

SELL

TP: Rs 1,478 | ▼ 12%

COFORGE

| IT Services

| 25 July 2025

Sabre deal ramp up leads to significant revenue beat

- Sabre ramp up surprised us in 1Q. Continued ramp up in 2Q and 3Q and that of other deals leads us to USD FY26 rev. upgrade by ~11%
- FY25 and FY26 have been positively impacted by Cigniti and the Sabre deals. We think sustainable revenue growth is likely in mid-teens
- Upgrade revenue/EPS. But retain Target PE and 'SELL' Rating. ~35x Fwd PE excessive for a mid-teen growth player with risks

Revenue growth surprises but some of it is optical: The 8% QoQ CC growth with 6% organic is on the back of the Sabre deal ramp up. It may look much stronger than the 2.1% growth that we anticipated. The QoQ growth looks stronger as the discontinued business of AdvantageGo has been removed from the base quarter by the company in its calculations. In absolute USD terms the revenue for 1Q came in 2.8% higher than what we anticipated. The stronger than expected Sabre ramp up is the key reason for the outperformance in our view.

The extent of negative stock reaction is unexpected. The 9.4% post results decline of the stock on yesterday, we believe, is an over-reaction to the negative FCF quarter due to the unanticipated capex on an AI Data center (which no other Indian IT services player has attempted, at least publicly). Also, we believe the multiple moving parts of Cigniti acquisition, the AdvantageGo divestiture numbers and various one offs do give a confusing picture of the true underlying numbers and likely contributed to the negative sentiment.

Sustainable growth is likely in the mid-teens for Coforge: Considering the strong order inflow and outperformance in the quarter and the commentary around the outlook in the next 3 quarters, we have raised our USD revenue and EPS estimates significantly. While it will likely report ~32% USD revenue CAGR in FY24-FY26, largely due to the Cigniti acquisition and the Sabre deal, we believe the underlying organic sustainable revenue growth is at best in the mid-teens.

We maintain our SELL driven by our view on valuation. We keep our target multiple at 15% premium to that of TCS at 24.5x on June 27 EPS. At 35x 12 month forward EPS we think the valuation is expensive. We are also a bit nervous about the Sabre deal and its sustainability and possible growth discontinuity when there is GCC insourcing. We believe the underlying sustainable growth for the company is likely in the mid-teens.

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Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	COFORGE IN/Rs 1,676
Market cap	US\$ 6.5bn
Free float	99%
3M ADV	US\$ 27.8mn
52wk high/low	Rs 2,005/Rs 1,153
Promoter/FPI/DII	0%/37%/52%

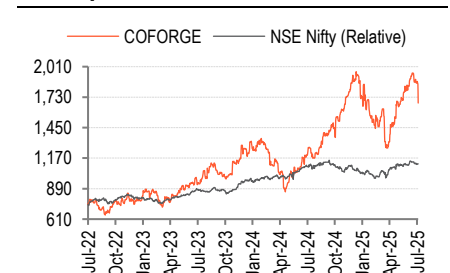
Source: NSE | Price as of 24 Jul 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	121,912	167,995	199,957
EBITDA (Rs mn)	18,332	29,844	35,285
Adj. net profit (Rs mn)	8,107	14,608	19,213
Adj. EPS (Rs)	24.5	44.9	57.5
Consensus EPS (Rs)	24.5	41.3	51.5
Adj. ROAE (%)	16.2	21.7	25.7
Adj. P/E (x)	68.5	37.3	29.1
EV/EBITDA (x)	30.5	18.7	15.8
Adj. EPS growth (%)	(6.9)	83.6	28.1

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



- **Regarding Sabre risk (as it has weak financial position):** In 4QFY25 Coforge indicated that it is working closely with the company. It also stated that Sabre delevered to some extent recently through the sale of one of its units. It also stated that Coforge has taken credit insurance on the deal. Our concern in the current situation is not so much on the receivables part, but loss of revenue and profits and possible downgrade to consensus estimates and PE derating if the Sabre deal gets adversely impacted for some reason. The deal is US\$1.56bn over 13 years.
- **GCC seems to be an outsized element:** It was indicated in 4QFY25 that GCC business constituted 10% of the revenue of Coforge. While all Indian companies recently have been touting their GCC credentials no one has put out a number on exposure. But we think no other Indian company has a GCC exposure as large as that of Coforge's. What we are concerned about on the GCC side is the potential for revenue discontinuity when there is insourcing at some point in time in the future. We have seen this repeatedly in many companies in the last 10-15 years..
- **Execution and proactive solutions the secret sauce:** the CEO noted its 8-year track record of good revenue performance has been largely due to execution excellence, being close to the customer and delivering proactive solutions. It indicated that in current times of macro driven slowdown, it depends on wallet share gains rather than an increase in budgets to drive growth.

Key Points from the quarter and the earnings call

- Revenue stood at US\$442.4mn, reflecting 8% QoQ and 51.5% YoY growth on CC basis. Organic revenue increased 5.9% QoQ on CC basis (against our estimate of 2.1% QoQ CC growth)
- EBIT margin stood at 13.1% (against our estimate of 14%); 1Q included ramp-up of the company's largest-ever signed deal
 - EBIT margin remained flat due to higher amortization of intangibles from recent acquisitions, increased depreciation from AI data center deal, higher subcontractor expenses due to acquisition, ramp-up of largest deal, and increased visa costs typically incurred in 1Q
- QoQ Growth (USD):
 - Vertical Growth - BFS: -1.1%; Insurance: 1.0%; TTH: 31.2%; Government outside India: 6.8%; Others: 12.8%
 - Geographical Growth - Americas: 13.7%; EMEA: 1.5%; RoW: 12.6%
 - Horizontal growth – Engineering: 13.5%; Intelligent Automation: 3.9%; Data and Integration: -0.3%; Cloud and Infrastructure Management (CIMS): 17.4%; Business Process Management (BPM): 5.8%
- One-time gain of US\$8.4mn from the sale of AdvantageGo business recorded. One-time gain was offset by exceptional expenses from legal costs related to a two-year-old cybersecurity breach
- A broad-based one-time employee bonus provision of US\$5mn was also recorded
- Capital expenditure for the quarter stood at US\$65mn, including US\$58 mn for an AI data center project. Total investment in the AI-powered data center over two

quarters is approximately US\$85 mn. Of the US\$85 mn total, US\$62 mn was received from a client in advance and recorded as deferred revenue. The remaining US\$23 mn was funded through a term loan at 3.5% interest rate

- Billed DSO stood at 64 days: unbilled DSO at 24 days
- Order intake totaled US\$507 mn; 5 large deals signed. The company indicated that it would sign 20 large deals in FY26
- Executable order book for NTM stands at US\$1.55 bn, up 46.9% YoY from US\$1 bn. The numbers look extraordinarily strong as they do not have Cigniti in the base quarter.
- Headcount at quarter-end stood at 34,187; Net addition of 1,164 employees QoQ
- Utilization stood at 82.1%; LTM attrition stood at 11.3%
- Three key growth drivers identified: execution intensity, hyper-specialization, and deep engineering capabilities.
- AI adoption driving client shifts from “run the business” to “grow the business” activities, expanding AI budgets

Demand Environment commentary

- The run-the-enterprise budgets continue to fluctuate due to macro uncertainties, especially tariff-related discussions and decisions.
- Discretionary spending has been reduced amid these uncertainties, but AI-driven budgets for innovation and transformation remain strong and steady.
- Large deals focus primarily on changes in the enterprise budgets, which are currently under pressure due to the volatile macro environment

Other Points:

- Coforge expects 2HFY26 to be significantly stronger than the 1H in terms of growth. It highlighted that the strong start in 1Q, with about 6% organic CC growth, will continue into 2Q, and the momentum from large deals closed earlier will drive robust growth in 2H
- The slight softness in banking and insurance this quarter is seen as a temporary variation. The pipeline remains very strong, and robust growth in BFS is expected to continue without concerns
- Firm aims to deliver 14% reported EBIT in FY26
 - Margins in 1Q stayed flat despite strong growth because of ramp-up expenses for a large deal, where costs came before billing started. Historically, 1Q margins dip due to such factors.
 - In 2Q and 3Q, margins are expected to improve as the ramp-up stabilizes, operating leverage increases, and ESOP costs decrease, although wage hikes in 3Q may partially offset this
 - Despite 1Q margins being ~13%, management anticipates 200 bps margin improvement over the next 3 quarters, supported by: Historical seasonal

operational efficiency gains in 2Q and 3Q; A reduction of 80–90 bps in ESOP-related costs beginning 3Q; A minimal impact from wage hikes

