

"The velocity and the median size of large deals signed by Coforge has been increasing over the years…" – Sudhir Singh, CEO

Q1FY26 Earnings Call

Based on the composition of the costs

In terms of classification by the composition of these costs, since FY22, the mix has pivoted toward non-current cost assets. In FY25, ~21% of contract cost has been classified as current (recoverable/expensed within 12 months), while 79% has been classified as non-current (to be amortized over longer periods), indicating longer remaining amortization tails vs prior years. This is a stark reversal from the 81%/19% (current/non-current) split in FY18. The current shift suggests that more costs will amortize beyond the next 12 months, in contrast to earlier years, when a larger share was due within a year and overall balances were far smaller.

Coforge's front-loaded investment in securing multi-year, high-visibility engagements, with the Sabre deal serving as a case in point (the management commented on the deal nature and composition during the Q1 earnings call). If the company continues to execute (as done historically), the higher non-current component strengthens long-term revenue visibility, even though it could temporarily inflate the balance sheet via contract assets and liabilities.

Exhibit 14: Contract cost trend over FY18-25; peaked as a % of revenue in FY25 (likely due to a spike in incremental cost incurred due to signing of new large deals)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Chg YoY
Contract cost (A)	**139**	**41**	**56**	**107**	**1,155**	**1,912**	**4,034**	**7,347**	**82%**
Current (B)	113	37	34	43	336	734	922	1,571	**70%**
% of total contract cost (B/A)	*81%*	*90%*	*61%*	*40%*	*29%*	*38%*	*23%*	*21%*	
Non-Current (C)	26	4	22	64	819	1,178	3,112	5,776	**86%**
% of total contract cost (C/A)	*19%*	*10%*	*39%*	*60%*	*71%*	*62%*	*77%*	*79%*	
Revenue (Rs mn)	29,914	36,762	41,839	46,628	64,320	80,146	91,790	120,507	**31%**
Contract Cost as a % of revenue	**0.5%**	**0.1%**	**0.1%**	**0.2%**	**1.8%**	**2.4%**	**4.4%**	**6.1%**	

Source: Company, Emkay Research

Exhibit 15: Contract cost categorization between new and existing contracts

	FY22	FY23	FY24	FY25	Chg YoY
Contract cost (asset)	**1,155**	**1,912**	**4,034**	**7,347**	**2x**
Incremental cost of obtaining a contract	219	963	2,148	5,381	**2x**
% of total contract cost (B/A)	*19%*	*50%*	*53%*	*73%*	
Cost incurred for fulfilling a contract with customers	936	949	1,886	1,966	**1x**
% of total contract cost (B/A)	*81%*	*50%*	*47%*	*27%*	
Corresponding liability against the above contract cost	-	-	**298**	**3,031**	**10x**
Net contract cost	1,155	1,912	**3,736**	**4,316**	**1x**

Source: Company, Emkay Research; Note: The company did not record any corresponding liability in FY22/FY23, per the disclosures

Relative comparison with peers

In FY25, Coforge reported a sharp increase in contract costs and liabilities, rising to 2.7% of revenue from a steady ~0.9% in earlier years (attributed to Sabre and other large deals, as aforementioned). Its contract assets, at ~2.1% of revenue, are in the mid-range, below that of Infosys and LTIMindtree—both of which typically carry higher unbilled revenues due to the larger share of fixed-price, milestone-linked contracts in their portfolio, albeit above that of Mphasis and TCS, wherein balances have historically been leaner. HCL Tech, meanwhile, presents a different profile – relatively higher contract liabilities (4.9% in FY25) and modest contract assets, reflecting its scale in large annuity outsourcing deals where billing often runs ahead of revenue recognition. However, it is important to understand that all peers operate with a mix of fixed-price and time-and-materials contracts; the difference lies more in scale, billing cadence, and project profile than in a strict contract-type split. For instance, Infosys disclosed over half its FY25 revenue came from fixed-price deals, LTIMindtree also carries significant milestone-driven projects, while Mphasis, TCS, and HCL Tech balance fixed-price engagements with steady managed-services portfolio.

Exhibit 16: Relative comparison of contract cost, asset, and liabilities, as a % of revenue of the peer set with Coforge

Company	FY21	FY22	FY23	FY24	FY25
Contract Costs					
Coforge	*1.1%*	*0.9%*	*0.8%*	*0.9%*	*2.7%*
Mphasis	1.2%	1.0%	0.8%	1.3%	0.8%
LTIMindtree	0.8%	1.2%	1.0%	1.2%	1.5%
Infosys	2.3%	1.7%	1.3%	2.0%	2.3%
TCS	0.4%	0.5%	0.5%	0.5%	0.5%
HCL Tech	2.8%	3.0%	2.5%	2.0%	1.6%
Contract Assets					
Coforge	*1.5%*	*2.0%*	*2.0%*	*2.1%*	*2.1%*
Mphasis	0.6%	1.4%	1.4%	0.1%	0.6%
LTIMindtree	2.6%	4.0%	4.0%	2.6%	1.9%
Infosys	0.5%	0.5%	0.5%	0.3%	0.3%
TCS	0.2%	0.2%	0.3%	0.3%	0.3%
HCL Tech	0.4%	0.6%	0.6%	1.0%	1.2%
Contract Liabilities					
Coforge	*1.1%*	*0.9%*	*0.8%*	*0.9%*	*2.7%*
Mphasis	1.2%	1.0%	0.8%	1.3%	0.8%
LTIMindtree	0.8%	1.2%	1.0%	1.2%	1.5%
Infosys	0.4%	0.5%	0.5%	0.5%	0.5%
TCS	0.1%	0.1%	0.1%	0.1%	0.1%
HCL Tech	4.8%	4.7%	4.6%	4.7%	4.9%

