MIRAE ASSET Sharekhan

Stock Update

Company Update

Coforge Ltd

Bets big on AI-native firm; Execution - Outcome Decider

IT & ITES	Sharekhan code: COFORGE
Reco/View: Buy ⇔	CMP: **Rs. 1,682**
	Price Target: **Rs. 2,133** ⇔

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

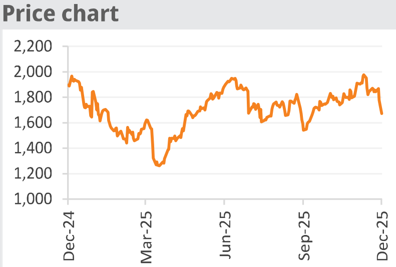
Company details

Market cap:	Rs. 56,369 cr
52-week high/low:	Rs. 2,005/1,194
NSE volume: (No of shares)	17.5 lakh
BSE code:	532541
NSE code:	COFORGE
Free float: (No of shares)	34.4 cr

Shareholding (%)

Promoters	-
FII	34.1
DII	54.9
Others	11.0

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-12.3	8.7	-12.9	-11.5
Relative to Sensex	-11.6	2.9	-14.5	-19.5

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Coforge has approved the acquisition of Encora for an enterprise value of $2.35 billion; Encora's consolidated turnover stood at $516 million and $600 million for FY25 and FY26E, respectively, reflecting a P/S valuation of 4.6x and 3.9x on FY25 and FY26E.
- Acquisition is slightly pricier versus Coforge's valuation. Coforge's FY26E P/S stands at 3.5x.
- Acquisition strategically strengthens exposure to high-growth Hi-Tech and Healthcare segments, positioning Coforge favorably in AI-intensive engineering services, leveraging Encora's established AI-native platforms and agentic frameworks.
- We expect revenue/EBITDA/PAT CAGR of 21.3%/26.3%/31.0% respectively, (ex-Encora's numbers). At CMP, Coforge trades at 29.5x and 25.8x on FY27E and FY28E, respectively. We value the stock at 33x on FY28E EPS with a PT of Rs. 2,133 and a Buy rating.

Transaction details: Coforge's board has approved acquisition of Encora, a US-based AI-native digital engineering firm, valued at an enterprise value of $2.35 billion ($1.89 billion equity value and $550 million to be raised via QIP or a bridge loan to retire Encora's loan). The deal is expected to be closed in 4-6 months, subject to regulatory approvals. Coforge believes that the deal would not be EPS dilutive on a consolidated basis due to Encora's strong margins and the consequent synergies. Encora will hold a 21.25% stake post-issue in Coforge, with the right to nominate two directors on the board. The consideration has been agreed at a share price of Rs 1,815 per share

The Encora Group's consolidated turnover for FY26E is $600 million with adjusted EBITDA at 19%. Consolidated turnover of the target Companies for FY23, FY24 and FY25 is $414 million, $481 million and $516 million, respectively. The combined business is expected to operate at an EBIT margin of 14% post amortization of intangibles that will be created as part of the purchase price allocation for this acquisition.

Acquisition rationale: This centers on bolstering Coforge's AI-driven engineering services capabilities, leveraging Encora's established AI-native platforms and agentic frameworks. Vertically, the transaction significantly enhances exposure to high-growth hi-tech and healthcare segments, supporting Coforge's strategic focus on engineering-led industries with superior spend visibility and robust AI application potential. Coforge's prior acquisitions (SLK Global and Cigniti) were successfully executed, demonstrating successful integration, effective client mining, and subsequent margin expansion. However, the Encora acquisition differs notably, being primarily a capability-driven transaction rather than client-centric, with meaningful value realization being dependent on execution.

Our Call

We maintain a Buy rating on Coforge, led by a robust executable order book and resilient client spending across key verticals, supporting solid organic growth traction. The Encora deal strategically strengthens exposure to the high-growth Hi-Tech and Healthcare segments, positioning Coforge favorably in AI-intensive engineering services. Our current estimates and valuation exclude Encora's financial contribution for now. We continue to view Coforge as a structurally strong mid-tier IT services name, well-placed to benefit from vendor consolidation, cost-optimization programs, and strong orderbook. While long-term value creation will hinge on effective integration, management's proven track record in prior acquisitions delivering revenue synergies and margin expansion bolsters our confidence in a successful outcome. We value Coforge at 33x on FY28E EPS with a price target (PT) of Rs. 2,133.

Key Risks

Successful value creation from the deal hinges critically on integration execution and synergy realization, leadership retention, margin and cost discipline during the integration phase, as well as the trajectory of post-deal amortization charges and their impact on reported earnings—any slippage in these areas could materially impair long-term returns. Rupee appreciation and/or adverse cross-currency movements, macro headwinds and a possible recession in the US could moderate the pace of technology spends.