- The company maintains a strong near- and medium-term outlook for its BFS vertical, backed by solid 2Q expectations and a robust pipeline of high-probability large deals. The company expects the vertical to continue contributing significantly as it scales toward its \$2bn revenue goal
- AI and Tech Driving Growth in Banking:
 - Banks are under pressure to improve ROE due to macro uncertainties, higher interest rates, and tighter regulations. This is driving investments in technology focused on cost efficiency, product innovation, regulatory compliance, and customer retention
 - Demand is strong across commercial banking, lending, wealth management, and risk/compliance areas. Operational resilience and cloud-native architecture are now mission-critical
 - Coforge is helping banks move from AI experimentation to enterprise-scale adoption, especially in intelligent automation & advanced risk analytics. Core banking modernization is also gaining momentum, driven by the need for simplification, agility, & retiring expensive legacy systems
- The Sabre deal is expected to continue ramping up sequentially throughout the next 2 quarters, with resource loading stabilizing from 3Q onwards.
- Banking demand is seen as secular and non-discretionary, supporting long-term growth with confidence
- The company aims to maintain operating cash flow at 65-70% of EBITDA, with the balance needed for working capital to support growth
- CapEx for FY26 is expected to taper down to original levels of around 2-3% of revenues, down from the recent elevated levels
- Rs458 mn bonus given in the quarter was a one-time, discretionary payment and not part of the existing bonus structure
- Coforge clarified that most of its recent large deal wins over the past two to four quarters stem from net new revenue, not renewals. The company only classifies deals as "large" if they include at least US\$20 mn in new TCV—even when part of the deal includes existing work. This ensures internal accountability and a focus on genuine growth
- Importantly, these wins largely represent market share gains, as most have come by displacing large-scale SIs in competitive scenarios. This trend underlines Coforge's ability to take business from established peers, especially across its top client base, where 19 of the top 20 accounts face competition from major SIs
- The data center CapEx is fully owned and controlled by Coforge. The assets are on Coforge's books, located and capitalized by the company. While the client benefits from services delivered via the data center, it has no stake or say in the underlying CapEx. The infrastructure is not dedicated to a single client and can be used to serve multiple clients

We have an underweight stance on Indian IT services.

We reinitiated coverage on the Indian IT Services with an Underweight stance through a report on 1 January 2025 (**Slow is the (new/old) normal**), and reiterated that view with an update on 12th March 2025 (**FY26 unlikely to be better than FY25**). We also put out a recent update (**Uncertainty stays and 'eating the tariff' may impact even FY27**) where we indicate we believe the tariff decisions of 7 July 2025 on 14 countries, post the 90-day pause, prolongs the current phase of uncertainty.

Consequently, we see Tier-1 growth to remain at low single digit level for FY26 and 'eating the tariff' may lead to adverse impact on FY27

While both earnings and PE multiples have corrected since 1 Jan 2025, we believe the industry's structural organic revenue growth from here on will be lower than the ~7% CAGR seen during FY15-FY20, possibly ~5% CAGR over FY25-FY30 in constant currency (CC) terms.

Multiple speed breakers post FY25 drive our Underweight stance

Trump policies raise uncertainty: The tariffs, the higher fiscal deficit from the 'one big, beautiful bill' (OBBA), the crackdown on illegal immigration, DOGE, etc all point to uncertainty in the coming days which may delay decision making

Higher for longer interest rate environment: One of the reasons for optimism around the Indian IT Services sector in late 2024 had been the view that the US would achieve a soft landing in 2025 and that Fed Funds rate would be gradually lowered from the peak of 5.25-5.5%, driven by lower inflation. This, the market felt, was the apt environment for a broader pick up in discretionary spending beyond that of North American BFSI sector, especially after two muted years when the constant refrain from vendors for the weak growth was of 'macro uncertainty'.

Lately, based on inflation prints and fears of a higher fiscal deficit, US 10-year yields have remained firm. There are fears that sustained high interest rates could reduce IT outsourcing demand, particularly in sectors like BFSI and Telecom, and dampen US demand in areas like housing, autos and retail.

Covid-induced pull forward of demand requires a multi-year unwind. We think there were excesses during the compressed transformation phase which are yet to be fully unwound.

Gen AI and GCCs are going to disrupt growth: We also believe that AI/Gen AI will lead to compression of revenue for the industry in the next 24-36 months as companies self-cannibalize to hold on to their existing clients. We also believe that the rapid growth of the GCCs is a threat to outsourcing. While there seems to be collaboration between the outsourcers and their clients in setting up these GCCs, there will be growth discontinuity when the business is insourced at some point.

Massive hyper scaler AI capex should accentuate re-alignment in IT spend:

Software players, including hyper scalers, are increasing capex on AI-related data centres. This will drive higher pricing, forcing enterprises to allocate more IT spend to

cloud/SaaS and move it away from the those who have lower bargaining power – the global IT services players.

Higher competition: Indian Tier-1 companies now face higher competition from Accenture (especially as it loses business due to DOGE), Tier-2 players, and Cognizant, likely slowing their growth compared to FY15-FY20. This is besides the fact that by FY25, Tier-1 revenue will reach US\$ 85bn, double that in FY15. Due to the higher base now, growth may not be as rapid.

Weak TCV: The weaker TCV for most players in FY25 (YoY) and lack of any mega deal announcements in recent quarters points to a brewing growth problem for FY26. Many of the large companies like TCS, INFO and HCLT will also grapple with large contributions to incremental revenue by a set of large clients in FY25 or the need to set off large pass-through items.

How we are valuing companies: We are using PE methodology and using TCS as our industry benchmark. The target PE used for TCS now is 21.3x, which is the average PE multiple of TCS over the last 10 years less 0.5SD. Through our choice of the benchmark Target PE multiple, we seek to capture the probability of downside risks to consensus growth expectations for FY26/FY27, especially due to Trump 2.0 proposals.

Tier- 2 valuation reflects growth gap with Tier-1

The Tier-2 set have been taking away market share from the Tier-1 set due to better execution and due to their smaller size. And unlike in the past cycles, they have performed better than the Tier-1 largely due to better management teams.

However, the current PE premium to Tier-1s is excessive as we believe that to deliver on the high consensus revenue growth expectations, they may be taking on more cost take-out projects which are likely to impact their margins adversely.