Source: Company, Emkay Research

Exhibit 17: Discount as a % of revenue increased to 1.4% in FY25

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Discount (incl volume discount) and others (Rs mn)	(65)	(148)	(55)	(542)	(504)	(614)	(573)	(1,699)
Discount as a % of revenue as per contracted price	-0.2%	-0.4%	-0.1%	-1.1%	-0.8%	-0.8%	-0.6%	-1.4%

Source: Company, Emkay Research

Exhibit 18: Decreasing share of the executable order book as a % of order intake indicating higher long-tenure deal structure

Particulars (USD mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25		Chg YoY
Revenue (A)	531	590	628	863	1,005	1,122	1,448		**30%**
	FY18	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**Chg YoY**
Order intake (B)	507	646	749	780	1,154	1,265	1,972	3,456	**75%**
Executable order book for the next 12 months (C)	339	390	468	520	720	869	1,019	1,505	**48%**
% share of revenue (C/A)	*64%*	*66%*	*75%*	*60%*	*72%*	*77%*	*70%*	*80%**	
% share of order intake (C/B)	*67%*	*60%*	*62%*	*67%*	*62%*	*69%*	*52%*	*44%*	

*Source: Company, Emkay Research; Note: * based on our FY26 estimated revenue*

Exhibit 19: RPO increased ~17x YoY, possibly led by the Sabre deal; the revenue to be recognized in the next 12M grew ~4x YoY

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Chg YoY
Remaining Performance Obligations (RPO)	1,182	1,596	4,254	3,789	5,591	7,033	121,640	**17x**
RPO expected to be recognized as revenue in next 12M	1,024	1,512	2,128	2,033	3,283	3,710	14,257	**4x**
As a % of LTM revenue	*3.4%*	*4.1%*	*5.1%*	*4.4%*	*5.1%*	*4.6%*	*15.5%*	

Source: Company, Emkay Research

Exhibit 20: Finance cost profile over FY22-25 with elevated levels in FY25

Particulars (Rs mn)	FY22	FY23	FY24	FY25	Chg YoY
Finance costs	**650**	**806**	**1,255**	**1,347**	**7%**
Interest on borrowings (A)	479	598	926	871	**-6%**
Bank and financial charges (B)	41	38	50	54	**8%**
Unwinding of discounts (C)	130	170	279	422	**51%**
Average debt (D)	1,775	3,464	3,874	5,686	**47%**
Average lease liabilities (E)	1,082	1,796	2,567	3,297	**28%**
Interest as a % of Average debt ((A+B)/D)	*29%*	*18%*	*25%*	*16%*	
Discount as a % of Average lease liabilities (C/E)	*12%*	*9%*	*11%*	*13%*	

Source: Company, Emkay Research

Other key takeaways

Progress and developments in AI/Gen AI

- **Enterprise Enablement.** Coforge has embedded AI into the core of its business model, operating as an AI-first enterprise.
  - The AI Spark program has ensured broad-based enablement, with ~95% of employees trained in AI and GenAI through role-based learning tracks. This creates a workforce capable of embedding AI into solution design, engineering, and delivery.
  - In addition, Coforge has adopted GitHub Copilot across its developer base. Preliminary results show ~25% faster code writing and ~50% higher developer satisfaction, signaling broad-based productivity improvements from early-stage AI enablement (Exhibit 21).
- **Data and AI Modernization.** Coforge's modernization framework ensures that enterprises are AI-ready at the data layer, addressing one of the biggest adoption hurdles for GenAI.
  - It applies a '6+2 Data Modernization' framework: six modernization tracks (appliance retirement, pipeline modernization, database upgrades, ML lifecycle modernization, governance, report rationalization) plus two accelerators (Data4AI and AI4Data).
  - *Data4AI* focuses on preparing enterprise data for AI by building feature stores, vector stores, and RAG pipelines.
  - *AI4Data* automates ingestion, schema mapping, and validation to speed up AI-readiness of data.
  - Proprietary accelerators such as CodeXpress, MigXpress, and IngestXpress shorten migration and transformation cycles, allowing faster AI deployment.
- **Coforge AI marketplace**, Quasar, encapsulates solutions, and accelerators built on technologies such as GenAI, SpeechAI, VisionAI, and ConversationalAI, hosting industry-specific use cases. It integrates more than 23 LLMs and has been used in over 200 industry use cases, such as collection management, fraud detection, wealth advisory, and insurance quote creation.

Engineering and Cloud Capabilities

Coforge's engineering strategy is structured around five critical pillars:

- *Product Engineering* to build modular, cloud-ready, and scalable digital products.
- *System Integration* to enable interoperability across legacy systems, APIs, SaaS platforms, and real-time data pipelines.
- *Software Development Lifecycle Acceleration* embedding AI, DevSecOps, and automation to reduce time-to-market and enhance engineering quality.
- *Modern Application Managed Services (AMS)* shifting from traditional models to intelligent, automated, and outcome-driven service delivery.
- *Legacy Modernization* transforming aging systems into agile, cloud-native platforms while safeguarding past investments.