Valuation (Consolidated) Rs cr

Particulars	FY25	FY26E	FY27E	FY28E
Total Revenue	12,051	16,253	18,922	21,520
EBITDA margin %	16.6	17.9	18.3	18.7
Adjusted Net Profit	997	1,558	1,961	2,240
% YoY growth	24.1	56.2	25.9	14.2
EPS (Rs)	29.6	45.3	57.1	65.2
PER (x)	52.6	37.1	29.5	25.8
P/BV (x)	8.1	7.6	6.5	5.5
EV/EBITDA	28.1	18.5	15.1	12.6
ROE (%)	19.9	22.6	24.4	23.8
ROCE (%)	20.6	20.1	22.6	23.1

Source: Company; Mirae Asset Sharekhan estimates

Management Commentary

AI Pivot: Coforge views the Encora acquisition as a pivotal move that builds a strong moat in scaled AI-led engineering, data, and cloud services. Combined with Coforge's industry hyperspecialization and execution strength, it is expected to accelerate the company's already leading growth and position it as one of the first tech services firms to realize the AI-driven future. Notably, the all-stock transaction sees sellers including Advent International and Warburg Pincus rolling over their stakes without any cash exit, signalling strong confidence in the combined entity's prospects.

Overview Encora: Encora, a Silicon Valley-born digital engineering firm, is an AI-native provider of software services to Fortune 1000 enterprises and digital natives, focusing on the convergence of Cloud, Data, and AI. Its offerings include Intelligent Process Design, Agent-Native Product Engineering, Core Modernization, AI Foundation, Data Readiness, and AIOps. The flagship AIVA™ platform is a production-ready, composable agentic AI engine that enables organizations to orchestrate custom intelligent workflows. Key differentiators: a mature internal agentic platform; deep Fortune 500 penetration with multi-year client tenures; a "Human + Agent" delivery model transitioning to verticalized agents; engineering-centric talent with strong onshore/nearshore (especially LatAm) presence, avoiding labor arbitrage; and potential to build a "Services-as-Software" moat in the evolving industry.

Acquisition rationale: Coforge's acquisition of Encora will create a ~$2.5 billion technology services powerhouse with deep capabilities in AI-led engineering, cloud, and data services. The deal is highly synergistic for the following key reasons:

1. **Revenue scale in core AI services –** AI-led engineering, data, and cloud services alone are projected to generate ~$2 billion by FY27E (AI product engineering >US$1.25 billion, cloud ~US$500 million, data engineering >US$250 million).
2. **Immediate vertical scale –** The Hi-tech and healthcare verticals will reach material size instantly, each becoming ~$170 million run-rate businesses. Encora adds strong presence in Pharma, MedTech, and HealthTech, along with new AI solutions like AI-Biomed Research Assistant and Multi-omics data ingestion.
3. **Scaled nearshore delivery –** Encora brings 3,100+ LatAm-based engineers, significantly strengthening Coforge's nearshore capability for US clients.
4. **Expanded US footprint –** The deal boosts Coforge's North America revenue by ~50% to over $1.4 billion, with much higher exposure to West and Mid-West regions.
5. **High-value client relationships –** Combined entity will have 45+ US$10Mn+ scalable accounts, including 11 tenured relationships from Encora (average 10+ years), which Coforge has a proven track record of growing through cross-selling (as seen post-Cigniti acquisition).

Other details: About 20% is expected to be allocated to customer relationships with an estimated useful life of 12 years. This allocation remains subject to final evaluation.

Encora Enterprise Value (US$ Mn)	2,350
Encora Equity Value (US$ Mn)	1,897
No of Coforge shares to be allotted to sellers of Encora (Mn) (A)	93.8
Possible Size of QIP (US$ Mn)	550
No of Coforge shares to be issued to QIP Investors (Mn) (B)	27.2
Outstanding shares of Coforge as of December 24, 2025 (Mn) (C)	335.0
Coforge Shares for Cigniti merger (Mn) (D)	12.7
Outstanding shares of Coforge post-closing of Encora transaction and QIP (Mn) (A+B+C+D)	468.7

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook

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

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

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

■ Valuation

We maintain a Buy rating on Coforge, led by a robust executable order book and resilient client spending across key verticals, supporting solid organic growth traction. The Encora deal strategically strengthens exposure to the high-growth Hi-Tech and Healthcare segments, positioning Coforge favorably in AI-intensive engineering services. Our current estimates and valuation exclude Encora's financial contribution for now. We continue to view Coforge as a structurally strong mid-tier IT services name, well-placed to benefit from vendor consolidation, cost-optimization programs, and strong orderbook. While long-term value creation will hinge on effective integration, management's proven track record in prior acquisitions delivering revenue synergies and margin expansion bolsters our confidence in a successful outcome. We value Coforge at 33x on FY28E EPS with a price target (PT) of Rs. 2,133.

About company

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

Investment theme

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

Key Risks

Given the material size of the Encora transaction, successful value creation hinges critically on integration execution and synergy realization, leadership retention, margin and cost discipline during the integration phase, as well as the trajectory of post-deal amortization charges and their impact on reported earnings—any slippage in these areas could materially impair long-term returns. Rupee appreciation and/or adverse cross-currency movements. Macro headwinds and possible recession in the US can moderate the pace of technology spends.

Additional Data

Key management personnel

Name	Designation
Sudhir Singh	CEO
Saurabh Goel	CFO
Manish Hemrajani	Head – Investor Relations

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Motilal Oswal Asset Management Co	9.55
2	HDFC AMC	5.77
3	DSP Finance Pvt Ltd	4.00
4	Vanguard Group	3.97
5	Government Pension	3.18
6	Norges Bank	2.92
7	UTI AMC	2.61
8	HDFC Life Insurance	2.09
9	Blackrock	1.94
10	Goldman Sachs	1.80

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

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

Source: Mirae Asset Sharekhan Research

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

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