Fig 1 – Quarterly results: Comparison of actuals with estimates

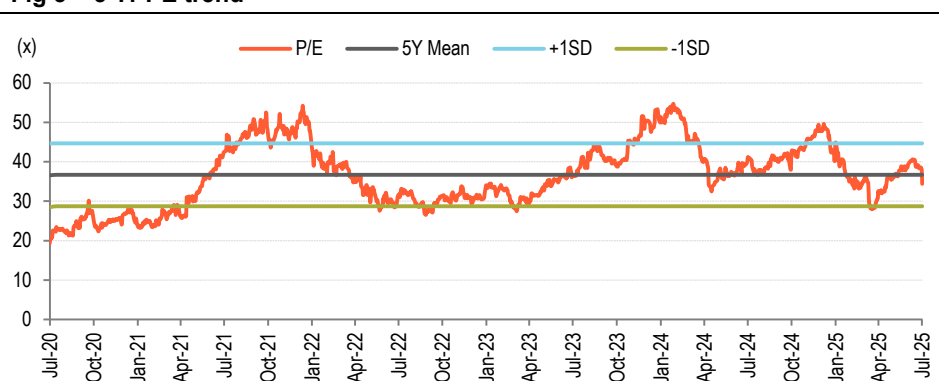
Y/E March (Rsmn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	1QFY26E	Dev (%)
Net Sales (USD mn)	291.4	410.2	442.4	51.8	7.8	430.2	2.8
Net Sales	24,008	34,099	36,886	53.6	8.2	37,208	(0.9)
Direct Cost	16,097	22,471	24,308	51.0	8.2	24,409	(0.4)
Gross Profit	7,911	11,628	12,578	59.0	8.2	12,799	(1.7)
% of Sales	33.0	34.1	34.1			34.4	
SG&A	3,625	5,264	5,543	52.9	5.3	5,676	(2.3)
% of Sales	15.1	15.4	15.0			15.3	
EBITDA	4,286	6,364	7,035	64.1	10.5	7,123	(1.2)
EBITDA Margin (%)	17.9	18.7	19.1			19.1	
Depreciation	815	1,254	1,592	95.3	27.0	1,368	16.3
Cost of ESOPs	199	616	593	198.0	(3.7)	558	6.2
ESOP Cost (%age of sales)	0.83	1.81	1.61			1.50	
EBIT	3,272	4,494	4,850	48.2	7.9	5,197	(6.7)
EBIT Margin (%age of sales)	13.6	13.2	13.1			14.0	
Other Income	(272)	(300)	(447)			62	(815.9)
Acquisition Related Expenses	953	218	43			-	
Exceptional Items	-	43	706			-	
Profit Before Tax	2,047	3,933	3,654	78.5	(7.1)	5,259	(30.5)
Provision for Taxation - Current & Deferred	654	874	1,182	80.7	35.2	1,315	(10.1)
Effective Tax Rate	31.9	22.2	32.3			25.0	
Net Profit	1,393	3,059	2,472	77.5	(19.2)	3,945	(37.3)
Minority Share of Net Profit	61	461	390			461	
PAT attributable to equity shareholders after Minority Interest	1,332	2,598	2,082	56.3	(19.9)	3,484	(40.2)
NPM (%)	5.5	7.6	5.6			9.4	

Source: Company, BOBCAPS Research

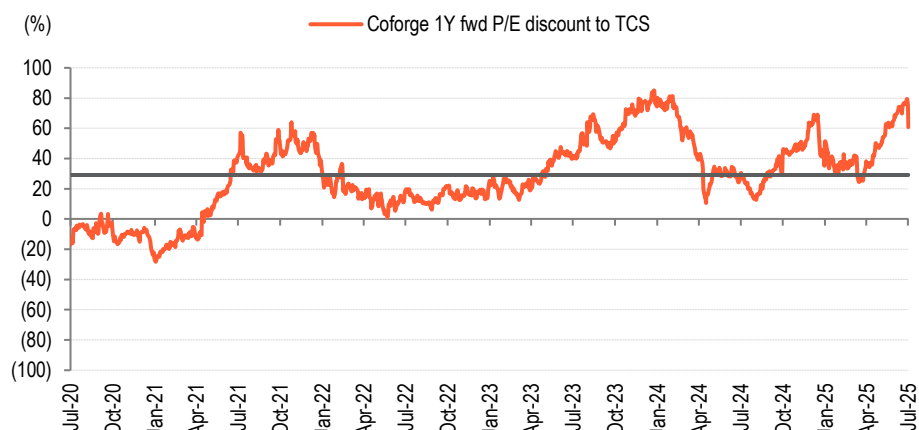
Fig 2 – Revised Estimates

	New			Old			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
INR/USD	86.7	89.3	91.1	87.3	89.3	91.1	(0.7)	-	-
USD Revenue (USD mn)	1,948	2,240	2,576	1,762	2,025	2,343	10.6	10.6	10.0
USD Revenue Growth (%)	32.7	15.0	15.0	20.0	15.0	15.7			
Revenue (Rsmn)	167,995	199,957	234,648	153,725	180,796	213,383	9.3	10.6	10.0
EBIT (Rsmn)	23,575	28,086	32,950	21,548	25,307	29,860	9.4	11.0	10.3
EBIT Margin (%)	14.0	14.0	14.0	14.0	14.0	14.0			
PAT (Rsmn)	14,608	19,213	22,969	14,783	17,687	21,292	(1.2)	8.6	7.9
EPS (Rs)	44.9	57.5	68.8	44.2	52.8	63.6	1.7	8.9	8.1