Exhibit 21: Select Gen AI use cases delivered by Coforge across industries

Industry	AI/GenAI Applications	Probable Impact
Insurance	AI-powered underwriting workbench using Quasar + Microsoft Azure OpenAI	70% productivity improvement; near-zero error rates
Travel & Hospitality	Automated travel policy scoring using AWS Bedrock + Sonnet 3.5 LLM	Reduced scoring time from 18 hours to 1 hour; improved accuracy
Retail	GenAI in quality engineering for automated test case generation and intelligent assurance	Faster product releases; reduced QA costs
Banking & Financial Services	Real-time transcription, call scoring, sentiment analysis, and next-best-action recommendation	Enhanced relationship management and client engagement
Healthcare & Life Sciences	Agentic AI for drug discovery and clinical trials	50% cost reduction; timeline reduced, from 10-15 years to 3-5 years

Source: Company, Emkay Research

Deep dive into selected subsidiaries

- **SLK Global** (now Coforge Business Process Solutions Pvt) is a business process transformation firm with strong domain expertise in BFSI and a sharp focus on the North American market.

  The acquisition has reinforced Coforge's presence in its core BFSI while unlocking meaningful cross-selling opportunities, especially for Coforge's cloud and digital services across SLK Global's client base. SLK has subsidiaries in US and Philippines (included in our analysis).

  Coforge acquired 80% stake in SLK Global over FY22-24, with the remaining stake held by Fifth Third Bancorp, one of its large clients. Since acquisition, SLK Global has delivered strong performance (~21% revenue CAGR, ~16% PAT CAGR over FY22-25) despite a weak US mortgage market.

- **Cigniti Technologies**, acquired in FY25, is an AI and IP led Digital Assurance and Digital Engineering Services company. The business has been fully integrated into Coforge and is contributing meaningfully to overall growth, with visible cross-sell and synergy benefits.

  Its capabilities could strengthen Coforge's offerings in platform modernization, cloud-native transformation, hyper-automation, and AI-led product engineering across key sectors such as BFSI, Healthcare, Retail, and Hi-Tech, supporting the company's strong deal momentum and order book growth.

Exhibit 22: SLK has performed well, with revenue CAGR of ~21% post-acquisition by Coforge

Particulars (Rs mn)	FY22	FY23	FY24	FY25	CAGR (FY22-25)
Revenue	7,607	9,205	11,407	13,479	**21%**
% YoY		*21%*	*24%*	*18%*	
Profit Before Tax	1,578	1,738	1,943	2,350	**14%**
% YoY		*10%*	*12%*	*21%*	
% PBT margin	*21%*	*19%*	*17%*	*17%*	
Profit After Tax	1,256	1,472	1,678	1,970	**16%**
% YoY		*17%*	*14%*	*17%*	
% PAT margin	*17%*	*16%*	*15%*	*15%*	

Source: Company, Emkay Research; Note: SLK group companies—Business Process Solutions Pvt (India), erstwhile SLK Global Solutions Private, is the holding company. Its subsidiaries are Coforge BPS America Inc (USA) and Coforge BPS Philippines Inc (Philippines). Its step-down subsidiary is Coforge BPS North Carolina LLC (USA)

Exhibit 23: Operating performance of recently acquired entity Cigniti

Particulars (Rs mn)	FY22	FY23	FY24	FY25
Revenue	12,418	16,476	18,150	20,143
YoY chg		*33%*	*10%*	*11%*
Profit before Tax	1,215	2,216	2,204	2,720
YoY chg		*82%*	*-1%*	*23%*
PBT margin	*10%*	*13%*	*12%*	*14%*
Profit after Tax	917	1,683	1,656	2,002
YoY chg		*83%*	*-2%*	*21%*
PAT margin	*7%*	*10%*	*9%*	*10%*

Source: Company, Emkay Research

ESOP expenses grew 1.8x in FY25; total grants rise with KMPs holding more, although proportion remains unchanged

- The total number of outstanding ESOPs has seen a ~2x increase, from FY18 to FY25, with FY25 ESOP cost reaching a peak of Rs1.7bn (1.4% of revenue).
- FY25 was a standout year for new option grants. The company issued the largest annual grant during this period. A substantial portion of this was allocated to the top leadership team under the 'Coforge ESOP 2005 Scheme'.
- The large grants made to the CEO and President in FY25 are structured as long-term incentives. The vesting period for these options is set for FY26-31, aligning the executives' interests with the company's long-term growth.

Exhibit 24: Total ESOP expenses incurred by Coforge over the past 8 years; peaked as a % of revenue in FY25

Particulars (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Chg YoY
ESOP	97	76	63	464	382	574	943	1,731	**84%**
Revenue	29,914	36,762	41,839	46,628	64,320	80,146	91,790	120,507	**31%**
As a % of revenue	0.3%	0.2%	0.2%	1.0%	0.6%	0.7%	1.0%	1.4%	

Source: Company, Emkay Research

Exhibit 25: ESOP trend over FY18-25; granted maximum ESOPs in FY25

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Opening balance	1,091,580	1,202,420	968,340	1,719,230	1,574,493	1,340,822	1,338,421	577,684
Granted during the year	303,550	204,070	1,532,230	32,875	302,000	276,480	326,347	1,645,100
Exercised during the year	(93,950)	(327,750)	(710,685)	(54,080)	(320,803)	(173,928)	(733,912)	(188,297)
Forfeited/ lapsed during the year	(98,760)	(110,400)	(70,655)	(123,532)	(214,868)	(104,953)	(353,172)	(116,962)
Closing balance	**1,202,420**	**968,340**	**1,719,230**	**1,574,493**	**1,340,822**	**1,338,421**	**577,684**	**1,917,525**

Source: Company, Emkay Research; Note: The numbers above do not consider that the 1:5 split of shares was effective 4-Jun-25

Exhibit 26: Share options held by key managerial personnel of the company's 'Stock Option Plan 2005'

			Closing options as on	
Grant date	**Expiry date**	**Exercise price**	**31-Mar-24**	**31-Mar-25**
FY19-20	31-Dec-28 to 30-Sep-30	10	69,720	8,091
FY21-22	30-Sep-29 to 30 -Sep-30	10	2,867	2,867
FY23-24	31-Dec-25 to 30-Jan-30	10	142,000	137,721
FY24-25	31-Dec-25 to 30-Sep-31	10	-	525,000
FY24-25	1-Oct-30 to 29-Sep-31	5,511	-	50,000
ESOPs held by KMPs			**214,587**	**723,679**
ESOPs held by KMPs/Total ESOPs (%)			**37.1%**	**37.7%**

Source: Company, Emkay Research; Note: The numbers above do not consider that the 1:5 split of shares was effective 4-Jun-25

Exhibit 27: Grants issued to the leadership team during FY25, under Coforge ESOP 2005 Scheme

Name	Designation	ESOP granted during FY25* (mn)	Face Value	Exercise price per ESOP	Vesting Period
Sudhir Singh	CEO and Executive Director	1.75	2	2	FY26-31
Gautam Samanta	President and Executive Director	0.5	2	2	FY26-31

*Source: Company, Emkay Research; Note: * All grants have performance-based vesting and the number of grants reflected above considers a 1:5 split of shares, effective 4-Jun-25*

Exhibit 28: Remuneration paid to Executive Director

Name title	Designation	Remuneration in FY25 (Rs mn)	Remuneration in FY24 (Rs mn)	% increase in remuneration in FY25 over FY24	Ratio of remuneration to median remuneration of employees	Median remuneration of employees (Rs mn)
Sudhir Singh	CEO and Executive Director	361.2	1,051.2	-65.6%	190.1	1.9
Gautam Samanta	Executive Director	102.8	166.7*	NA	54.1	1.9

*Source: Company, Emkay Research; Note: *An amount of Rs166.7mn was paid to Gautam Samanta as remuneration during FY24 in his capacity as President of the company*

Exhibit 29: Senior management personnel appointment during FY24-25

Senior Management	Designation	Effective Date
Pankaj Khanna	Chief People Officer	1-Apr-24
Anup Kumar	EVP - Head of M&A	2-Jul-24
Vikrant Karnik	EVP and HBU leader for Digital, Data, AI, and CIMS	2-Jul-24
Sunil Fernandes	EVP - Global Delivery Head	22-Jul-24

Source: Company, Emkay Research

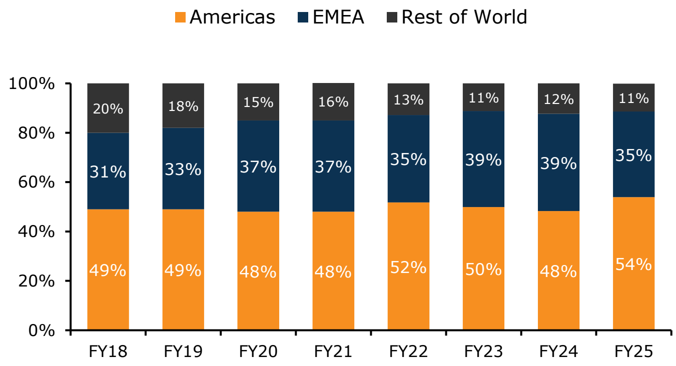
Exhibit 30: Changes in estimates

(Rs mn)	FY26E			FY27E			FY28E		
	Old	New	Change	Old	New	Change	Old	New	Change
Revenue (USD mn)	1,871	1,871	0.0%	2,154	2,154	0.0%	2,477	2,477	0.0%
YoY growth	29.4%	29.4%		15.1%	15.1%		15.0%	15.0%	
Revenue	160,424	160,424	0.0%	188,458	188,458	0.0%	218,000	218,000	0.0%
EBIT	21,477	21,493	0.1%	25,496	25,447	-0.2%	29,699	29,737	0.1%
EBIT margin (%)	13.4	13.4		13.5	13.5		13.6	13.6	
Net Profit	14,109	14,164	0.4%	16,274	16,583	1.9%	19,661	20,197	2.7%
EPS (Rs)	42.2	42.4	0.4%	48.7	49.6	1.9%	58.8	60.4	2.7%