Source: Company, BOBCAPS Research

Fig 3 – 5 Yr PE trend

Source: Bloomberg, BOBCAPS Research

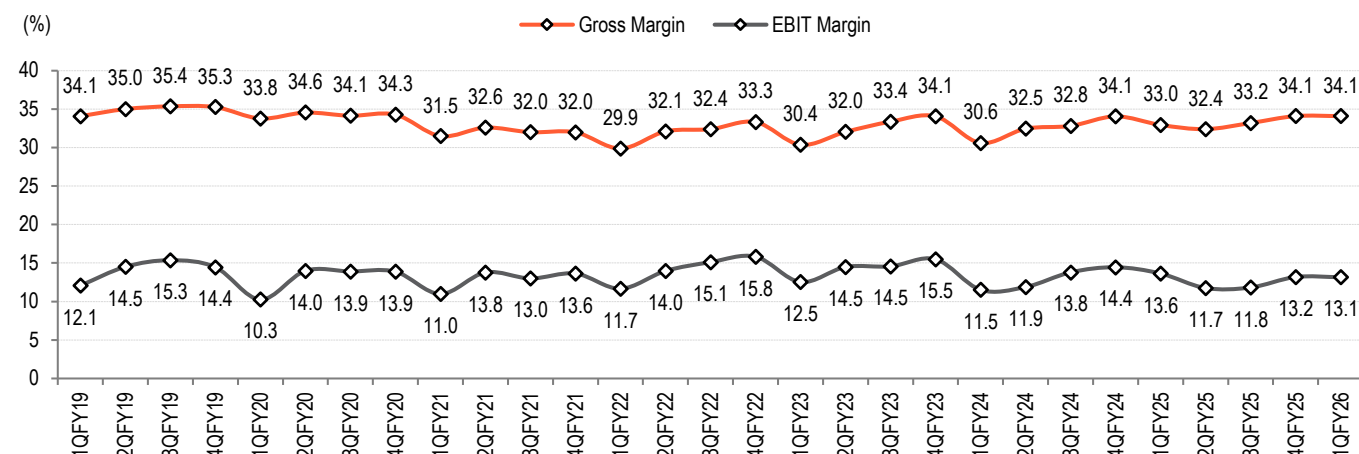
Fig 4 – Premium/ Discount to TCS

Source: Bloomberg, BOBCAPS Research

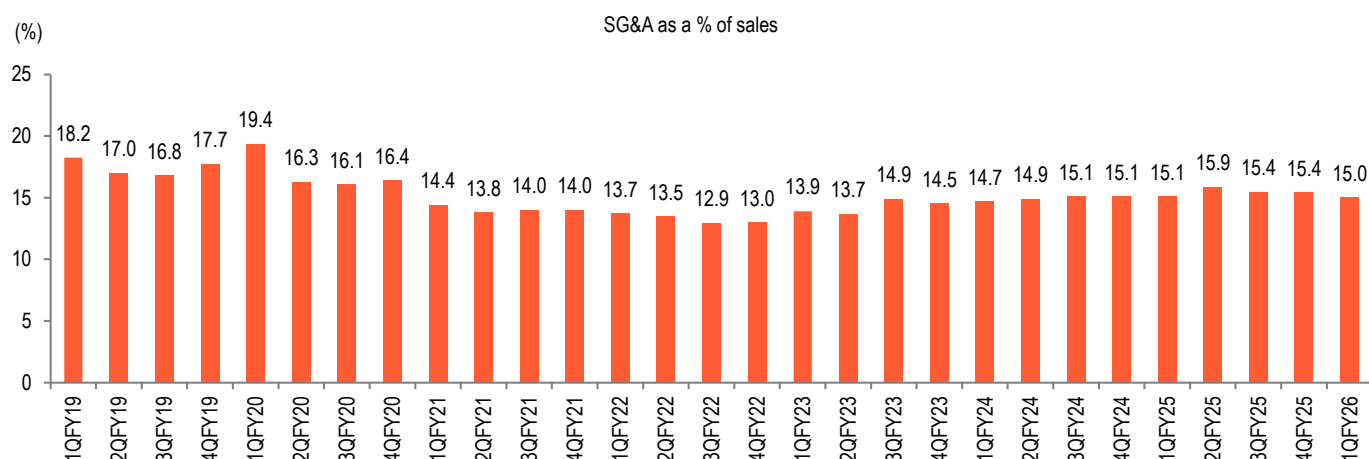
Fig 5 – P&L at a glance

(Rs mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Average INR/USD	54.3	60.5	61.2	64.4	67.0	64.5	70.2	70.5	74.2	74.2	80.0	82.8	84.5	86.7	89.3	91.1
Net sales (US\$mn)	373	381	388	416	417	464	523	593	628	867	1,002	1,119	1,468	1,948	2,240	2,576
-Growth (%)		2.3	1.8	7.3	0.2	11.2	12.8	13.4	5.8	38.0	15.6	11.7	31.2	32.7	15.0	15.0
Net Sales	20,213	23,050	23,724	26,824	27,958	29,914	36,762	41,839	46,628	64,320	80,146	91,790	121,912	167,995	199,957	234,648
-Growth (%)		28.2	14.0	2.9	13.1	4.2	7.0	22.9	13.8	11.4	37.9	24.6	14.5	32.8	37.8	19.0
Direct cost	13,159	15,167	15,655	16,896	17,815	19,179	23,907	27,528	31,693	43,736	54,059	61,948	81,435	111,963	132,856	155,461
Gross Profit	7,054	7,883	8,069	9,928	10,143	10,735	12,855	14,311	14,935	20,584	26,087	29,842	40,477	56,032	67,101	79,187
Gross Margin	34.9	34.2	34.0	37.0	36.3	35.9	35.0	34.2	32.0	32.0	32.5	32.5	33.2	33.4	33.6	33.7
SGA Expenses	3759	4368	4613	5195	5284	5723	6402	7096	6544	8527	11438	13725	18874	24081	30058	36032
% of sales	18.6	19.0	19.4	19.4	18.9	19.1	17.4	17.0	14.0	13.3	14.3	15.0	15.5	14.3	15.0	15.4
Acquisition Related Expenses	-	-	-	-	-	-	-	-	46	269	9	96	1,534	43	-	-
Cost of ESOPs	-	-	-	-	-	-	-	17	481	633	587	1,061	1,737	2,065	1,758	1,758
EBITDA	3,295	3,515	3,456	4,733	4,859	5,012	6,453	7,198	7,864	11,155	14,053	14,960	18,332	29,844	35,285	41,397
% of sales	16.3	15.2	14.6	17.6	17.4	16.8	17.6	17.2	16.9	17.3	17.5	16.3	15.0	17.8	17.6	17.6
Depreciation & Amortisation	567	619	916	1101	1150	1273	1248	1730	1836	2272	2585	3186	4580	6312	7198	8447
% of sales	2.8	2.7	3.9	4.1	4.1	4.3	3.4	4.1	3.9	3.5	3.2	3.5	3.8	3.8	3.6	3.6
EBIT	2728	2896	2540	3632	3709	3739	5205	5468	6028	8883	11468	11774	13752	23532	28086	32950
% of sales	13.5	12.6	10.7	13.5	13.3	12.5	14.2	13.1	12.9	13.8	14.3	12.8	11.3	14.0	14.0	14.0
Other income (net)	207	288	18	183	187	298	476	558	113	(266)	(630)	(1,156)	(1,072)	(788)	(204)	(25)
Exceptional Items	-	-	800	13	221	-	56	71	180	-	1,326	165	132	706	-	-
PBT	2,935	3,184	1,758	3,802	3,675	4,037	5,625	5,955	5,961	8,617	9,512	10,453	12,548	22,038	27,883	32,924
-PBT margin (%)	14.5	13.8	7.4	14.2	13.1	13.5	15.3	14.2	12.8	13.4	11.9	11.4	10.3	13.1	13.9	14.0
Provision for tax	750	803	540	831	820	950	1,404	1,278	1,302	1,468	2,061	2,093	3,201	5,870	7,110	8,396
Effective tax rate (%)	25.6	25.2	30.7	21.9	22.3	23.5	25.0	21.5	21.8	17.0	21.7	20.0	25.5	26.6	25.5	25.5
Net profit	2,185	2,381	1,218	2,971	2,855	3,087	4,221	4,677	4,659	7,149	7,451	8,360	9,347	16,168	20,773	24,529
Minority Interest & share of profit/(loss) of associate	52	76	79	170	220	285	188	236	104	530	513	276	1,240	1,560	1,560	1,560
Net reported profit	2,133	2,305	1,139	2,801	2,635	2,802	4,033	4,441	4,555	6,619	6,938	8,084	8,107	14,608	19,213	22,969
-Growth (%)		8.2	8.1	-50.6	145.9	-5.9	6.3	43.9	10.1	2.6	45.3	4.8	16.5	0.3	80.2	31.5
-Net profit margin (%)	10.6	10.0	4.8	10.4	9.4	9.4	11.0	10.6	9.8	10.3	8.7	8.8	6.6	8.7	9.6	9.8