Source: Company, Emkay Research

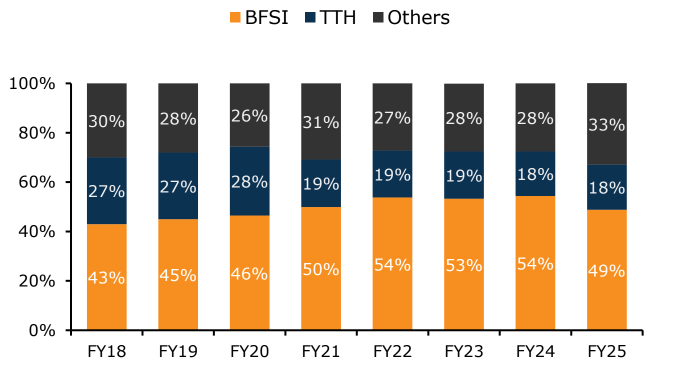
Story in Charts

Exhibit 31: Revenue contribution across geographies largely steady



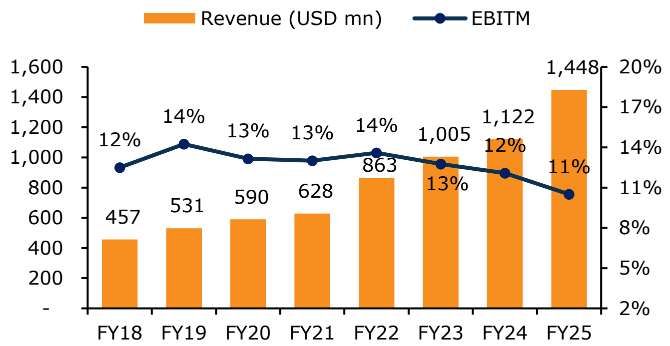
Source: Company, Emkay Research

Exhibit 32: Vertical-wise evolving revenue mix, indicating diversification at play (TTH share reduced from FY18 to FY25)



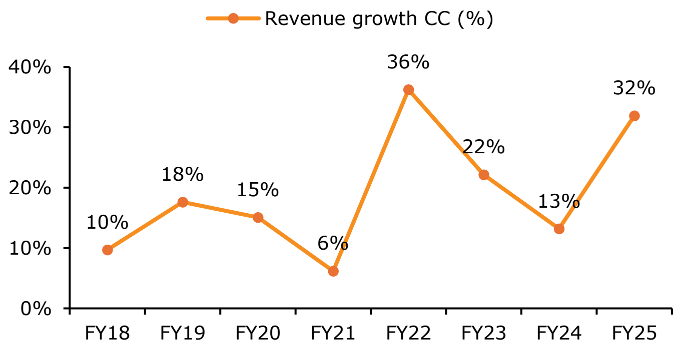
Source: Company, Emkay Research; Note – 'Others' include 'Government Outside India' wef FY24

Exhibit 33: Revenue growth and developing margin profile



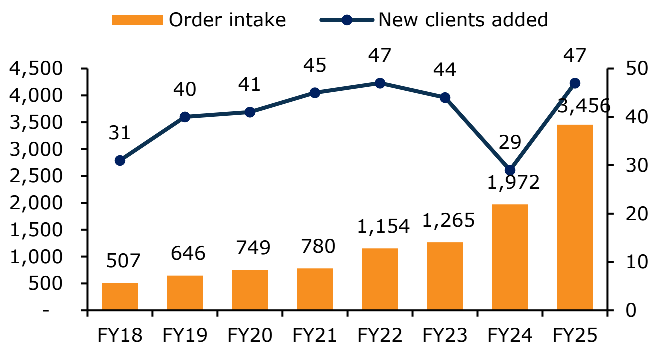
Source: Company, Emkay Research

Exhibit 34: Strong and consistent revenue growth performance



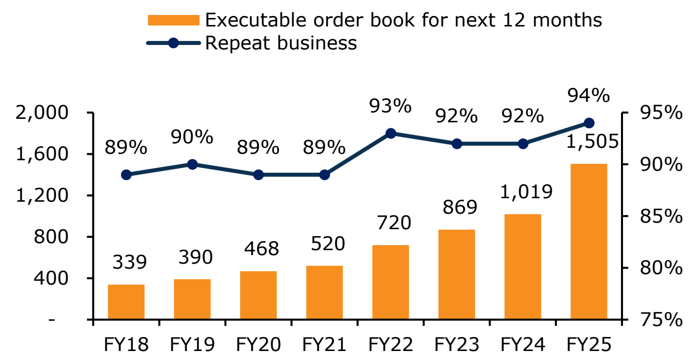
Source: Company, Emkay Research

Exhibit 35: Order intake grew ~6x from FY18 to FY25, with steady new-client addition



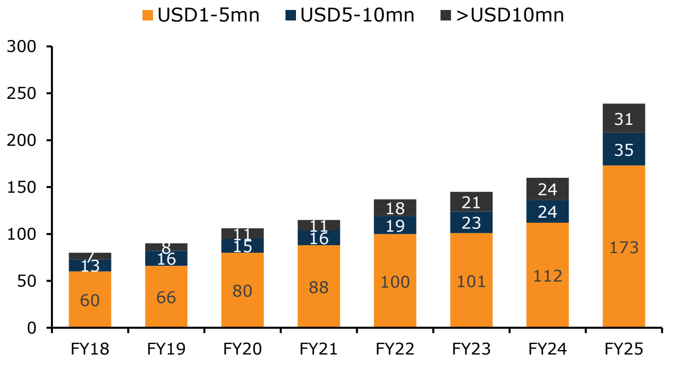
Source: Company, Emkay Research

Exhibit 36: Around 5x increase in the executable order book from FY18 to FY25, with repeat business inching up steadily



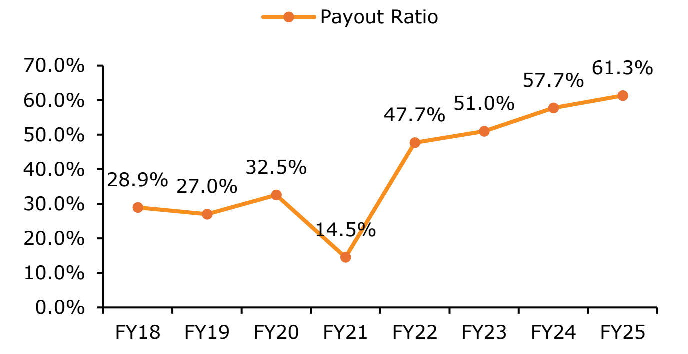
Source: Company, Emkay Research

Exhibit 37: Increasing large-client relationships



Source: Company, Emkay Research

Exhibit 38: Payout has been consistently increasing since the past few years



Source: Company, Emkay Research

Coforge: Consolidated Financials and Valuations

Profit & Los

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	**91,790**	**120,507**	**160,424**	**188,458**	**218,000**
Revenue growth (%)	14.5	31.3	33.1	17.5	15.7
EBITDA	**14,277**	**16,937**	**28,226**	**33,255**	**38,253**
EBITDA growth (%)	11.5	18.6	66.7	17.8	15.0
Depreciation & Amortization	3,186	4,276	6,733	7,808	8,516
EBIT	**11,091**	**12,661**	**21,493**	**25,447**	**29,737**
EBIT growth (%)	8.5	14.2	69.8	18.4	16.9
Other operating income	-	-	-	-	-
Other income	614	1,647	217	564	1,169
Financial expense	1,256	1,347	1,899	1,670	1,452
PBT	**10,449**	**12,961**	**19,811**	**24,341**	**29,454**
Extraordinary items	0	0	(291)	0	0
Taxes	2,093	3,326	4,759	6,085	7,364
Minority interest	(276)	(1,514)	(888)	(1,673)	(1,894)
Income from JV/Associates	-	-	-	-	-
Reported PAT	**8,080**	**8,121**	**13,873**	**16,583**	**20,197**
PAT growth (%)	19.0	0.5	70.8	19.5	21.8
Adjusted PAT	**8,080**	**8,121**	**14,164**	**16,583**	**20,197**
Diluted EPS (Rs)	**26.1**	**24.3**	**42.4**	**49.6**	**60.4**
Diluted EPS growth (%)	9.2	(7.1)	74.4	17.1	21.8
DPS (Rs)	**15.5**	**15.2**	**16.0**	**19.0**	**23.2**
Dividend payout (%)	**59.2**	**62.8**	**38.6**	**38.3**	**38.4**
EBITDA margin (%)	15.6	14.1	17.6	17.6	17.5
EBIT margin (%)	12.1	10.5	13.4	13.5	13.6
Effective tax rate (%)	20.0	25.7	24.0	25.0	25.0
NOPLAT (pre-IndAS)	**8,869**	**9,412**	**16,330**	**19,085**	**22,303**
Shares outstanding (mn)	309	334	334	334	334

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	618	669	669	669	669
Reserves & Surplus	35,648	63,123	71,645	81,874	94,312
Net worth	**36,266**	**63,792**	**72,314**	**82,543**	**94,981**
Minority interests	1,003	19,498	20,386	22,059	23,953
Non-current liab. & prov.	(5,117)	(3,286)	(3,286)	(3,286)	(3,286)
Total debt	**4,366**	**7,005**	**6,000**	**3,000**	**2,000**
Total liabilities & equity	**39,412**	**90,708**	**99,809**	**109,479**	**123,620**
Net tangible fixed assets	4,760	7,837	11,976	11,062	9,960
Net intangible assets	4,395	11,296	10,578	8,667	6,587
Net ROU assets	2,637	3,399	3,935	4,142	4,018
Capital WIP	232	4,131	200	200	200
Goodwill	11,738	38,430	40,930	40,930	40,930
Investments [JV/Associates]	0	1,457	0	0	0
Cash & equivalents	**3,352**	**8,832**	**12,430**	**20,229**	**32,678**
Current assets (ex-cash)	28,380	44,055	55,004	64,604	74,722
Current Liab. & Prov.	16,082	28,729	35,243	40,355	45,474
NWC (ex-cash)	**12,298**	**15,326**	**19,760**	**24,249**	**29,248**
Total assets	**39,412**	**90,708**	**99,809**	**109,479**	**123,620**
Net debt	1,014	(1,827)	(6,430)	(17,229)	(30,678)
Capital employed	39,412	90,708	99,809	109,479	123,620
Invested capital	**33,191**	**72,889**	**83,244**	**84,908**	**86,724**
BVPS (Rs)	117.3	190.8	216.2	246.8	284.0
Net Debt/Equity (x)	-	-	(0.1)	(0.2)	(0.3)
Net Debt/EBITDA (x)	0.1	(0.1)	(0.2)	(0.5)	(0.8)
Interest coverage (x)	9.3	10.6	11.4	15.6	21.3
RoCE (%)	**30.5**	**21.7**	**23.0**	**25.2**	**27.0**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	10,449	12,536	19,520	24,341	29,454
Others (non-cash items)	5,046	6,483	6,733	7,808	8,516
Taxes paid	(3,661)	(3,959)	(4,759)	(6,085)	(7,364)
Change in NWC	(2,800)	(2,689)	(2,234)	(3,721)	(4,189)
Operating cash flow	**9,034**	**12,371**	**19,260**	**22,343**	**26,417**
Capital expenditure	(2,598)	(5,572)	(9,259)	(5,190)	(5,210)
Acquisition of business	0	(20,810)	0	0	0
Interest & dividend income	120	714	0	0	0
Investing cash flow	**(2,478)**	**(24,483)**	**(9,306)**	**(5,190)**	**(5,210)**
Equity raised/(repaid)	7	22,015	-	0	0
Debt raised/(repaid)	(2,556)	2,139	(1,005)	(3,000)	(1,000)
Payment of lease liabilities	0	(866)	0	0	0
Interest paid	-	-	-	-	-
Dividend paid (incl tax)	(4,781)	(5,097)	(5,351)	(6,354)	(7,759)
Others	(1,540)	(1,438)	0	0	0
Financing cash flow	**(8,870)**	**16,753**	**(6,356)**	**(9,354)**	**(8,759)**
Net chg in Cash	(2,314)	4,641	3,598	7,799	12,449
OCF	9,034	12,371	19,260	22,343	26,417
Adj. OCF (w/o NWC chg.)	11,834	15,060	21,494	26,064	30,607
FCFF	6,436	6,799	10,001	17,153	21,207
FCFE	5,300	6,166	8,102	15,483	19,755
OCF/EBITDA (%)	63.3	73.0	68.2	67.2	69.1
FCFE/PAT (%)	65.6	75.9	58.4	93.4	97.8
FCFF/NOPLAT (%)	**72.6**	**72.2**	**61.2**	**89.9**	**95.1**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	67.3	72.4	42.4	35.5	29.1
EV/CE(x)	13.1	6.0	5.5	5.1	4.5
P/B (x)	15.0	9.2	8.1	7.1	6.2
EV/Sales (x)	5.9	4.5	3.4	2.9	2.5
EV/EBITDA (x)	38.2	32.2	19.3	16.4	14.2
EV/EBIT(x)	49.1	43.0	25.3	21.4	18.3
EV/IC (x)	16.4	7.5	6.5	6.4	6.3
FCFF yield (%)	1.2	1.2	1.8	3.1	3.9
FCFE yield (%)	0.9	1.0	1.4	2.6	3.4
Dividend yield (%)	0.9	0.9	0.9	1.1	1.3
DuPont-RoE split					
Net profit margin (%)	8.8	6.7	8.8	8.8	9.3
Total asset turnover (x)	2.7	1.9	1.8	1.9	1.9
Assets/Equity (x)	1.0	1.2	1.3	1.3	1.3
RoE (%)	**24.1**	**16.2**	**20.8**	**21.4**	**22.8**
DuPont-RoIC					
NOPLAT margin (%)	9.7	7.8	10.2	10.1	10.2
IC turnover (x)	3.1	2.3	2.1	2.2	2.5
RoIC (%)	**29.8**	**17.7**	**20.9**	**22.7**	**26.0**
Operating metrics					
Core NWC days	48.9	46.4	45.0	47.0	49.0
Total NWC days	**48.9**	**46.4**	**45.0**	**47.0**	**49.0**
Fixed asset turnover	3.0	2.3	2.0	2.2	2.4
Opex-to-revenue (%)	84.3	85.9	82.4	82.4	82.5