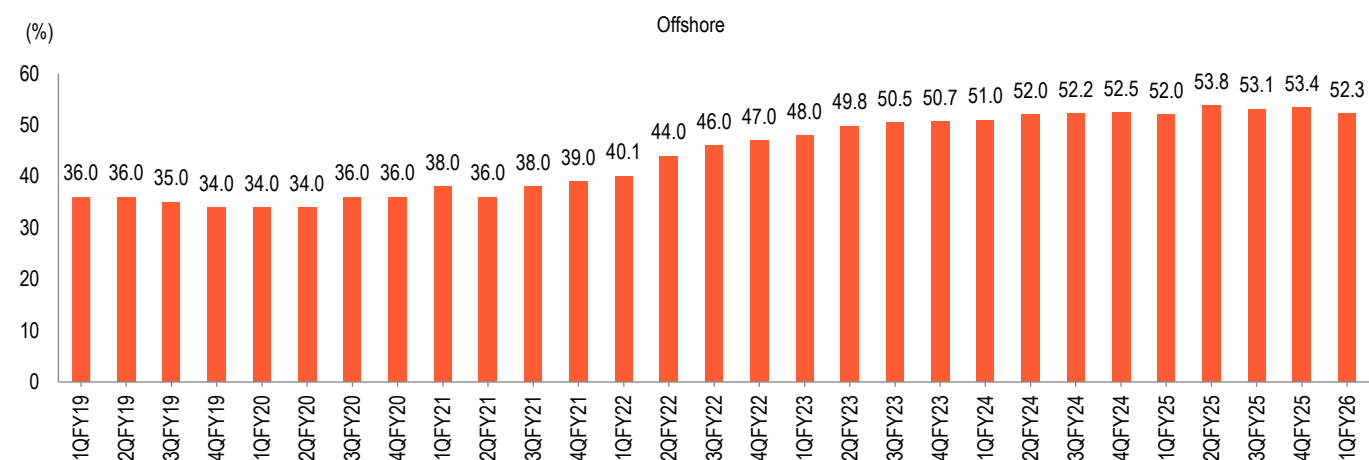
Source: Company, BOBCAPS Research

Fig 6 – Gross Margin and EBIT Margin

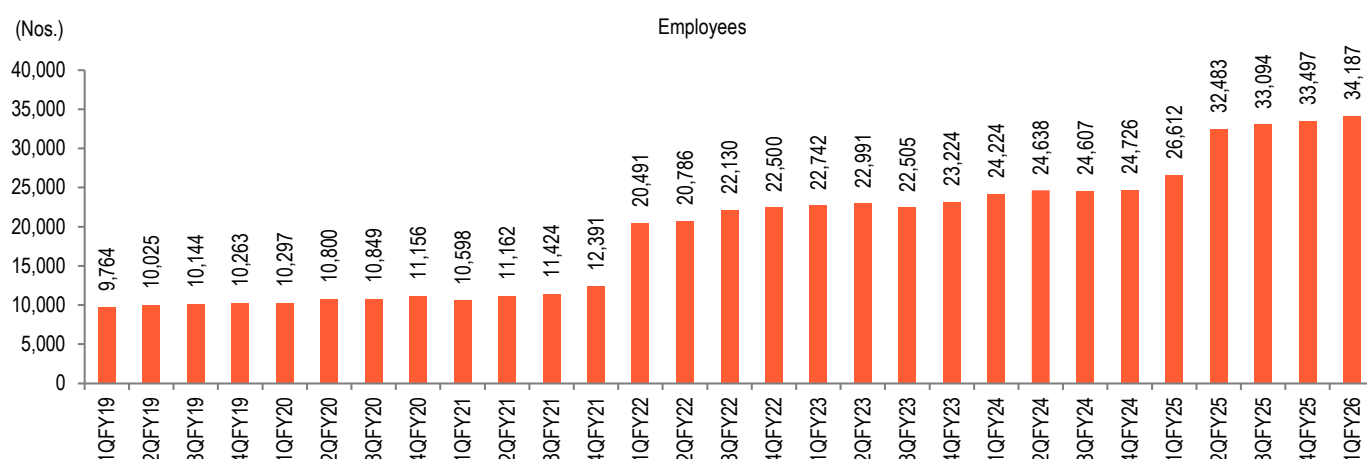
Source: Company, BOBCAPS Research

Fig 7 – SG&A as % of sales

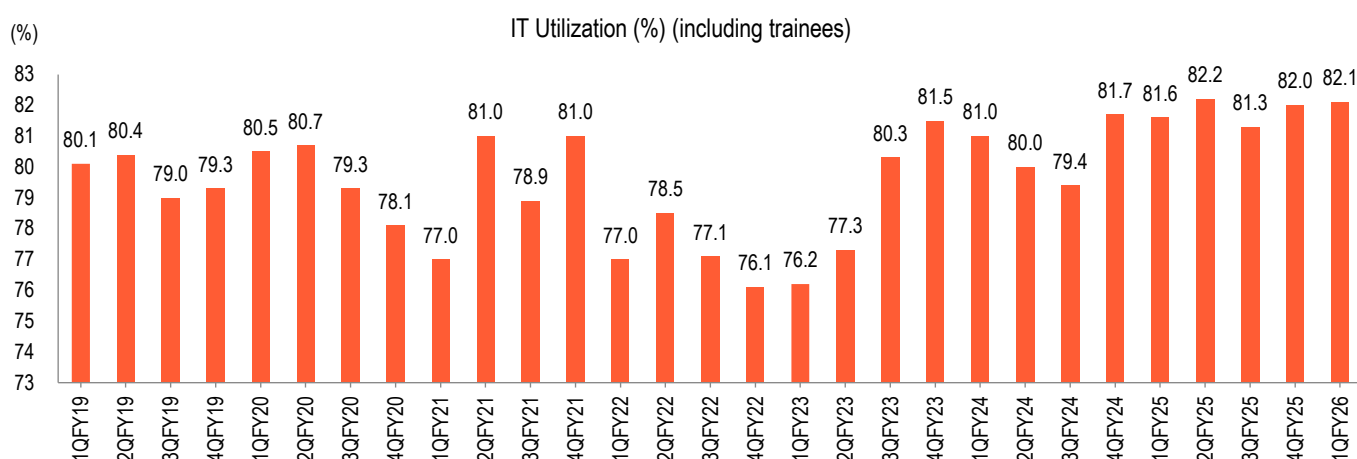
Source: Company, BOBCAPS Research

Fig 8 – Offshore contribution to revenue

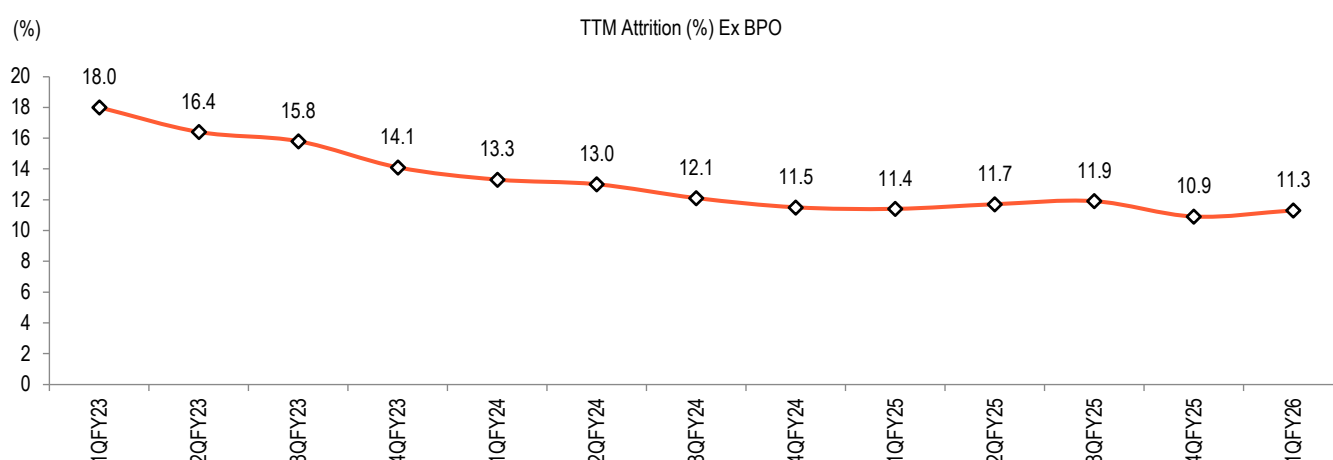
Source: Company, BOBCAPS Research

Fig 9 – Total No. of Employees

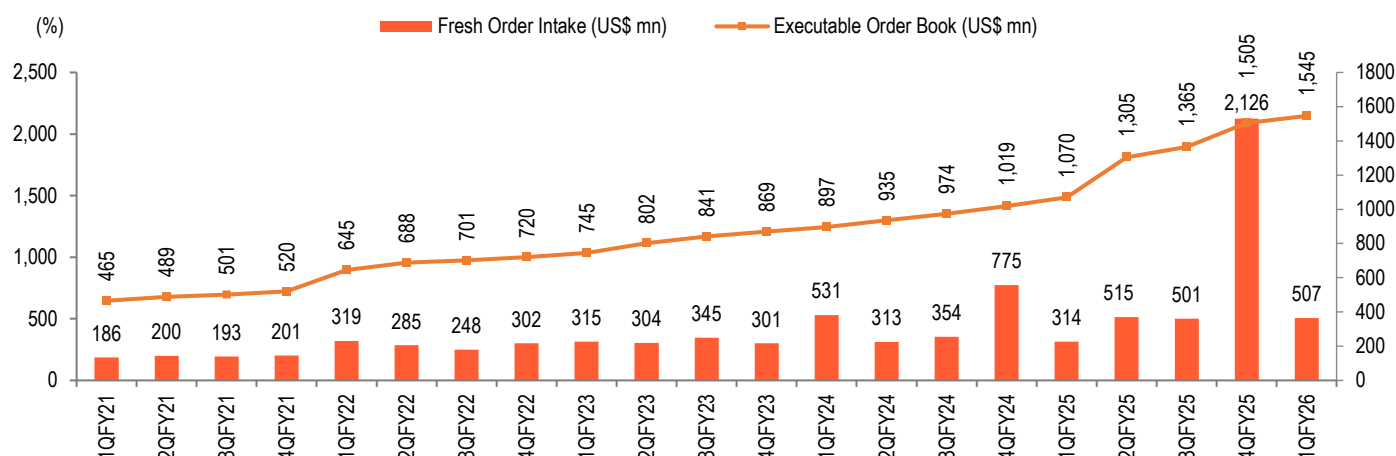
Source: Company, BOBCAPS Research

Fig 10 – IT Utilization

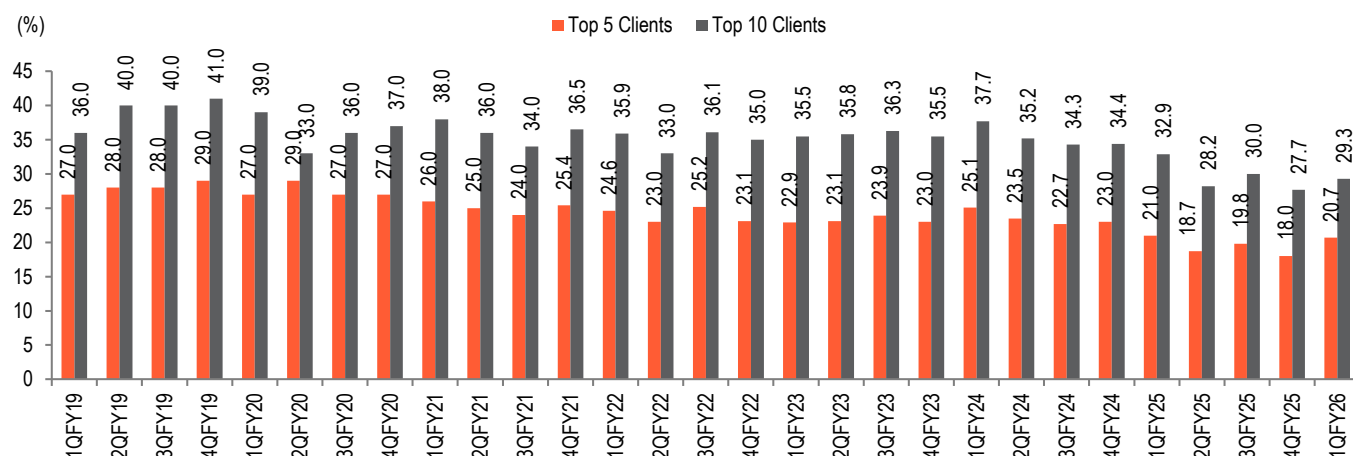
Source: Company, BOBCAPS Research

Fig 11 – Attrition trend

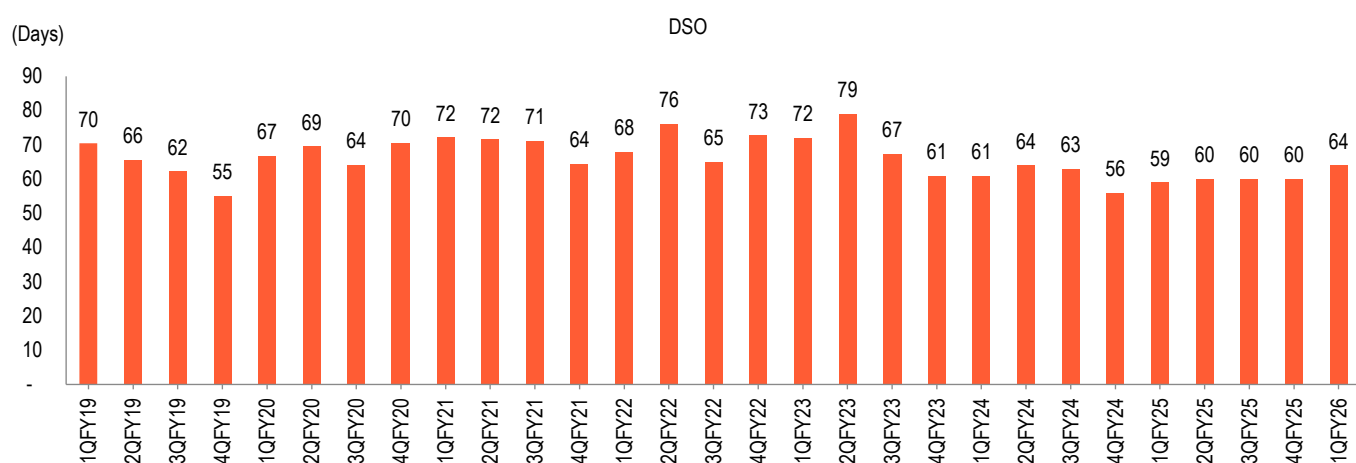
Source: Company, BOBCAPS Research

Fig 12 – Fresh Order Intake (US\$ mn) and Executable Order Book (US\$ mn)

Source: Company, BOBCAPS Research

Fig 13 – Client concentration (% of revenue) over the quarters

Source: Company, BOBCAPS Research

Fig 14 – DSO trend

Source: Company, BOBCAPS Research

Fig 15 – Quarterly Snapshot

Year to 31 March	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
(Rs mn)													
INR/USD	76.5	79.3	81.9	82.4	82.2	82.7	83.3	83.1	83.4	83.8	84.4	86.6	85.6
USD Revenue (USD mn)	239	247	252	264	272	278	282	287	291	369	397	410	442
INR Revenue	18,294	19,594	20,558	21,700	22,210	22,762	23,233	23,585	24,008	30,623	33,182	34,099	36,886
Gross margin	5,555	6,278	6,860	7,394	6,796	7,388	7,624	8,034	7,911	9,922	11,016	11,628	12,578
SGA	2,543	2,682	3,063	3,150	3,264	3,392	3,508	3,561	3,625	4,859	5,126	5,264	5,543
ESOP Cost	90	147	182	168	216	519	104	222	199	222	700	616	593
EBITDA	2,922	3,449	3,615	4,076	3,316	3,477	4,012	4,251	4,087	4,841	5,190	5,748	6,442