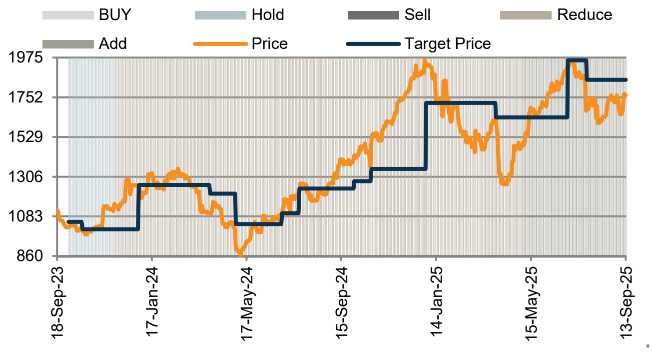
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
25-Jul-25	1,689	1,850	Add	Dipeshkumar Mehta
01-Jul-25	1,923	1,960	Add	Dipeshkumar Mehta
06-May-25	1,485	1,640	Add	Dipeshkumar Mehta
31-Mar-25	1,622	1,640	Reduce	Dipeshkumar Mehta
24-Jan-25	1,847	1,720	Reduce	Dipeshkumar Mehta
01-Jan-25	1,926	1,720	Reduce	Dipeshkumar Mehta
29-Dec-24	1,890	1,350	Reduce	Dipeshkumar Mehta
23-Oct-24	1,512	1,350	Reduce	Dipeshkumar Mehta
01-Oct-24	1,425	1,280	Reduce	Dipeshkumar Mehta
23-Jul-24	1,236	1,240	Reduce	Dipeshkumar Mehta
01-Jul-24	1,104	1,100	Reduce	Dipeshkumar Mehta
09-Jun-24	1,086	1,040	Reduce	Dipeshkumar Mehta
03-Jun-24	1,003	1,040	Reduce	Dipeshkumar Mehta
27-May-24	1,053	1,040	Reduce	Dipeshkumar Mehta
03-May-24	897	1,040	Reduce	Dipeshkumar Mehta
31-Mar-24	1,100	1,210	Reduce	Dipeshkumar Mehta
01-Mar-24	1,301	1,260	Reduce	Dipeshkumar Mehta
23-Jan-24	1,240	1,260	Reduce	Dipeshkumar Mehta
31-Dec-23	1,255	1,260	Reduce	Dipeshkumar Mehta
30-Nov-23	1,152	1,010	Reduce	Dipeshkumar Mehta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

GENERAL DISCLOSURE/DISCLAIMER BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Emkay Global Financial Services Limited (CIN-L67120MH1995PLC084899) and its affiliates are a full-service, brokerage, investment banking, investment management and financing group. Emkay Global Financial Services Limited (EGFSL) along with its affiliates are participants in virtually all securities trading markets in India. EGFSL was established in 1995 and is one of India's leading brokerage and distribution house. EGFSL is a corporate trading member of BSE Limited (BSE), National Stock Exchange of India Limited (NSE), MCX Stock Exchange Limited (MCX-SX), Multi Commodity Exchange of India Ltd (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) (hereinafter referred to be as "Stock Exchange(s)"). EGFSL along with its [affiliates] offers the most comprehensive avenues for investments and is engaged in the businesses including stock broking (Institutional and retail), merchant banking, commodity broking, depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.emkayglobal.com.