Depreciation and Amortisation	630	614	624	717	757	772	811	846	815	1,243	1,268	1,254	1,592
EBIT	2,292	2,835	2,991	3,359	2,559	2,705	3,201	3,405	3,272	3,598	3,922	4,494	4,850
Other income	(76)	(150)	83	(487)	(152)	(295)	(257)	(452)	(272)	(173)	(327)	(300)	(447)
PBT	2,212	2,680	3,074	1,546	2,242	2,410	2,944	2,857	2,047	3,135	3,433	3,933	3,654
Tax	493	474	715	379	485	528	516	564	654	799	874	874	1,182
PAT	1,497	2,011	2,282	1,148	1,653	1,813	2,380	2,238	1,332	2,022	2,155	2,598	2,082
EPS Adjusted (Rs)	4.9	6.6	7.5	3.8	5.4	5.9	7.7	7.2	4.2	6.1	6.5	7.8	7.4
YoY Growth													
USD Revenue	19.6	16.2	13.7	13.8	13.9	12.6	12.0	8.5	7.2	32.8	40.8	43.0	51.8
INR Revenue	25.2	24.9	24.0	24.5	21.4	16.2	13.0	8.7	8.1	34.5	42.8	44.6	53.6
Gross profit	27.2	24.6	27.7	27.3	22.3	17.7	11.1	8.7	16.4	34.3	44.5	44.7	59.0
EBIT	34.4	29.5	19.5	21.9	11.6	(4.6)	7.0	1.4	27.9	33.0	22.5	32.0	48.2
Net Profit	21.0	37.0	24.2	(44.7)	10.4	(9.8)	4.3	94.9	(19.4)	11.5	(9.5)	16.1	56.3
QoQ growth													
USD Revenue	2.7	3.4	1.9	5.05	2.80	2.32	1.40	1.70	1.60	26.77	7.5	3.3	7.8
INR Revenue	5.0	7.1	4.9	5.6	2.4	2.5	2.1	1.5	1.8	27.6	8.4	2.8	8.2
EBIT	(16.8)	23.7	5.5	12.3	(23.8)	5.7	18.3	6.4	(3.9)	10.0	9.0	14.6	7.9
Net Profit	(27.9)	34.3	13.5	(49.7)	44.0	9.7	31.3	(6.0)	(40.5)	51.8	6.6	20.6	(19.9)
Margins													
Gross Margin	30.4	32.0	33.4	34.1	30.6	32.5	32.8	34.1	33.0	32.4	33.2	34.1	34.1
SGA	13.9	13.7	14.9	14.5	14.7	14.9	15.1	15.1	15.1	15.9	15.4	15.4	15.0
EBITDA	16.0	17.6	17.6	18.8	14.9	15.3	17.3	18.0	17.0	15.8	15.6	16.9	17.5
EBIT	12.5	14.5	14.5	15.5	11.5	11.9	13.8	14.4	13.6	11.7	11.8	13.2	13.1
PAT	8.2	10.3	11.1	5.3	7.4	8.0	10.2	9.5	5.5	6.6	6.5	7.6	5.6