EGFSL is registered as Research Analyst with the Securities and Exchange Board of India ("SEBI") bearing registration Number INH000000354 as per SEBI (Research Analysts) Regulations, 2014. EGFSL hereby declares that it has not defaulted with any Stock Exchange nor its activities were suspended by any Stock Exchange with whom it is registered in last five years. However, SEBI and Stock Exchanges had conducted their routine inspection and based on their observations have issued advice letters or levied minor penalty on EGFSL for certain operational deviations in ordinary/routine course of business. EGFSL has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

EGFSL offers research services to its existing clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the clients simultaneously, not all clients may receive this report at the same time. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient.

EGFSL and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. EGFSL may have issued or may issue other reports (on technical or fundamental analysis basis) of the same subject company that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Users of this report may visit www.emkayglobal.com to view all Research Reports of EGFSL. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of EGFSL; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. All material presented in this report, unless specifically indicated otherwise, is under copyright to Emkay. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of EGFSL . All trademarks, service marks and logos used in this report are trademarks or registered trademarks of EGFSL or its affiliates. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

This report has not been reviewed or authorized by any regulatory authority. There is no planned schedule or frequency for updating research report relating to any issuer/subject company.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Disclaimer for U.S. persons only: Research report is a product of Emkay Global Financial Services Ltd., under Marco Polo Securities 15a6 chaperone service, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of Financial Institutions Regulatory Authority (FINRA) or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor. In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors. Emkay Global Financial Services Ltd. has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

RESTRICTIONS ON DISTRIBUTION

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. Except otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom.

ANALYST CERTIFICATION BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL)

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible of the content of this research report, in part or in whole, certifies that he or his associated persons1 may have served as an officer, director or employee of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant). The research analyst(s) primarily responsible for the content of this research report or his associate may have Financial Interests2 in relation to an issuer or a new listing applicant that the analyst reviews. EGFSL has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the EGFSL and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of EGFSL compensation to any specific investment banking function of the EGFSL.

[1] An associated person is defined as (i) who reports directly or indirectly to such a research analyst in connection with the preparation of the reports; or (ii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

[2] Financial Interest is defined as interest that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at the arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES BY EMKAY GLOBAL FINANCIAL SERVICES LIMITED (EGFSL):

Disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report-:

1. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her associate/relative's may have Financial Interest/proprietary positions in the securities recommended in this report as of September 16, 2025
2. EGFSL, and/or Research Analyst does not market make in equity securities of the issuer(s) or company(ies) mentioned in this Report

Disclosure of previous investment recommendation produced:

3. EGFSL may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by EGFSL in the preceding 12 months.
4. EGFSL, its subsidiaries and/or other affiliates and Research Analyst or his/her relative's may have material conflict of interest in the securities recommended in this report as of September 16, 2025
5. EGFSL, its affiliates and Research Analyst or his/her associate/relative's may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the September 16, 2025
6. EGFSL or its associates may have managed or co-managed public offering of securities for the subject company in the past twelve months.
7. EGFSL, its affiliates and Research Analyst or his/her associate may have received compensation in whatever form including compensation for investment banking or merchant banking or brokerage services or for products or services other than investment banking or merchant banking or brokerage services from securities recommended in this report (subject company) in the past 12 months.
8. EGFSL, its affiliates and/or and Research Analyst or his/her associate may have received any compensation or other benefits from the subject company or third party in connection with this research report.

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	>15% upside
ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

Emkay Global Financial Services Ltd.
CIN - L67120MH1995PLC084899
7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

OTHER DISCLAIMERS AND DISCLOSURES:

Other disclosures by Emkay Global Financial Services Limited (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) -:

EGFSL or its associates may have financial interest in the subject company.

Research Analyst or his/her associate/relative's may have financial interest in the subject company.

EGFSL or its associates and Research Analyst or his/her associate/ relative's may have material conflict of interest in the subject company. The research Analyst or research entity (EGFSL) have not been engaged in market making activity for the subject company.

EGFSL or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst or his/her associate/relatives may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of public appearance or publication of Research Report.

Research Analyst may have served as an officer, director or employee of the subject company.

EGFSL or its affiliates may have received any compensation including for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. . Emkay may have issued or may issue other reports that are inconsistent with and reach different conclusion from the information, recommendations or information presented in this report or are contrary to those contained in this report. Emkay Investors may visit www.emkayglobal.com to view all Research Reports. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the research published by any other analyst or by associate entities of Emkay; our proprietary trading, investment businesses or other associate entities may make investment decisions that are inconsistent with the recommendations expressed herein. EGFSL or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. EGFSL or its associates may have received any compensation or other benefits from the Subject Company or third party in connection with the research report. EGFSL or its associates may have received compensation from the subject company in the past twelve months. Subject Company may have been client of EGFSL or its affiliates during twelve months preceding the date of distribution of the research report and EGFSL or its affiliates may have co-managed public offering of securities for the subject company in the past twelve months.

Seshadri Kumar Sen

Digitally signed by Seshadri Kumar Sen
Date: 2025.09.16 03:06:06 +05'30'