Source: Company, BOBCAPS Research

Fig 16 – Key Metrics

Key Metrics	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
P and L (Rs mn)													
Revenue	18,294	19,594	20,558	21,700	22,210	22,762	23,233	23,585	24,008	30,623	33,182	34,099	36,886
EBITDA	2,922	3,449	3,615	4,076	3,316	3,477	4,012	4,251	4,087	4,841	5,190	5,748	6,442
PAT	1,497	2,011	2,282	1,148	1,653	1,813	2,380	2,238	1,332	2,022	2,155	2,598	2,082
Vertical Mix (%)													
BFS	30	32	31	31	31	32	32	34	32	29	28	30	28
Insurance	23	23	22	22	23	23	22	22	21	19	19	18	16
Transportation	19	19	19	19	19	19	18	18	18	18	18	19	23
Government (overseas)								8	8	8	7	7	7
Others	28	26	27	28	28	27	28	20	21	26	29	26	27
Geographical Mix (%)													
Americas	51	51	49	48	50	49	47	48	50	55	56	54	57
EMEA	37	39	40	40	39	39	40	40	39	34	34	33	30
APAC	12	10	11	12	12	12	13	12	11	11	10	13	14
Revenue Mix - IT Business (%)													
Onsite	52	50	50	49	49	48	48	48	48	46	47	47	48
Offshore	48	50	51	51	51	52	52	53	52	54	53	53	52
IT Utilization (%) (including trainees)	76.2	77.3	80.3	81.5	81.0	80.0	79.4	81.7	81.6	82.2	81.3	82.0	82.1
Clients Concentration (%)													
Top 5 Clients	23	23	24	23	25	24	23	23	21	19	20	18	21
Top 10 Clients	36	36	36	36	38	35	34	34	33	28	30	28	29
Number of Client													
Between 1 to 5 million	98	97	98	101	102	104	109	112	118	173	176	173	170
Between 5 to 10 million	24	26	23	23	24	23	23	24	25	29	31	35	40
Above 10 million	19	19	21	21	21	23	24	24	23	29	31	31	32
Revenue by Project type													
Fixed Price Project	52	50	50	50	49	49	51	52	50	43	45	46	47
Time & Material	48	50	50	50	51	51	49	49	50	58	55	54	53
Service Line Mix (%)													
Product Engineering	11	11	10	10	9	9	8	8	0	0	0	0	0
Data & Integration	23	23	24	24	24	25	26	25	27	23	22	22	20
Intelligent Automation	13	13	12	11	12	12	11	11	12	9	9	9	8
CIMS	18	18	19	19	20	19	19	19	19	17	19	16	18
ADM	24	26	27	28	26	27	27	27	0	0	0	0	0
BPM	11	10	9	9	10	10	9	9	9	8	8	8	8
Engineering									32	42	42	45	46
Employees	22,742	22,991	22,505	23,224	24,224	24,638	24,607	24,726	26,612	32,483	33,094	33,497	34,187
TTM Attrition (%) Ex BPO	18.0	16.4	15.8	14.1	13.3	13.0	12.1	11.5	11.4	11.7	11.9	10.9	11.3
Profit and Loss Statement (in USD mn)													
Revenue	239	247	252	264	272	278	282	287	291	369	397	410	442
EBIT	30	36	37	41	31	33	38	41	39	43	46	52	57
PAT	20	25	28	14	20	22	29	27	16	24	26	30	24
Productivity Metrics													
Per Capita (Annualised)													
Revenue	41,984	42,956	44,737	45,539	44,881	45,150	45,841	46,397	43,800	45,488	47,997	48,983	51,762
EBIT	5,271	6,221	6,494	7,025	5,144	5,312	6,250	6,633	5,900	5,290	5,614	6,198	6,629
PAT	3,443	4,413	4,955	2,401	3,323	3,560	4,647	4,359	2,402	2,973	3,085	3,583	2,846

Source: Company, BOBCAPS Research

Fig 17 – QoQ and YoY growth of various parameters

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
QoQ Growth													
By Geography(%)													
Americas	5.6	3.4	(2.2)	3.1	5.8	1.7	(4.3)	4.1	6.3	40.0	9.3	(0.8)	13.7
EMEA	(4.8)	7.9	6.7	3.2	0.2	2.8	4.5	2.0	(1.9)	10.7	8.8	0.6	(3.5)
APAC	18.7	(11.3)	4.9	21.1	(0.6)	3.2	15.2	(7.4)	(5.1)	23.4	(5.1)	36.0	12.9
By Industry (%)													
BFS	9.4	11.1	0.0	4.7	3.1	4.0	3.3	6.4	(4.1)	17.2	0.6	13.4	(1.1)
Insurance	(7.7)	3.9	(2.9)	5.5	4.7	2.3	(1.3)	(0.1)	0.7	13.1	5.8	0.0	(8.1)
Transportation	(0.9)	2.9	1.9	2.3	1.2	2.3	(2.4)	0.6	4.5	26.8	7.5	7.3	31.4
Government (overseas)									4.3	23.5	(2.4)	9.3	6.4
Others	8.5	(4.7)	8.3	7.3	2.1	0.5	4.4	(29.4)	9.4	56.3	19.1	(8.2)	12.9
By Practice Split (%) - Reinstated													
Product Engineering	0.8	3.4	(3.9)	0.8	1.7	(3.1)	(11.1)	1.7					
Data & Integration	8.8	2.5	5.5	3.7	4.5	4.4	6.4	(0.3)	10.5	7.3	3.8	1.9	(0.4)
Intelligent Automation	1.9	3.4	(4.5)	(1.2)	6.5	7.7	(5.3)	0.8	6.1	(1.4)	5.1	1.0	4.1
CIMS	3.9	(0.5)	8.4	7.3	8.2	(5.4)	3.6	2.8	2.1	13.6	19.4	(12.4)	19.2
ADM	(1.8)	10.3	5.5	9.0	(5.0)	6.3	3.3	2.5					
BPM	1.8	(3.1)	(10.8)	3.9	8.5	2.3	(1.8)	3.9	1.6	9.2	0.9	4.7	5.0
Engineering									(7.1)	67.4	6.2	11.9	9.0
Revenues from Top Clients													
Top 5	1.8	4.3	5.5	1.1	12.2	(4.2)	(2.0)	3.0	(7.2)	12.9	13.8	(6.1)	24.0
Top 10	4.2	4.3	3.4	2.7	9.2	(4.5)	(1.2)	2.0	(2.8)	8.7	14.4	(4.6)	14.1
Onsite:Offshore Mix													
Onsite	0.8	(0.1)	0.5	4.6	2.2	0.2	1.0	1.1	2.7	22.0	9.1	2.6	10.4
Offshore	4.9	7.3	3.4	5.5	3.4	4.3	1.8	2.3	0.6	31.2	6.1	3.9	5.6
YoY Growth													
By Geography(%)													
Americas	18.9	14.2	4.9	10.1	10.3	8.5	6.1	7.1	7.6	48.2	69.2	61.3	72.5
EMEA	25.0	37.7	35.9	13.2	19.1	13.5	11.2	9.8	7.5	15.7	20.4	18.8	16.9
APAC	8.6	(22.5)	(8.2)	33.7	12.0	30.3	43.0	9.4	4.5	25.0	3.0	51.2	79.8
By Industry (%)													
BFS	67.2	52.9	24.5	27.3	20.0	12.3	16.0	17.9	9.6	23.6	20.3	28.2	32.2
Insurance	(10.3)	(7.6)	(9.7)	(1.7)	11.4	9.7	11.5	5.5	1.5	12.3	20.3	20.5	10.0
Transportation	22.8	20.6	19.9	6.4	8.6	8.0	3.3	1.5	4.9	30.0	43.2	52.8	92.1
Government (overseas)								NA	NA			37.4	40.1
Others	14.7	6.7	22.6	20.2	13.1	19.2	14.9	(24.5)	(19.0)	26.0	43.8	87.0	93.0
By Practice Split (%) - Reinstated													
Product Engineering	(10.3)	(3.9)	4.2	1.0	1.9	(4.5)	(11.7)	(10.9)					
Data & Integration	37.9	30.4	32.5	22.0	17.3	19.5	20.5	15.8	22.4	25.8	22.7	25.4	13.0
Intelligent Automation	3.9	2.4	(4.2)	(0.6)	3.9	8.2	7.3	9.4	9.1	(0.1)	10.9	11.1	9.0
CIMS	27.3	19.7	13.7	20.1	25.1	19.1	13.8	9.0	2.9	23.5	42.3	21.3	41.5
ADM	11.7	25.5	22.9	24.6	20.5	16.1	13.7	6.9					
BPM	58.0	4.2	(9.3)	(8.6)	(2.5)	2.9	13.3	13.3	6.1	13.3	16.3	17.2	21.1
Engineering									(1.7)	58.6	69.1	85.0	117.1
Revenues from Top Clients													
Top 5	11.3	16.8	7.8	13.3	24.8	14.6	6.4	8.5	(10.3)	5.7	22.8	11.9	49.6
Top 10	18.3	26.1	14.3	15.4	20.9	10.7	5.9	5.1	(6.4)	6.4	23.2	15.2	35.2

Source: Company, BOBCAPS Research

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	91,790	121,912	167,995	199,957	234,648
EBITDA	14,960	18,332	29,844	35,285	41,397
Depreciation	3,186	4,580	6,312	7,198	8,447
EBIT	11,774	13,752	23,532	28,086	32,950
Net interest inc./(exp.)	0	0	0	0	0
Other inc./(exp.)	(1,156)	(1,072)	(788)	(204)	(25)
Exceptional items	165	132	706	0	0
EBT	10,453	12,548	22,038	27,883	32,924
Income taxes	2,093	3,201	5,870	7,110	8,396
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	276	1,240	1,560	1,560	1,560
Reported net profit	8,084	8,107	14,608	19,213	22,969
Adjustments	0	0	0	0	0
Adjusted net profit	8,084	8,107	14,608	19,213	22,969

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	0	0	0	0	0
Other current liabilities	15,315	27,800	32,954	36,227	44,426
Provisions	1,304	1,743	1,743	1,743	1,743
Debt funds	4,153	3,502	6,826	6,026	5,226
Other liabilities	4,039	28,070	28,954	29,202	29,921
Equity capital	618	669	669	669	669
Reserves & surplus	35,648	63,123	70,237	77,758	87,364
Shareholders' fund	36,266	63,792	70,906	78,427	88,033
Total liab. and equities	61,077	124,907	141,383	151,624	169,349
Cash and cash eq.	3,352	8,832	7,106	10,637	12,510
Accounts receivables	18,039	25,771	35,308	38,814	47,599
Inventories	0	0	0	0	0
Other current assets	4,634	11,555	10,700	12,103	15,617
Investments	0	1,457	0	0	0
Net fixed assets	4,470	7,682	13,632	15,434	18,986
CWIP	232	24	24	24	24
Intangible assets	16,133	49,726	54,226	54,226	54,226
Deferred tax assets, net	5,583	5,470	5,997	5,997	5,997
Other assets	8,634	14,390	14,390	14,390	14,390
Total assets	61,077	124,907	141,383	151,624	169,349

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	7,333	11,968	17,735	26,335	28,877
Capital expenditures	(3,783)	(41,804)	(16,762)	(9,000)	(12,000)
Change in investments	0	1,457	(1,457)	0	0
Other investing cash flows	0	0	0	0	0
Cash flow from investing	(3,783)	(40,347)	(18,219)	(9,000)	(12,000)
Equities issued/Others	0	22,400	0	0	0
Debt raised/repaid	380	(651)	3,324	(800)	(800)
Interest expenses	0	0	0	0	0
Dividends paid	(4,673)	(5,019)	(9,019)	(11,692)	(13,362)
Other financing cash flows	0	0	0	0	0
Cash flow from financing	(4,293)	16,730	(5,695)	(12,492)	(14,162)
Chg in cash & cash eq.	(2,435)	5,480	(1,726)	3,530	1,874
Closing cash & cash eq.	3,352	8,832	7,106	10,637	12,510

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	26.3	24.5	44.9	57.5	68.8
Adjusted EPS	26.3	24.5	44.9	57.5	68.8
Dividend per share	15.2	15.2	27.0	35.0	40.0
Book value per share	117.3	190.5	212.3	234.8	263.5

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	6.1	4.6	3.3	2.8	2.4
EV/EBITDA	37.3	30.5	18.7	15.8	13.5
Adjusted P/E	63.8	68.5	37.3	29.1	24.4
P/BV	14.3	8.8	7.9	7.1	6.4

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	77.3	63.9	64.2	68.9	69.8
Interest burden (PBT/EBIT)	88.1	83.0	96.5	99.3	99.9
EBIT margin (EBIT/Revenue)	12.9	12.5	14.0	14.0	14.0
Asset turnover (Rev./Avg TA)	215.5	170.7	163.5	178.7	195.3
Leverage (Avg TA/Avg Equity)	1.3	1.4	1.5	1.5	1.4
Adjusted ROAE	24.1	16.2	21.7	25.7	27.6

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	14.5	32.8	37.8	19.0	17.3
EBITDA	6.5	22.5	62.8	18.2	17.3
Adjusted EPS	15.5	(6.9)	83.6	28.1	19.5
Profitability & Return ratios (%)					
EBITDA margin	16.3	15.0	17.8	17.6	17.6
EBIT margin	12.8	11.3	14.0	14.0	14.0
Adjusted profit margin	8.8	6.6	8.7	9.6	9.8
Adjusted ROAE	24.1	16.2	21.7	25.7	27.6
ROCE	22.3	16.0	17.0	18.7	20.4

Working capital days (days)

Receivables	72	77	77	71	74
Inventory	NA	NA	NA	NA	NA
Payables	NA	NA	NA	NA	NA

Ratios (x)

Gross asset turnover	20.5	15.9	12.3	13.0	12.4
Current ratio	1.7	1.7	1.6	1.7	1.7
Net interest coverage ratio	NA	NA	NA	NA	NA
Adjusted debt/equity	0.0	(0.1)	0.0	(0.1)	(0.1)

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

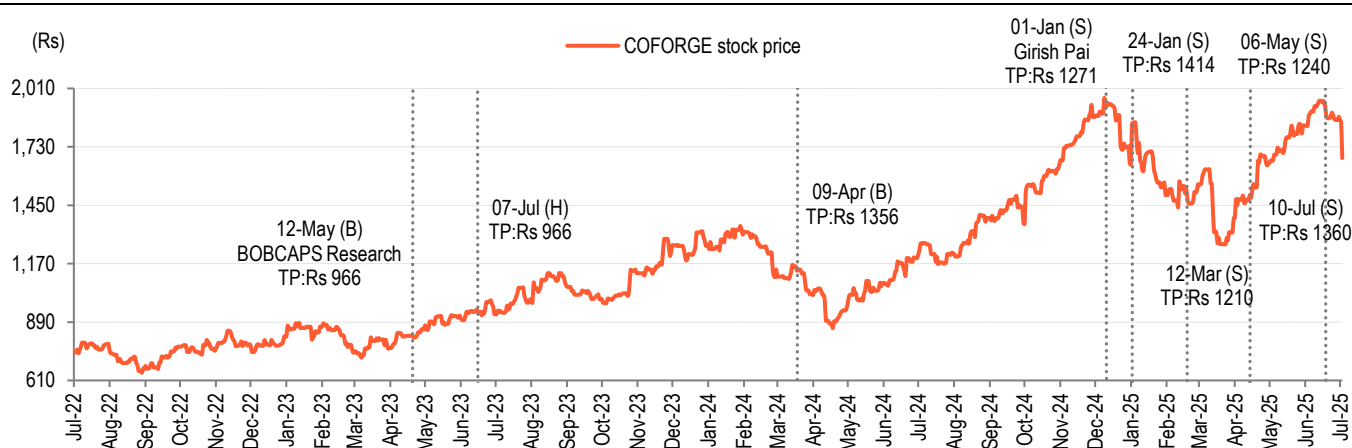
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): COFORGE (COFORGE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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